ExcelForce MSC Berhad

www.excelforce.com.my

Technology
that *moves you*

Annual Report 2017

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OUR MISSION

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the Company will be held at Dewan Berjaya, Equestrian Club, Bukit Kiara Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 30 May 2018 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 2017 and the Reports of the Directors and the Auditors thereon. **(PLEASE REFER TO NOTE 1)**

2. To approve the payment of Directors' Fees and Benefits up to RM624,000 from 1 June 2018 until next Annual General Meeting of the Company. **ORDINARY RESOLUTION 1**

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

   a) Mr. Wang Kuen-Chung @ Jeff Wang - Article 103 **ORDINARY RESOLUTION 2**
   b) Mr. Aaron Sim Kwee Lein - Article 103 **ORDINARY RESOLUTION 3**
   c) Mr. Gan Teck Ban - Article 103 **ORDINARY RESOLUTION 4**

4. To re-appoint Messrs. UHY as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and authorise the Board of Directors to fix the Auditors' remuneration. **ORDINARY RESOLUTION 5**

AS SPECIAL BUSINESS

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

5. **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 alloted.

   AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **ORDINARY RESOLUTION 6**

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

   "THAT Mr. Ng Kim Huat be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance." **ORDINARY RESOLUTION 7**

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

   "THAT subject to the passing of Ordinary Resolution 3, Mr. Aaron Sim Kwee Lein be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance." **ORDINARY RESOLUTION 8**

8. 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.

Notice of Annual General Meeting (cont'd)

By Order of the Board,

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

Dated this 30th day of April 2018
Kuala Lumpur

Notes:

1. *The Audited Financial Statements is meant for discussion only as the provision in 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 23 May 2018. Only a depositor whose name appears on the Record of Depositors as at 23 May 2018 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. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings 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, the Form of Proxy 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.*

7. ***Explanatory note on Special Business***

7.1 *The proposed Ordinary Resolution 6 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 involve 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 issued 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 19 May 2017.

Notice of Annual General Meeting (cont'd)

7. ***Explanatory note on Special Business (cont'd)***

7.2 The proposed Ordinary Resolutions 7 and 8, 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 fulfill the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they are able to function as check and balance, provide a broader view and bring an element of objectivity to the Board.
ii) They understand the business nature and office culture.
iii) They provide the Board with 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

	2013	2014	2015	2016	2017
FINANCIAL PERFORMANCE (RM'000)					
Turnover	20,626	21,874	25,280	22,473	**22,918**
Profit before Tax	9,289	10,325	9,653	6,975	**8,112**
Profit for the Year	6,957	8,844	7,568	5,394	**6,323**
PATANCI	7,001	8,628	7,552	5,630	**6,323**
KEY STATEMENT OF FINANCIAL POSITION DATA (RM'000)					
Cash and Bank Balances	24,044	20,547	19,702	23,329	**21,542**
Total Assets	43,567	54,533	55,008	53,057	**54,446**
Total Liabilities	4,423	11,452	10,561	7,636	**7,874**
Total Net Tangible Assets	31,708	34,007	33,882	35,669	**36,141**
Share Capital	20,677	20,677	20,677	20,687	**20,744**
Equity Attributable to owners of the Company	39,132	42,591	43,940	45,501	**46,572**
SHARE INFORMATION					
Basic Earnings Per Share (sen) [1]	1.69 ^	2.09 ^	1.83 ^	1.36 ^	**1.53**
Diluted Earnings Per Share (sen) [2]	1.69 #	2.09 #	1.83 #	1.05 #	**1.13**
Dividend Per Share (sen)	4.00	2.50	3.00	2.00	**2.50**
FINANCIAL RATIOS					
Current Ratio (times)	8.26	5.63	5.26	8.20	**5.95**
Net Assets Per Share (RM)	0.19	0.21	0.21	0.22	**0.11**
Return on Equity (ROE) [3]	18%	20%	17%	12%	**14%**
Dividend Payout Ratio	118%	60%	82%	74%	**82%**

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.*

   ^ *Restated to reflect the retrospective adjustment arising from the Share Split which was completed during financial year ended 31 December 2017.*

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

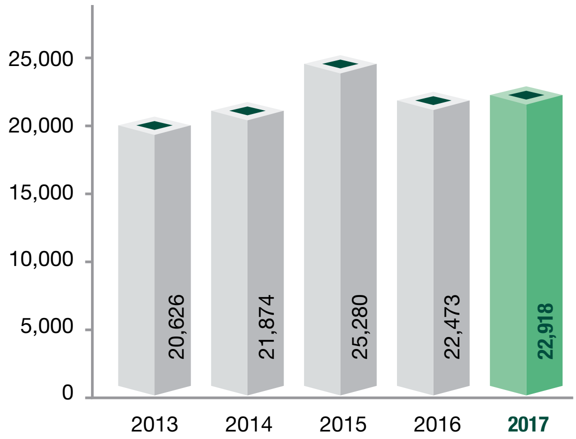
2. *The diluted earnings per ordinary share is computed by dividing the PATANCI by the weighted average number of ordinary shares in issue during the financial year adjusted for the dilutive effects of all potential ordinary shares in issued at the end of the reporting period.*

   # *Restated to reflect the effects of full conversion of warrants pursuant to the Share Split which was completed during financial year ended 31 December 2017.*

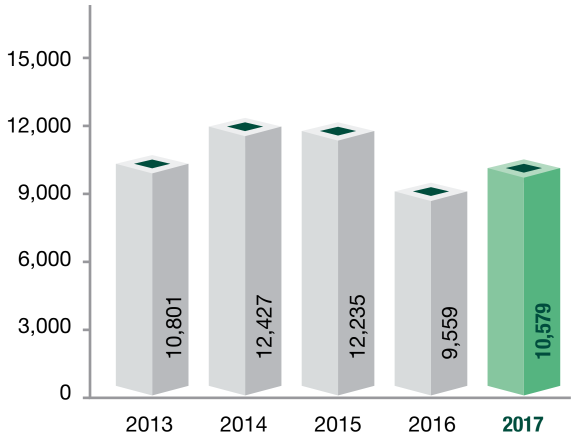
3. *ROE is calculated by dividing the PATANCI by the equity attributable to equity holders of the Company.*

Five-Year Financial Highlights (cont'd)

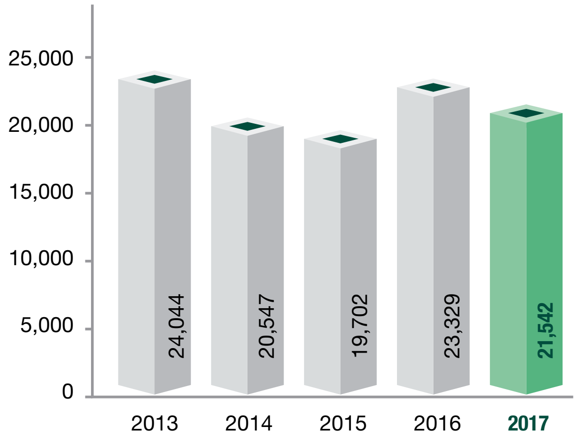
TURNOVER
(RM'000)



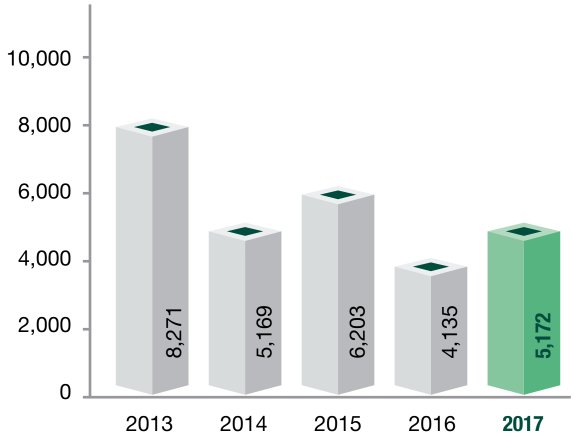
EBITDA
(RM'000)



CASH AND BANK BALANCES
(RM'000)

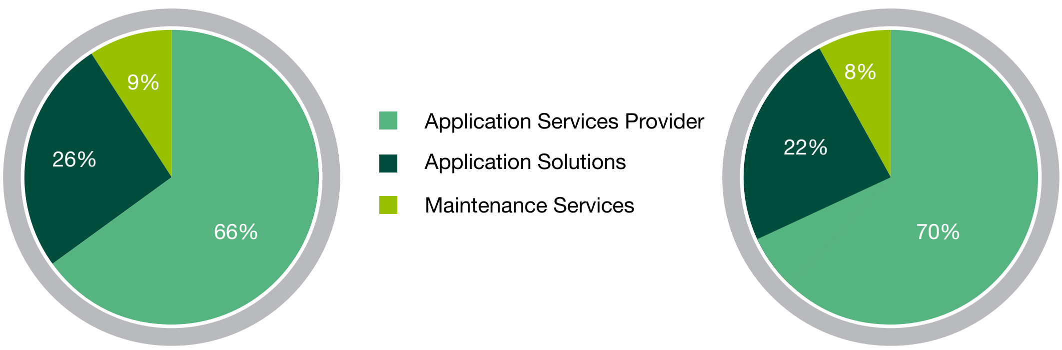


DIVIDEND PAID AND PROPOSED
(RM'000)



GROUP SEGMENTAL REVENUE 2016

GROUP SEGMENTAL REVENUE 2017



Notes:

- *Application Solutions ("AS") represent sales of software applications and products on outright purchase basis.*
- *Application Services Provider ("ASP") represents provision of application services on monthly recurring fixed and variable charges.*
- *Maintenance Services represent provision of maintenance services.*
- *EBITDA represents Earnings before Interest, Taxation, Depreciation and Amortisation.*

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

WONG KOK CHAU
Executive 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

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
LOK CHOON HONG

COMPANY SECRETARIES

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

BUSINESS OFFICE

Level 31, MYEG Tower, Empire City,
No. 8, Jalan Damansara, PJU 8,
47820 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 03-7735 2288 (Hunting line)
Fax : 03-7735 2289

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

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

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

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present the annual report of Excel Force MSC Berhad ("EForce" or "the Group") for the financial year ended 31 December 2017 (FYE 2017")

PERFORMANCE

The Group registered revenue of RM22.9 million in 2017, an increase of 2% or RM0.4 million compared to the previous financial year. Profit before tax (PBT) was RM8.1 million, higher by RM1.1 million or 16% compared to last financial year. The increase in PBT was mainly attributed to the disposal of loss making subsidiaries in 2016 and revenue growth in 2017.

The profit after tax (PAT) for FYE 2017 stood at RM6.3 million, an increase of RM0.9 million over 2016.

PROSPECT

We are in the business of providing complete share trading system solutions to stockbroking companies and investment banks. The Malaysian stock market is poised for greater growth through innovative initiatives like Malaysia-Singapore trading link announced this year that will benefit investors on both sides of the causeway. It will help expand the participation and deepen liquidity at the exchanges.

EForce is well placed to capitalise on this growth as more than 50% of current Bursa Malaysia trading volume flows through the system we built. We have plans to strengthen our technology capability and focus on growing this core business segment further. To this end, we have allocated sufficient research and development resources to ensure our solutions are secure, fast and user friendly.

DIVIDEND

In appreciation of our shareholders' continued support, the Board has declared and paid a single tier interim dividend of 2.5 sen per ordinary share in FYE 2017.

APPRECIATION AND ACKNOWLEDGEMENT

The Board wishes to express its appreciation to our valued customers, suppliers, business partners, financiers, government agencies and regulatory authorities for their continued support and confidence in EForce.

Thank you and well done to our management and staff for their contribution to the Group.

Lastly, my sincere appreciation to my fellow Board members for their commitment, guidance and invaluable advice to enable the Board to properly discharge their fiduciary duties to the best of their ability.

DATO' DR. NORRAESAH BINTI HAJI MOHAMAD
Executive Chairman

Management Discussion And Analysis

This Statement contains the management discussion and analysis of the business operation and performance of the Group for the financial year ended 31 December 2017.

It should be read in conjunction with the audited financial statements of the Group as set out in this Annual Report.

WANG KUEN-CHUNG @ JEFF WANG
Founder, Managing Director

BUSINESS OVERVIEW

Excel Force MSC Berhad was established on 6 February 2002. EForce is a leading information technology solution provider involved in the development, provision and maintenance of application and system solutions for the financial services industry, specifically the stockbroking companies and investment banks.

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

(a) Application Solutions ("AS")
- Sales of software applications and product on 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 (for client-server, web and mobile-based stock trading), CyberBroker Middle Office, CyberBroker Back Office, StockBanking System and Fundamental Analysis System.

EForce provides reliable and stable solutions to meet the mission critical environment that customers operate in. Over the years, EForce has earned a solid reputation in consistently meeting customers' expectations, and in some instances, going beyond what's duty bound. The Group has a good understanding of customers' business needs and strives to response quickly and always with good quality performance.

REVIEW OF FINANCIAL RESULTS

For FYE 2017, the Group registered a 2% increase in revenue growth to RM22.9 million (RM22.5 million in 2016). Profit before tax (PBT) in FYE 2017 was RM8.1 million, higher by RM1.1 million or 16% compared to a year ago. The increase in PBT was mainly attributed to the disposal of loss making subsidiaries in 2016 and revenue growth in 2017. The Profit after tax (PAT) stood at RM6.3 million, an increase of RM0.9 million compared to 2016.

The total assets of the Group is RM54.4 million, an increase of RM1.4 million compared to the corresponding period last year. The Group continues to invest in its product development and has prudently managed its cash holding. Cash, bank balances and short-term funds as at 31 December 2017 is RM21.5 million.

Management Discussion And Analysis (cont'd)

The financial highlights of the Group are shown on pages 5 and 6.

REVIEW OF OPERATION

In 2017, EForce customers business performed well on the back of improved market sentiments at Bursa Malaysia ("Bursa"). Higher trades were recorded which boosted customer's business volume. EForce benefited from an increase in ASP business segment revenue, and an uptick in customers' requests for system enhancement to improve user experience and increase work efficiency.

EForce had also implemented a number of Bursa mandated system enhancements to support their initiatives on growing the stock market. Amongst the changes were launch of Leading Entrepreneur Accelerator Platform (LEAP) Market for SMEs and sophisticated investors, launch of Real Estate Investment Trust (REIT) Index, and new trading features to enhance flexibility in trading strategies.

On 31 March 2017, Insage (MSC) Sdn. Bhd. ("Insage") became a wholly-owned subsidiary of EForce with the acquisition of the remaining 40% shareholding. The management managed to reduce Insage operating expenditure and improve profit margin. In December 2017, EForce subscribed to additional shares in Insage to address the capital deficiency issue.

On 1 August 2017, EForce signed a Memorandum of Understanding with UK based Aquis Exchange Ltd ("Aquis"), with the intent to enter into a software delivery, support and operations agreement in the area of designing and building infrastructure and software, and customised training to support operationalization. Aquis is an exchange services group, which operates a pan-European cash equities trading exchange (under Aquis Exchange) and develops and licenses exchange software to third parties (under Aquis Technologies). Aquis is authorised and regulated by the UK Financial Conduct Authority to operate a Multilateral Trading Facility.

KEY BUSINESS RISK AND MITIGATION STRATEGIES

EForce's income is derived from the stockbroking sector of the financial services industry. Changes to government policies, banking regulations, securities regulations and stockbroking rules have an impact to EForce's business and operational performance. The Group continuously monitors trends in regulatory development, and through consistent engagements with brokers, regulators and relevant governmental agencies, the Group can better anticipate and formulate responses to changes.

The Group embraces the use of digital technology solutions to solve customers' business problems. As the speed of technological change increases, the risk of current solutions becoming obsolete is an ever present danger. To manage and mitigate this issue, the Group continues to invest in its people and explore new technology to keep our solutions current, more efficient, effective and relevant to the customers' needs.

The risk of cyber-attack (malware, phishing, distributed denial of services or DDoS, etc.) with the intent to steal data and deny genuine user access are growing menaces. The Group ensures it keeps abreast with the latest in cybersecurity trends and development, and periodically review its system security settings to strengthen its cyber-defenses.

The detail risk management and internal control are disclosed in Statement on Risk Management and Internal Control (SORMIC) on page 34 to 36 in this annual report. The framework enables the Board to continuously identify, assess and manage risks that affects the respective business segments within the Group.

Management Discussion And Analysis (cont'd)

FORWARD LOOKING STATEMENT

EForce believes Malaysian securities trading market is poised for further growth, as evident by the range of initiatives announced by the Prime Minister YAB Dato' Sri Mohd Najib Tun Abdul Razak during the World Capital Markets Symposium held in Kuala Lumpur in February 2018. The Group shall remain focus on its core business segment of building and maintaining state of the art share trading systems and its supporting functions, and enabling brokers and banks to capitalise on the growth ahead, towards a vibrant stock exchange with increased investor participation and deepened liquidity.

Concurrently, the Group is open to collaboration opportunities with potential partners in Malaysia and overseas to explore new business segments that leverages on the Group's technological capability in real time online digital solutions for mission critical business environment.

DIVIDEND

As an appreciation to our valued shareholders for their continuous support, the Group had declared and paid 2.5 sen dividend per share in FYE 2017. The Group allocated 82% 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 working capital and future growth of the Group. Factors that may influence the dividend payout includes, among others, the profitability of the Group, the availability of cash balance and adequacy of reserve.

Board of Directors' Profile

DATO' DR. NORRAESAH BINTI HAJI MOHAMAD
Executive Chairman

- Female, Aged 69

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, 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. She does not have any family relationship with any Director and/ or major shareholder of the Company.

WANG KUEN-CHUNG @ JEFF WANG
Founder, Managing Director

- Male, Aged 61

Wang Kuen-Chung @ Jeff Wang, a Taiwanese national 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 strategic planning of the business.

Board of Directors' Profile (cont'd)

WONG KOK CHAU
Executive Director

- Male, Aged 49

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 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 career with KT, he switched role to be a full time Consultant. 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 business direction of a global facilities management company and improving cross functional team 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, working closely with the Managing Director and Chief Executive Officer.

GAN TECK BAN
Executive Director

- Male, Aged 52

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 Supervisor where he was responsible for the maintenance of 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 to Technical Specialist. His responsibilities include managing a software team, project planning and management.

In 1997, he joined Excel Force Sdn. Bhd. as Senior Programmer. He was involved in a number of software and system developments.

In 2005, he was promoted as Customer Service Manager. His responsibilites included managing a support team, liaise with various departments for resource planning and project implementation in EForce.

He is now Head of Sales and Business Development, responsible for formulating marketing plan, product and proposal presentation, secure new business and maintain good relationship with customers.

Board of Directors' Profile (cont'd)

ENG SHAO HON

Executive Director

- Male, Aged 43

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.

Shao Hon started his career in 1999 with Motorola Malaysia as 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.

He was the solution designer and key person in the development of StockBanking System, where his knowledge and expertise in Share Margin Financing System was applied.

Presently, he is the Chief Technology Officer responsible for research and development function in EForce.

NG KIM HUAT

Independent Non-Executive Director

- Male, Aged 60

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.

Board of Directors' Profile (cont'd)

AARON SIM KWEE LEIN
Independent Non-Executive Director

- Male, Aged 52

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 48

Lok Choon Hong, a Malaysian, was appointed to the Board on 2 June 2014. 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, Nomination Committee and Remuneration 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

The Management team is headed by the Managing Director, Mr. Wang Kuen-Chung @ Jeff Wang and Chief Executive Officer, Dato' Mohd Fauzi Bin Yaakub. They are assisted by Executive Directors, Mr. Wong Kok Chau, Mr. Eng Shao Hon, Mr. Gan Teck Ban and the following key senior management.

DATO' MOHD FAUZI BIN YAAKUB

Chief Executive Officer

- Male, Aged 52

Dato' Mohd Fauzi Bin Yaakub, a Malaysian, was appointed as Chief Executive Officer on 1 August 2017. He holds a Bachelor of Business Administration Degree from National University of Malaysia (UKM) and Master in Business Administration Degree from Northern University of Malaya (UUM). He was also awarded the Associateship of the Malaysian Insurance Institute (AMII).

He is a proven leader, with more than 28 years of experience and over 20 years at Senior Management level in various industries namely, construction, property development, financial services, insurance and takaful, and retail.

Prior to joining EForce, he served as the Chief Operating Officer of Selia Group, mainly responsible for the overall operations of the company that holds a privatization concession of the Federal Road maintenance. From January 2013 to December 2015, he served as the Chairman of ICM Corporation Sdn Bhd, a construction company, where he was responsible for providing board leadership and oversight in the management and business direction of the company. He had also served as the Chief Executive Officer of UniAsia General Insurance Bhd and Hong Leong MSIG Takaful, where he accumulated about 10 years of hands-on experience in insurance and takaful industry. He was the Technical Advisor to the Malaysian Takaful Association between March 2013 to March 2015, providing technical advice and expertise on general takaful and family takaful.

Currently, he is responsible for managing the Company, formulating and executing long-term strategies with a view to create and enhance shareholder value.

WONG GUAN BOON

Head, Customer Service

- Male, Aged 43

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

He started his career as a Hardware Engineer with Excel Force Sdn Bhd and experience in technical support and marketing role.

He was also involved in a number of sales and implementation of EForce's products including Internet stock trading system, Equities Back Office System, Trader Information System, Professional Trading Platform – BTX, Public Display System and StockBanking systems to customers in Malaysia, Indonesia, Singapore, Thailand and Vietnam.

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

Key Senior Management Profile (cont'd)

NICHLAS KIM SOON SENG
Head, Research and Development

- Male, Aged 35

Nichlas Kim Soon Seng, a Malaysian, joined EForce on 23 August 2005. He graduated with a Bachelor of Computer Engineering degree from Iowa State University, Ames where he specialized in microcontrollers, digital systems, computer organization and design.

After graduation, he started his career with EForce as software developer. He played an instrumental role in the development of Custodian and Nominees System, Cyberstock Trading Solution for customers in Malaysia, Vietnam and Indonesia.

Nichlas was also closely involved in the development of Back Office System and responsible for building new HTML5 based multi-platform Cyberstock Trading Solution. Most recently, he led the development of an insurance product comparison portal.

Currently, he is responsible on product research and development together with Chief Technology Officer in EForce and also involved in daily operation.

WONG BOON LEONG
Head, System Design Department

- Male, Aged 38

Wong Boon Leong, a Malaysian, joined EForce on 23 August 2005 as a Software Developer. He graduated with Bachelor of Information Systems Engineering degree from UTAR (Universiti Tunku Abdul Rahman). He is also a Project Management Professional (PMP) certified practitioner.

Throughout his 13 years with EForce, he has held various positions such as System Analyst, Project Manager and Head of System Design. He has vast overseas and local projects experience, engaging with our clients from stock trading, banking and insurance industries. Boon Leong helps them to fulfill not just their business needs, but gain competitive advantages by leveraging on IT systems and products.

Currently he is responsible for system design and quality assurance function.

Key Senior Management Profile (cont'd)

LIEW KEAN FATT
Head, Finance

- Male, Aged 50

Liew Kean Fatt, a Malaysian, joined EForce on 15 May 2013 as Finance Manager.

He completed his Chartered Accountancy 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 worked in various industries, including manufacturing, brokerage firms and travel agency. 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 he was responsible to ensure smooth operation of finance department, prepare monthly financial report and variance analysis report. He was also involved in preparation of consolidated financial statements.

Currently as Head of Finance, his responsibilities are to oversee the operation of finance and accounts division, ensure accurate financial reporting and compliances, and manage treasury function of the company. He is also responsible for corporate tax planning and involve in risk management and internal control function.

ALICIA CHAN SAU HSIA
Head, Human Resources & Administration

- Female, Aged 44

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

She graduated with a Bachelor of Management (Marketing from the University of South Australia. She also 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 Responsibilities programs.

Currently as Head of Human Resources and Administration, she is responsible in formulating and implementing human resources strategy and productivity, aligning them to the organisation's aspirations and objectives. She also assists in creating balance amongst people, work environment and performances.

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

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

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

Corporate Governance Statement

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 ("MCCG") and Bursa Malaysia Securities Berhad ("Bursa Securities")'s Main Market Listing Requirements ("MMLR").

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

1.0 Every Company is headed by a board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

1.1 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: -

- Review and adopting a strategic plan for the Company, address the sustainability of the Group's business;
- Overseeing and evaluating the conduct of the succession planning for the Group;
- Identify principal business risks faced by the Group and ensure the implementation of appropriate systems to manage these risks;
- Overseeing the conduct and operation of the Group's business and evaluating whether or not business are being manage properly;
- Reviewing the adequacy and integrity of the Group's internal control and management information system;
- Carrying out periodic review of the Group's financial statement and operating results and major capital commitment ; and
- Reviewing and approving any major corporate proposals, new business venture, or joint venture of the Group.

1.2 The Chairman leads the Board and is responsible for the effective performance of the Board. The Chairman ensures that all relevant issues and critical information to facilitate decision making and effective running of the Group's business are included in the periodic meeting agenda.

The roles of the Chairman and the Managing Director and the term of reference of the committees are mentioned in the Board Charter which is made available for reference at Company's website at www.excelforce.com.my.

Corporate Governance Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I Board Responsibilities (cont'd)

1.0 Every Company is headed by a board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company. (cont'd)

1.3 The position of Chairman and Managing Director are held by different individuals. The Chairman is an Executive member of the Board.

1.4 The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of governance best practices. The Company Secretaries are MAICSA members, experienced and competent on statutory and regulatory requirements.

The Company Secretaries carry out the following tasks: -

(a) Attend and ensure proper conduct and procedures at all Board meetings, Board Committee Meeting, Annual General Meeting, Extraordinary General Meetings and others meetings that require the attendance of the Company Secreatary and ensure that meetings are properly convened;

(b) Ensure that matters discuss at the meetings are properly recorded and minuted;

(c) Ensure that audited financial statement, quarterly financial results, annual reports, circulars and all relevant announcement are announced to Bursa Malaysia Securities Berhad and Securities Commission on a timely manner;

(d) Ensure that the Company complies with MMLR and the requirements of the relevant authorities;

(e) Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirement and best practice;

(f) Keep the Directors and principle officers informed of the closed period for trading in the Company's shares; and

(g) Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.

1.5 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.

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.

Upon recommendation by the Management or committee members, the Board will deliberate and discuss on all matters before any decision is 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.

Corporate Governance Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I Board Responsibilities (cont'd)

1.0 Every Company is headed by a board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company. (cont'd)

1.5 External auditor and internal auditor are invited to attend meetings to provide insights and professional views, advice and explanation on matter specify in the meeting agenda. When necessary, senior management team from different department are also invited to participate at the Board meeting to enable all Board members to have equal access to the latest updates and development of the business operation presented by the senior management team.

2.0 There is demarcation of responsibilities between the board, board committees and management. There is clarity in the authority of the board, its committees and individual directors.

The Board has a Board Charter which is reviewed periodically and published on the Company's website. The Board Charter was last reviewed on 27 February 2018. The Board Charter clearly identifies;

(a) the respective roles and responsibilities of the board, board committee, individual directors and management; and
(b) issues and decisions reserved for the board.

The Board may appropriately delegate its authority to board committees or management. It should not abdicate its responsibility and should all times exercise collective oversight of the board committees and management. They should not delegate matters to a committee or management to an extent that would significantly hinder or reduce the Board's ability to discharge its function.

3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board, management, employees and other stakeholders are clear on what is considered acceptable behavior and practice in the Company.

3.1 The Board recognised the importance of formalizing a Code of Conduct, setting out the standard of conduct expected from directors and employees, to engender good corporate behavior. The Board will formalised its Code of Conduct in due course.

3.2 The Board encourages employees to report genuine concerns in relation to breach of legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workspace. All complaints or grievance can be channeled to the management or any of the Independent Directors.

II Board Composition

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspective and insights.

4.1 The Board consists of eight (8) members; comprising one (1) Executive Chairman, one (1) Managing Director, three (3) Executive Directors and three (3) Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

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.

Corporate Governance Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspective and insights. (cont'd)

4.1 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 judgment. They scrutinize the decisions taken by the Board and provide objectivity 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 and specific industry knowledge which are relevant to the Group's business.

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 MMLR 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.

4.2 The Board noted the MCCG recommends that the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the Board as a non-independent director. In the event the Board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the Board continue to retain the independent director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

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 years.

4.3 The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the independent directors are capable to exercise independent judgment and act in the best interest of the Group. The independent directors of the Company fulfill the criteria of "Independent". They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making.

4.4 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 equal opportunity to all candidates.

Corporate Governance Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspective and insights. (cont'd)

4.5 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. Wang Kuen-Chung@Jeff Wang, Mr. Aaron Sim Kwee Lein and Mr. Gan Teck Ban are standing for re-election pursuant to Article 103. Their profiles are set out in the section on Board of Directors' Profile of this Annual Report.

4.6 The Board is supportive of the recommendation of MCCG and recognises the importance of boardroom diversity to the establishment of workforce gender diversity policy. The Board currently has one (1) female director and is looking forward to increasing female director as and when needed.

4.7 The Board used a variety of approaches and sources to ensure that it can identify the most suitable candidates. This may include sourcing from a directors' registry and open advertisement or the use of independent search firm.

Currently, the appointment of candidates for non-executive director position were sourced from recommendation made by the existing board member, management or major shareholders.

4.8 During the financial year ended 31 December 2017, four (4) Board Meetings were held. The summary of attendance at the Board meetings held in the financial year ended 31 December 2017 is as follows: -

Name of Director	Member Attendance
Executive Directors	
Dato' Dr. Norraesah Binti Haji Mohamad	4/4
Wang Kuen-Chung @ Jeff Wang	4/4
Wong Kok Chau	4/4
Gan Teck Ban	4/4
Eng Shao Hon	4/4
Independent Non-Executive Directors	
Ng Kim Huat	4/4
Aaron Sim Kwee Lein	4/4
Lok Choon Hong	4/4

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.

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 programme conducted by highly competent professionals that are relevant to the Company's operations and businesses.

Corporate Governance Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspective and insights. (cont'd)

4.8 The summary of trainings attended by the Directors for the financial year ended 31 December 2017 is as follows: -

Name of Director	Training Programme
Dato' Norraesah Binti Haji Mohamad	World Islamic Economic Forum Foundation
Wang Kuen-Chung @ Jeff Wang	Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World.
Wong Kok Chau	Capital Market Conference 2017.
Gan Teck Ban	Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World.
Eng Shao Hon	Capital Market Conference 2017.
Aaron Sim Kwee Lein	Cost of Capital and Discount & Premiums.
Ng Kim Huat	Driving Financial Integrity and Performance – Enhancing financial literacy
Lok Choon Hong	Case study workshop for Independent Director.

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the the Board and individual directors.

The Company conducts an annual assessment to evaluate the effectiveness of the Board and the Board committee as well as the performance of each individual director through the Nomination Committee.

The Nomination Committee ("NC") of the Company comprises exclusively Independent Non-Executive Directors and its composition is as follows: -

Name of Director	Position
Ng Kim Huat	Chairman
Aaron Sim Kwee Lein	Member
Lok Choon Hong	Member

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.

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.

Corporate Governance Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the the Board and individual directors. (cont'd)

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) 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.

III Remuneration

6.0 The level and composition of remuneration of directors and senior management take into account the Company's desire to attract and retain the right talent in the board and senior management to drive the company's long term objectives. The remuneration policies and decisions are made through a transparent and independent process.

6.1 The Remuneration Committee ("RC") of the Company consists of three (3) Independent Non-Executive Directors and its composition is as follows :

Name of Director	Position
Ng Kim Huat	Chairman
Aaron Sim Kwee Lein	Member
Lok Choon Hong	Member

The RC held one (1) meeting during the financial year to carry out its function as stated within the term of reference. The details of terms of reference of RC are available for reference at the Company's website at www.excelforce.com.my.

6.2 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.

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.

Corporate Governance Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III Remuneration (cont'd)

6.0 The level and composition of remuneration of directors and senior management take into account the Company's desire to attract and retain the right talent in the board and senior management to drive the company's long term objectives. The remuneration policies and decisions are made through a transparent and independent process. (cont'd)

6.2 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.

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the Company's performance.

The details of the Directors' remuneration comprising remuneration received/receivable from the Company and subsidiary respectively in financial year ended 31 December 2017 are as follows: -

7.1 Aggregate remuneration of Directors categorized into appropriate components are as follows :

Company	Fees (RM)	Salaries & bonus (RM)	Other emoluments (RM)	Total (RM)
Executive Directors	370,786	1,087,087	-	1,457,873
Non-executive Directors	144,000	-	-	144,000
Total	514,786	1,087,087		1,601,873

Group	Fees (RM)	Salaries & bonus (RM)	Other emoluments (RM)	Total (RM)
Executive Directors	370,786	1,087,087	-	1,457,873
Non-executive Directors	144,000	-	-	144,000
Total	514,786	1,087,087		1,601,873

7.2 Directors' remuneration are broadly categorized into the following bands: -

	Company Number of Directors		Group Number of Directors	
Range of remuneration RM	Executive	Non-Executive	Executive	Non-Executive
50,000 and below-	-	3	-	3
100,001 to 150,000	1	-	1	-
300,001 to 350,000	2	-	2	-
350,001 to 400,000	-	-	-	-
400,001 to 450,000	2	-	2	-

Corporate Governance Statement (cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

8.0 There is an effective and independent audit committee. The Board is able to objectively review the audit committee's findings and recommendations. The Company's financial statement is a reliable source of information.

8.1 The Audit Committee's ("AC") principal duties include the supervision of the truthfulness and reliability of the Company's financial statements, the effectiveness and adequacy of the Company's internal control as well as risk management system.

The AC of the Company comprises exclusively Independent Non-Executive Directors and to ensure the Board is able to review the AC's finding and recommendation independently, the chairman of AC is not the chairman of the Board.

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.

8.2 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.

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.

The Board is satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 31December 2017, 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.

8.3 The Group practises the cooling off period to safeguard the independence of the audit by avoiding potential threat which may arise when a former key audit partner is in a position to exert significant influence over the audit and preparation of the Company's financial statements.

Corporate Governance Statement (cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I Audit Committee (cont'd)

8.0 There is an effective and independent audit committee. The Board is able to objectively review the audit committee's findings and recommendations. The Company's financial statement is a reliable source of information. (cont'd)

8.4 The AC assesses the suitability, objectivity and independence of the external auditor on an annual basis, the AC establishes policies and procedures that consider among others:

- The competence, audit quality and resource capacity of the external auditor in relation to the audit
- The nature of the non-audit services rendered and the appropriateness of the level of fees; and
- Obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of the external professional and regulatory requirements.

9.0 Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future evebt or situation on the company's objectives is mitigated and managed.

9.1 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 adequacy of the 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.

9.2 The Group has established Risk Management Committee of the Management ("RMCM") on 18 January 2018 and is headed by the Chief Executive Officer. Its member will comprise of key management team. The primary responsibility and purpose of RMCM is to assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework on on-going basis. The RMCM reports to AC and the Board in implementing and ensuring effective risk management of the Company.

10.0 Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

The Group has outsourced its internal audit function to an independent consultant firm. 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. The AC also decides on internal audit function among others the;

- Appointment and removal;
- Scope of work;
- Performance evaluation; and
- Budget.

Corporate Governance Statement (cont'd)

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

I Communication with Stakeholders

11.0 There is continuous communication between the Company and shareholders to facilitate mutual understanding of each other's objectives and expectation. Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.

The Board believes the dialogue with stakeholders is a necessary and beneficial process as it enables the company to understand stakeholders' concerns and to take these concerns into account when making decisions.

Besides the Company has established an investor relation website to keep our shareholders and investor updated on latest development of the Company. It includes announcements released to Bursa, quarterly financial results and annual reports.

II Conduct of General Meeting

12.0 Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decision at general meetings.

The Annual General Meeting ("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-eight (28) 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 set out in the notice of general meetings will be carried out by poll voting. The Board will make announcement of the detail results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

Corporate Responsibility

The Group believes that adopting the principle of business sustainability will contribute toward the wellbeing society, and bring about economic and social development. It will also improve the quality of life for the workforce, stakeholders' 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 strive to upgrade our employees' competency, skills and knowledge by conducting structured training sessions, both internally and externally. The training programs aim to equip our employees with key skills to support their career goals. The Group's Employees Handbook provides guiding principles on the standards of ethics and professional conduct required of our for employees.

The Group ensures that all employees are covered with insurance on life and medical as well as hospitalization benefits. In addition, we organize various festive and birthday celebrations as well as sport tournament to encourage interaction and relationship building amongst employees.

COMMUNITY

As part of our commitment towards Corporate Social Responsibility (CSR), the Group made contribution to various non-profitable and charitable institutions. They are:-

Organization	Core activities
Tabung Kebajikan Dan Pendidikan Yayasan Mualamat Belia	To develop the nation's children, especially the generation of youths to the level of excellence and the equivalent of foreign nations
Persatuan Kebajikan Ti-Ratana	To provide Children's Homes/Orphanage, Old Folks' Homes, Shelter Home for Women, Centre for anyone in need of shelter, care, or support. Free Mobile Healthcare Services & Community Centre for the development of a happy and healthy society.

MARKETPLACE

The Group is committed to ensure the interest of all our important stakeholders – our shareholders, suppliers and customers are well taken care of. We ensure proper corporate governance practices are in place and are closely monitored and reviewed periodically. For our suppliers, we practice transparent and fair procurement policies. For our customer, we are committed to deliver quality products and meet their requirements through continuous upgrading of our technology, process and services.

ENVIRONMENT

The Group applies the concept of 3R (Reduce-Recycle-Reuse) and encourages responsible environment protection among the employees and stakeholders. The Group supports the Government's effort in adopting appropriate climate change policies in Malaysia.

We ensure a safe and healthty working environment through:

i) Setting policies and procedures to promote workplace health and safety and reduce accident/injury rates that could affect work performance,
ii) Ensuring office security is strictly maintained at all times (e.g. access control, CCTV surveillance, security guards etc.),
iii) Ensuring our office premises are equipped with relevant fitting and equipment in case of fire (e.g. fire alarms, fire extinguisher, fire proof door etc),
iv) Conducting periodical fire drill exercises.

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 2017.

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 2017 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, analyses 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)

THE AUDIT COMMITTEE IS GOVERNED BY THE FOLLOWING TERMS OF REFERENCE: (CONT'D)

1. Membership (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 the 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 attended all the Audit Committee meetings held in year 2017. 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 function 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;

Audit Committee Report (cont'd)

THE AUDIT COMMITTEE IS GOVERNED BY THE FOLLOWING TERMS OF REFERENCE: (CONT'D)

3. Key Functions and Responsibilities (cont'd)

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 adequacy of the Risk Management framework, policy, process and procedures undertaken and whether or not appropriate Risk Management Control actions are taken on to safeguard the interest of the respective stakeholders.

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 to provide reasonable assurance that such system continues 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 of Sales & Marketing Standard Operating Procedures;
(b Internal control environment of Project Management;
(c) Internal control environment of Customer Service;
(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 2017 was RM31,160.

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 Excel Force MSC Berhad and its subsidiaries (“the Group”) for the financial year ended 31 December 2017 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirement of Bursa Malaysia Security Berhad (“MMLR”), Malaysian Code on Corporate Governance (“MCCG”) and “Statement on Internal Control and Risk Management : Guidelines for Directors of Listed Issuers”.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Group to maintain adequate systems of internal controls and risk management to safeguard its investment, the interest of customers, regulators, employees, and the Group’s assets. The Board further recognises its responsibility in reviewing 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 system 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 COMMITTEE OF THE MANAGEMENT (“RMCM”)

Risk Management Committee of the Management is established at management level to assist the Audit Committee (“AC”) and the Board in implementing and ensuring efficient and effective risk management of the Company. The term of reference has been reviewed and received by AC in the quarterly Audit Committee meeting.

The composition of RMCM is as follows:

Chairman	Chief Executive Officer
Secretary	Legal Executive
Members	• Chief Executive Officer • Executive Director • Chief Technology Officer • Head of Finance • Head of Sales & Marketing • Head of HR & Administration • Head of Customer Service • Head of Research & Development • Head of System Design • Head of Project Management

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 financial 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 is 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, approaches and processes, roles and responsibilities, and various risk management concept. The responsibility of respective risk owners is to identify and ensure that adequate control systems are implemented to minimise and control the risks faced by the Group.

Statement On Risk Management And Internal Control (cont'd)

RISK MANAGEMENT (CONT'D)

The management has been embedded the responsibility to manage the risk and internal controls that is associated with the operations of the Group and to ensure 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, assesses 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.

The Internal Auditor uses the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control systems. Each quarterly audit is engaged by approximately 2 to 4 audit personnel depending on the areas of audit. Quarterly audit reports and status report on follow up actions were tabled to the Audit Committee and Board during its quarterly Audit Committee Meetings.

The Internal Auditors are free from any relationships or conflict of interest, which could impair their objectivity and independence of the internal audit function. The Internal Auditors does not have any direct operational responsibility or authority over any of the activities audited. The Audit Committee is of the opinion that the internal audit function is effective and able to function independently.

For the financial year ended 31 December 2017, three (3) internal audit reviews and one (1) risk management review had been carried out by Internal Auditor:

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
January - March 2017	May 2017	Excel Force MSC Berhad	• Sales and Marketing function
April - June 2017	August 2017	Excel Force MSC Berhad	• Research and Development function
July - September 2017	November 2017	Excel Force MSC Berhad	• Finance and Accounts function • Procurement function
October - December 2017	February 2018	Excel Force MSC Berhad	• Review of Risk Management performed by the Management.

Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report.

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 periodical 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;

Statement On Risk Management And Internal Control (cont'd)

THE KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM INCLUDE: (CONT'D)

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 internal control system 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.

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 considered 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 Chief Executive Officer and Head of Finance 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 Bursa Securities Listing Requirements paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, the External Auditors have 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, on the basis of the reporting criteria as set out in Paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

CONCLUSION

For the financial year 31st December 2017 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 13 April 2018.

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 since the end of the previous financial year.

STATUTORY AUDIT AND NON-STATUTORY AUDIT FEES

The amount of audit and non- audit fees incurred for the services render by external auditors of the Group for the financial year ended 31 December 2017 are as follows: -

	Group RM	Company RM
Audit fees	53,500	50,500
Non-audit fees	9,500	4,500

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

On 26 December 2017, we have entered into a tenancy agreement with MY E.G. Services Berhad for rent of office space located at Level 31, MYEG Tower, Empire City. No. 8, Jalan Damansara, PJU 8, 47820 Petaling Jaya. Details of transaction are as follows:

Term of tenancy : 1 December 2017 to 30 November 2020
Monthly rental : RM30,256.20

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposal during the financial year ended 31 December 2017.

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal Activities

The principal activities of the Company are the development, provision and maintenance of software application solutions for the financial services industry. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements.

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

Financial Results

	Group RM	Company RM
Profit for the financial year	6,323,258	6,223,872
Attributable to:		
Owners of the parent	6,323,258	6,223,872

Reserves and Provisions

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

Dividends

Since the end of the last financial year, the Company paid:

	RM
First interim single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2017 on 28 March 2017	2,068,660
Second interim single tier dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2017 on 16 June 2017	3,102,990
	5,171,650

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

Directors' Report (cont'd)

Issue of Shares and Debentures

During the financial year, the Company undertook a share split involving the subdivision of every 1 existing ordinary shares into 2 new ordinary shares which involved issuance of 206,865,975 additional shares and listing of up to 103,286,156 additional warrants arising from the adjustment to the number of outstanding warrants in accordance with the provisions of the Deed Poll. The split shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 21 June 2017.

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

There was no issuance of debentures during the financial year.

Warrants

The Warrants 2014/2019 were constituted under the Deed Poll dated 1 July 2014.

As at 31 December 2017, the total number of Warrants that remained unexercised was 206,572,312.

The salient terms of the Warrants are disclosed in Note 14 to the financial statements.

Options Granted Over Unissued Shares

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

Directors

The Directors in office during the financial year until the date of this report are:

Dato' Dr. Norraesah Binti Haji Mohamad * (appointed on 10 February 2017)
Wang Kuen-Chung @ Jeff Wang *
Wong Kok Chau
Gan Teck Ban
Eng Shao Hon *
Ng Kim Huat
Aaron Sim Kwee Lein
Lok Choon Hong

The Director who held office in the subsidiary company (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report is Dato' Mohd Fauzi Bin Yaakub.

* Directors of the Company and its subsidiary companies

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

Directors' Report (cont'd)

Directors' Interests

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

	Number of ordinary shares				
	1.1.2017 / ^ Date of appointment	**Bought**	**Share spilt**	**Sold**	**31.12.2017**
Interests in the Company					
Direct interests					
Wang Kuen-Chung @ Jeff Wang	5,949,502	-	949,502	5,000,000	1,899,004
Gan Teck Ban	675,000	-	675,000	-	1,350,000
Lok Choon Hong	20,000	-	20,000	-	40,000
Wong Kok Chau	-	5,000	-	-	5,000
Dato' Dr. Norraesah Binti Haji Mohamad	230,000^	-	230,000	-	460,000
Indirect interests					
Wang Kuen-Chung @ Jeff Wang[1]	26,675,000	-	19,675,000	23,000,000	23,350,000
Dato' Dr. Norraesah Binti Haji Mohamad[2]	-	82,482,800	-	-	82,482,800

	Number of Warrants 2014/2019				
	1.1.2017	**Bought**	**Share spilt**	**Sold**	**31.12.2017**
Interests in the Company					
Direct interests					
Wang Kuen-Chung @ Jeff Wang	51	-	51	-	102
Wong Kok Chau	-	1,000	-	-	1,000
Indirect interests					
Dato' Dr. Norraesah Binti Haji Mohamad[2]	-	10,000,000	-	-	10,000,000

Notes:

1. *Deemed interest pursuant to Section 8 of the Companies Act, 2016 by virtue of shareholdings in Exacta Co. Ltd., a company incorporated in British Virgin Islands.*
2. *Deemed interest pursuant to Section 8 of the Companies Act, 2016 by virtue of shareholdings in Asia Internet Holdings Sdn. Bhd., a company incorporated in Malaysia.*

None of the other Directors in office at the end of the financial year had any 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, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 26 to the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

Indemnity and Insurance Costs

There was no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

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

(b) At the date of this report, the Directors are not aware of any circumstances:

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

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

  (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

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

(c) At the date of this report, there does not exist:

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

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

Directors' Report (cont'd)

Other Statutory Information (cont'd)

(d) In the opinion of Directors:

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

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

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

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 7 of the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are disclosed in Note 22 of the financial statements.

Subsequent Event

The subsequent event is disclosed in Note 33 of the financial statements.

Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 13 April 2018.

WONG KOK CHAU

ENG SHAO HON

KUALA LUMPUR

Statement By Directors

Pursuant To Section 251(2) Of The Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 47 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 13 April 2018.

WONG KOK CHAU

ENG SHAO HON

KUALA LUMPUR

Statutory Declaration

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

I, Liew Kean Fatt (MIA Membership No: 16662), being the Officer primarily responsible for the financial management of Excel Force MSC Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 47 to 113 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed)
at Kuala Lumpur in the Federal Territory)
on 13 April 2018)

LIEW KEAN FATT

Before me,

COMMISSIONER FOR OATHS

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 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 113.

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 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Requirements

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 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 financial 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.

Key Audit Matters	How we addressed the key audit matters
Impairment assessment on product development costs As at 31 December 2017, the Group recognised product development costs of RM10,431,178 and disclosed their assessment for impairment of product development costs in Note 5 to the financial statements. Significant judgement is involved in estimating the recoverable amount, ie: the present value of future cash flows generated by product development costs. It involves uncertainties and is significantly affected by assumptions used and judgement made regarding estimates of future cash flows including forecasted revenue growth, profit margin of the products and discount rates.	We evaluated management's assessment of whether there was any indication of impairment on product development costs. We assessed the reasonableness of cash flows forecasts and projections by comparison to historical performance and future outlook, as well as discussion with management. We verified the discount rate by comparison to third party information, the Group's cost of capital and relevant risk factors. We performed sensitivity analysis by taking into account the historical forecasting accuracy of the Group to 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 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has 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 the financial statements.

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

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

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

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

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 judgment and maintain professional scepticism throughout the audit. We also: (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 and the Company to cease to continue as a going concern.

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(1) The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another auditors who expressed an unmodified opinion on those statements on 10 April 2017.

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

UHY
Firm Number: AF 1411
Chartered Accountants

LIM BEE PENG
Approved Number: 03307/06/2019 J
Chartered Accountant

KUALA LUMPUR

13 April 2018

Statements Of Financial Position
As At 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Assets					
Non-Current Assets					
Property, plant and equipment	4	3,392,984	15,907,287	3,375,757	15,870,925
Product development costs	5	10,431,178	9,832,069	8,809,414	7,921,396
Intangible assets	6	-	-	-	-
Investment in subsidiary companies	7	-	-	500,003	-
Amount due from a subsidiary company	8	-	-	1,012,420	1,312,680
		13,824,162	25,739,356	13,697,594	25,105,001
Current Assets					
Inventories	9	25,860	26,349	25,860	26,349
Trade receivables	10	3,150,120	3,282,981	2,732,671	3,058,626
Other receivables	11	2,522,198	678,879	2,497,547	663,093
Tax recoverable		400	-	-	-
Amount due from a subsidiary company	8	-	-	323,257	728,225
Cash and bank balances and short term funds	12	21,541,617	23,328,962	21,369,345	23,215,348
		27,240,195	27,317,171	26,948,680	27,691,641
Assets held for sale	13	13,381,204	-	13,381,204	-
		40,621,399	27,317,171	40,329,884	27,691,641
Total Assets		54,445,561	53,056,527	54,027,478	52,796,642

Statements Of Financial Position
As At 31 December 2017 (cont'd)

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Equity and Liabilities					
Equity					
Share capital	14	20,743,365	20,686,597	20,743,365	20,686,597
Reserves	15	25,828,596	24,814,501	26,124,151	25,128,697
Equity attributable to owners of the parent		46,571,961	45,501,098	46,867,516	45,815,294
Non-controlling interests		-	(80,744)	-	-
Total Equity		46,571,961	45,420,354	46,867,516	45,815,294
Non-Current Liabilities					
Loan and borrowing	16	3,258,894	4,240,002	3,258,894	4,240,002
Deferred tax liabilities	17	37,042	63,013	37,042	63,013
		3,295,936	4,303,015	3,295,936	4,303,015
Current Liabilities					
Trade payables	18	337,160	460,060	313,840	439,685
Other payables	19	3,009,515	1,831,123	2,319,197	1,196,673
Loan and borrowing	16	981,108	981,108	981,108	981,108
Tax payable		249,881	60,867	249,881	60,867
		4,577,664	3,333,158	3,864,026	2,678,333
Total Liabilities		7,873,600	7,636,173	7,159,962	6,981,348
Total Equity and Liabilities		54,445,561	53,056,527	54,027,478	52,796,642

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 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	20	22,918,204	22,472,628	21,822,333	20,086,958
Cost of sales	21	(7,870,981)	(8,629,986)	(7,193,354)	(7,071,491)
Gross profit		15,047,223	13,842,642	14,628,979	13,015,467
Other income		649,940	706,543	825,703	970,979
Administrative expenses		(5,934,728)	(5,570,092)	(5,813,546)	(4,747,805)
Marketing expenses		(23,585)	(105,604)	(23,485)	(30,039)
Other operating expenses		(1,626,332)	(1,898,982)	(1,604,960)	(1,782,415)
Profit before tax	22	8,112,518	6,974,507	8,012,691	7,426,187
Taxation	23	(1,789,260)	(1,580,672)	(1,788,819)	(1,575,107)
Profit for the financial year, representing total comprehensive income for the financial year		6,323,258	5,393,835	6,223,872	5,851,080
Profit for the financial year, representing total comprehensive income for the financial year attributable to:					
Owners of the parent		6,323,258	5,629,762	6,223,872	5,851,080
Non-controlling interests		-	(235,927)	-	-
		6,323,258	5,393,835	6,223,872	5,851,080
Earnings per share					
Basic earnings per share (sen)	24	1.53	1.36		
Diluted earnings per share (sen)	24	1.13	1.05		

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

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2017

		Attributable to owners of the parent						
	Note	Share Capital RM	Share Premium RM	Other Reserve RM	Distributable Retained Earnings RM	Total RM	Non-controlling Interests RM	Total Equity RM
Group								
At 1 January 2017		20,686,597	56,768	-	24,757,733	45,501,098	(80,744)	45,420,354
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	6,323,258	6,323,258	-	6,323,258
Transition to no-par value regime on 31 January 2017	14,15	56,768	(56,768)	-	-	-	-	-
Transactions with owners:								
Change in ownership interest in a subsidiary company	7(c)	-	-	(80,745)	-	(80,745)	80,744	(1)
Dividends	25	-	-	-	(5,171,650)	(5,171,650)	-	(5,171,650)
		-	-	(80,745)	(5,171,650)	(5,252,395)	80,744	(5,171,651)
At 31 December 2017		20,743,365	-	(80,745)	25,909,341	46,571,961	-	46,571,961

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2017 (cont'd)

		Attributable to owners of the parent					
	Note	Share Capital RM	Share Premium RM	Distributable Retained Earnings RM	Total RM	Non-controlling Interests RM	Total Equity RM
Group							
At 1 January 2016		20,676,810	-	23,263,333	43,940,143	506,347	44,446,490
Profit for the financial year, representing total comprehensive income for the financial year		-	-	5,629,762	5,629,762	(235,927)	5,393,835
Transactions with owners:							
Issuance of ordinary shares pursuant to exercise of warrants	14, 15	9,787	56,768	-	66,555	-	66,555
Disposal of subsidiary companies	7(e)	-	-	-	-	(351,164)	(351,164)
Dividends	25	-	-	(4,135,362)	(4,135,362)	-	(4,135,362)
		9,787	56,768	(4,135,362)	(4,068,807)	(351,164)	(4,419,971)
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 2017 (cont'd)

	Note	Share Capital RM	Share Premium RM	Distributable Retained Earnings RM	Total Equity RM
Company					
At 1 January 2017		20,686,597	56,768	25,071,929	45,815,294
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,223,872	6,223,872
Transition to no-par value regime on 31 January 2017	14, 15	56,768	(56,768)	-	-
Transactions with owners					
Dividends	25	-	-	(5,171,650)	(5,171,650)
At 31 December 2017		20,743,365	-	26,124,151	46,867,516
At 1 January 2016		20,676,810	-	23,356,211	44,033,021
Profit for the financial year, representing total comprehensive income for the financial year		-	-	5,851,080	5,851,080
Transactions with owners					
Issuance of ordinary shares pursuant to exercise of warrants	14, 15	9,787	56,768	-	66,555
Dividends	25	-	-	(4,135,362)	(4,135,362)
		9,787	56,768	(4,135,362)	(4,068,807)
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 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Profit before tax		8,112,518	6,974,507	8,012,691	7,426,187
Adjustments for:					
Amortisation of product development cost		2,060,831	1,773,670	1,489,032	1,352,853
Depreciation of property, plant and equipment		968,452	1,280,898	949,317	1,214,076
Loss/(Gain) on disposal of					
- property, plant and equipment		30,610	(22,669)	30,610	(22,669)
- subsidiary companies	7(e)	-	(68,938)	-	(46,738)
Impairment loss on trade receivables		12,208	16,117	-	-
Interest income from:					
- deposits with licensed banks		(30,513)	(1,453)	(30,513)	(1,453)
- short term funds		(531,957)	(468,573)	(531,957)	(455,944)
- amount due from a subsidiary company		-	-	(88,429)	(102,391)
Property, plant and equipment written off		-	96,282	-	96,282
Unrealised loss/(gain) on foreign exchange		89,134	(34,204)	89,134	(34,204)
Operating profit before working capital changes		10,711,283	9,545,637	9,919,885	9,425,999
Changes in working capital:					
Inventories		489	53,148	489	53,148
Trade and other receivables		(1,727,334)	3,510,101	(1,513,167)	3,749,422
Trade and other payables		1,055,492	(308,302)	996,679	(577,451)
Amount due to a subsidiary company		-	-	(6,343)	251,904
		(671,353)	3,254,947	(522,342)	3,477,023
Cash generated from operations		10,039,930	12,800,584	9,397,543	12,903,022
Tax paid		(1,626,618)	(2,238,605)	(1,625,776)	(2,233,040)
Net cash from operating activities		8,413,312	10,561,979	7,771,767	10,669,982

Statements Of Cash Flows

For The Financial Year Ended 31 December 2017 (cont'd)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from investing activities					
Addition of product development costs		(2,659,940)	(2,475,843)	(2,377,050)	(2,023,770)
Incorporation of a subsidiary company	7(b)	-	-	(2)	-
Additional investment in a subsidiary company	7(c),7(d)	-	-	(500,001)	-
Purchase of property, plant and equipment		(1,870,333)	(170,456)	(1,870,333)	(153,443)
Interest income from:					
- deposits with licensed banks		30,513	1,453	30,513	1,453
- short term funds		531,957	468,573	531,957	455,944
Proceeds from disposal of subsidiary companies, net of cash disposed	7(e)	-	242,179	-	482,738
Proceeds from disposal of property, plant and equipment		4,370	24,335	4,370	24,335
Repayment from a subsidiary company		-	-	800,000	200,000
Net cash used in investing activities		(3,963,433)	(1,909,759)	(3,380,546)	(1,012,743)
Cash flows from financing activities					
Dividends paid	25	(5,171,650)	(4,135,362)	(5,171,650)	(4,135,362)
Proceeds from issuance of ordinary shares	14	-	66,555	-	66,555
Repayment of term loan		(981,108)	(981,108)	(981,108)	(981,108)
Net cash used in financing activities		(6,152,758)	(5,049,915)	(6,152,758)	(5,049,915)
Net (decrease)/increase in cash and cash equivalents		(1,702,879)	3,602,305	(1,761,537)	4,607,324
Effect of exchange translation differences on cash and cash equivalents		(84,466)	24,831	(84,466)	24,831
Cash and cash equivalents at the beginning of the financial year		23,328,962	19,701,826	23,215,348	18,583,193
Cash and cash equivalents at the end of the financial year		21,541,617	23,328,962	21,369,345	23,215,348
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances and short term funds	12	21,541,617	23,328,962	21,369,345	23,215,348

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

Notes To The Financial Statements
31 December 2017

1. Corporate Information

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 principal place of business of the Company is located at Level 31, MYEG Tower, Empire City, No. 8, Jalan Damansara, PJU 8, 47820 Petaling Jaya, Selangor Darul Ehsan.

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

The principal activities of the Company are the development, provision and maintenance of software application solutions for the financial services industry. The principal activities of the subsidiary companies are disclosed in Note 7. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. Basis of Preparation

(a) Statement of compliance

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

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

Adoption of new and amended standards

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

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 - 2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities as disclosed in Note 27. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

Notes To The Financial Statements

31 December 2017 (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Clarification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018*
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfer of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 - 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group and the Company intend to adopt the above MFRSs when they become effective.

The initial application of the above-mentioned MFRSs is not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

Notes To The Financial Statements

31 December 2017 (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

Based on the analysis of the Group's and of the Company's financial assets and liabilities as at 31 December 2017 and the facts and circumstances that existed at that date, the Directors of the Group and of the Company have assessed the impact of MFRS 9 to the Group's and to the Company's financial statements as follows:

(i) Classification and measurement

Based on the assessment, the Group and the Company believe that the new classification and measurement requirements will have no material impact on the Group's and the Company's financial assets and financial liabilities.

(ii) Impairment

The Group and the Company have chosen to apply the simplified approach prescribed by MFRS 9, which requires a lifetime expected credit loss to be recognised from initial recognition of the trade and other receivables, including financial assets. Due to the high creditworthiness quality of the Group's and of the Company's receivables, the Group and the Company believe that the new impairment model will not have any significant impact on the Group's and the Company's financial statements.

(iii) Hedge accounting

As the Group and the Company do not apply hedge accounting, the hedging requirements of MFRS 9 will not have a significant impact on the Group's and the Company's financial statements.

The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in the financial year ended 31 December 2018 when the Group and the Company adopt MFRS 9.

The Group and the Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard and that comparatives will not be restated.

Notes To The Financial Statements

31 December 2017 (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with the core principle by applying the following steps:

(1) Identify the contract(s) with a customer;
(2) Identify the performance obligation in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contract;
(5) Recognise revenue when the entity satisfies a performance obligation.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following area that will be affected:

(i) Revenue from sales of goods will be recognised when control of the products are transferred, being the point when the products are deliver to the customer. As the transfer of risk and rewards are generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sales of goods under MFRS 15 is unlikely to be materially difference from the Group's and the Company's current practice.

(ii) Revenue relating to services will be recognised in the accounting period in which the services are rendered. Revenue from contracts include multiple deliverables, such as system and equipment design, planning, installation and commissioning contracts. It is therefore accounted for as a separate performance obligation under MFRS 15. The transaction price will be allocated to each performance obligation based on the stand-alone selling price. Revenue relating to revenue from contract will be recognised over time based on the entity's progress towards complete satisfaction of that performance obligation. If contracts include the installation of equipment, revenue for the equipment is recognised at a point in time when the equipment is delivered, the legal title has passed and the customer has accepted the equipment. The Group does not expect the revenue recognition for services under MFRS 15 to be materially different from its current practice.

However, the Group and the Company anticipate more extensive disclosure will be required from the year of adoption in view of the requirements of MFRS 15 to provide information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in the financial year ended 31 December 2018 when the Group and the Company adopt MFRS 15. The Group and the Company have not finalised the testing and assessment of controls over its new accounting system.

The Group and the Company intend to adopt the standard using modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Notes To The Financial Statements

31 December 2017 (cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group and the Company do not expect the application of MFRS 16 to have a significant impact on its consolidated financial statements.

(b) Functional and presentation currency

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

(c) Significant accounting judgments, estimates and assumptions

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

Judgements

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

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

Notes To The Financial Statements

31 December 2017 (cont'd)

2. Basis of Preparation (cont'd)

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

Key sources of estimation uncertainty (cont'd)

Useful lives of property, plant and equipment

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

Impairment of product development costs

The Group reviews the carrying amounts of product development costs as at the end of each 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 the assessment for impairment of product development costs are disclosed in Note 5.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of the inventories are disclosed in Note 9.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 8, 10 and 11 respectively.

Notes To The Financial Statements

31 December 2017 (cont'd)

2. Basis of Preparation (cont'd)

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

Key sources of estimation uncertainty (cont'd)

Income taxes

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

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the Group and the Company have tax recoverable and payable of RM400 (2016: RMNil) and RMNil (2016: RMNil) and RM249,881 (2016: RM60,867) and RM249,881 (2016: RM60,867) respectively.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 30(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiary companies

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

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

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

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

Notes To The Financial Statements
31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(a) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

(ii) Changes in ownership interests in subsidiary companies without change of control

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

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Notes To The Financial Statements
31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(a) Basis of consolidation (cont'd)

(iv) Goodwill on consolidation (cont'd)

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(k)(i) on impairment of non-financial assets.

(b) Foreign currency transactions and balances

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

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

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

(c) Property, plant and equipment

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

(i) Recognition and measurement

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

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

Notes To The Financial Statements
31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

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

(i) Recognition and measurement (cont'd)

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets 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%

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 property, plant and equipment.

(d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

<u>As lessee</u>

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Notes To The Financial Statements
31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(d) Leases (cont'd)

As lessee (cont'd)

(i) Finance lease (cont'd)

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

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

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

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

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(e) Intangible assets

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.

Notes To The Financial Statements

31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(e) Intangible assets (cont'd)

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 activities

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. Research expenditure is charged to profit or loss in the financial year in which it is incurred.

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 straight line method to allocate the cost of trademarks and copyrights over their estimated useful lives of ten (10) years.

(f) Financial assets

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

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Notes To The Financial Statements
31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(f) Financial assets (cont'd)

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

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

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

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

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

A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

(g) Financial liabilities

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

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

Notes To The Financial Statements
31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(g) Financial liabilities (cont'd)

The Group and the Company classify their financial liability at initial recognition into the following categories:

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination or financial liabilities designated into this category upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives financial instruments that are not designated as effective hedging instruments. Separated embedded derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

(ii) Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

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

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(iii) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

Notes To The Financial Statements

31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(h) Offsetting of financial instruments

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

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidentals costs incurred in 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.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment of assets

(i) Non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

Notes To The Financial Statements

31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(k) Impairment of assets (cont'd)

(i) Non-financial assets (cont'd)

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

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, and investments in subsidiary companies and associate company, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

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

(l) Share capital

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 equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

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

Notes To The Financial Statements
31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(m) Provision

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

(n) Employee benefits

(i) 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.

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.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(o) Borrowing costs

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

Notes To The Financial Statements
31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(o) Borrowing costs (cont'd)

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

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

(p) Revenue

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rendering of services

Revenue from services rendered is recognised in the profit and loss based on the value of services performed and invoiced to customers during the reporting period.

(iii) Interest income

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

(iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(v) Management fee

Management fee is recognised on the accrual basis when services are rendered.

(q) Income taxes

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

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

Notes To The Financial Statements
31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(q) Income taxes (cont'd)

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

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

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

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

(r) Goods and Service Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(s) Segments reporting

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 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(s) Segments reporting (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.

(t) Contingencies

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.

Notes To The Financial Statements

31 December 2017 (cont'd)

3. **Significant Accounting Policies (cont'd)**

(u) Non-current assets held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group). Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(v) Deferred revenue

Deferred revenue represents the cash received in advance from customer and transfer of asset from customer in respect of services which are yet to be provided. Such amounts are recorded as liabilities in the statements of financial position and are only recognised in the statements of profit or loss and other comprehensive income upon the rendering of services to customers.

Notes To The Financial Statements
31 December 2017 (cont'd)

4. Property, Plant and Equipment

	Buildings RM	Freehold Land RM	Long Term Leasehold Land RM	Furniture and Fittings RM	Motor Vehicles RM	Computer and Software RM	Office Equipment RM	Renovation RM	Total RM
Group									
2017									
Cost									
At 1 January 2017	12,805,605	382,284	2,030,000	350,470	1,004,422	4,912,371	261,304	927,287	22,673,743
Additions	-	-	-	14,423	436,365	84,077	530	1,334,938	1,870,333
Reclassified to assets held for sale	(12,470,000)	-	(2,030,000)	-	-	-	-	-	(14,500,000)
Disposal	-	-	-	(55,388)	-	-	-	-	(55,388)
At 31 December 2017	335,605	382,284	-	309,505	1,440,787	4,996,448	261,834	2,262,225	9,988,688
Accumulated depreciation									
At 1 January 2017	832,583	-	105,729	130,936	856,525	4,157,913	166,548	516,222	6,766,456
Charge for the financial year	255,610	-	36,250	33,364	93,679	339,608	24,469	185,472	968,452
Reclassified to assets held for sale	(976,817)	-	(141,979)	-	-	-	-	-	(1,118,796)
Disposals	-	-	-	(20,408)	-	-	-	-	(20,408)
At 31 December 2017	111,376	-	-	143,892	950,204	4,497,521	191,017	701,694	6,595,704
Carrying amount									
At 31 December 2017	224,229	382,284	-	165,613	490,583	498,927	70,817	1,560,531	3,392,984

Notes To The Financial Statements
31 December 2017 (cont'd)

4. Property, Plant and Equipment (cont'd)

	Buildings RM	Freehold Land RM	Long Term Leasehold Land RM	Furniture and Fittings RM	Motor Vehicles RM	Computer and Software RM	Office Equipment RM	Renovation RM	Total RM
Group									
2016									
Cost									
At 1 January 2016	12,805,605	382,284	2,030,000	354,751	994,948	5,705,147	261,172	919,787	23,453,694
Additions	-	-	-	4,596	57,147	91,715	9,498	7,500	170,456
Disposal of subsidiary companies	-	-	-	(8,877)	-	(251,717)	(9,366)	-	(269,960)
Written off	-	-	-	-	-	(616,417)	-	-	(616,417)
Disposals	-	-	-	-	(47,673)	(16,357)	-	-	(64,030)
At 31 December 2016	12,805,605	382,284	2,030,000	350,470	1,004,422	4,912,371	261,304	927,287	22,673,743
Accumulated depreciation									
At 1 January 2016	576,972	-	69,479	98,853	749,592	4,205,554	142,970	353,749	6,197,169
Charge for the financial year	255,611	-	36,250	33,835	154,605	611,491	26,633	162,473	1,280,898
Disposal of subsidiary companies	-	-	-	(1,752)	-	(124,305)	(3,055)	-	(129,112)
Written off	-	-	-	-	-	(520,135)	-	-	(520,135)
Disposals	-	-	-	-	(47,672)	(14,692)	-	-	(62,364)
At 31 December 2016	832,583	-	105,729	130,936	856,525	4,157,913	166,548	516,222	6,766,456
Carrying amount									
At 31 December 2016	11,973,022	382,284	1,924,271	219,534	147,897	754,458	94,756	411,065	15,907,287

Notes To The Financial Statements
31 December 2017 (cont'd)

4. Property, Plant and Equipment (cont'd)

	Buildings RM	Freehold Land RM	Long Term Leasehold Land RM	Furniture and Fittings RM	Motor Vehicles RM	Computer and Software RM	Office Equipment RM	Renovation RM	Total RM
Company									
2017									
Cost									
At 1 January 2017	12,805,605	382,284	2,030,000	342,558	1,004,422	4,765,534	248,770	927,287	22,506,460
Additions	-	-	-	14,423	436,365	84,077	530	1,334,938	1,870,333
Reclassified to assets held for sale	(12,470,000)	-	(2,030,000)	-	-	-	-	-	(14,500,000)
Disposal	-	-	-	(55,388)	-	-	-	-	(55,388)
At 31 December 2017	335,605	382,284	-	301,593	1,440,787	4,849,611	249,300	2,262,225	9,821,405
Accumulated depreciation									
At 1 January 2017	832,583	-	105,729	123,078	856,526	4,046,061	155,336	516,222	6,635,535
Charge for the financial year	255,610	-	36,250	33,364	93,679	320,952	23,990	185,472	949,317
Reclassified to assets held for sale	(976,817)	-	(141,979)	-	-	-	-	-	(1,118,796)
Disposal	-	-	-	(20,408)	-	-	-	-	(20,408)
At 31 December 2017	111,376	-	-	136,034	950,205	4,367,013	179,326	701,694	6,445,648
Carrying amount									
At 31 December 2017	224,229	382,284	-	165,559	490,582	482,598	69,974	1,560,531	3,375,757

Notes To The Financial Statements
31 December 2017 (cont'd)

4. Property, Plant and Equipment (cont'd)

	Buildings RM	Freehold Land RM	Long Term Leasehold Land RM	Furniture and Fittings RM	Motor Vehicles RM	Computer and Software RM	Office Equipment RM	Renovation RM	Total RM
Company									
2016									
Cost									
At 1 January 2016	12,805,605	382,284	2,030,000	337,962	994,948	5,323,339	239,272	919,787	23,033,197
Additions	-	-	-	4,596	57,147	74,702	9,498	7,500	153,443
Written off	-	-	-	-	-	(616,150)	-	-	(616,150)
Disposals	-	-	-	-	(47,673)	(16,357)	-	-	(64,030)
At 31 December 2016	12,805,605	382,284	2,030,000	342,558	1,004,422	4,765,534	248,770	927,287	22,506,460
Accumulated depreciation									
At 1 January 2016	576,972	-	69,479	90,045	749,592	4,033,535	130,319	353,749	6,003,691
Charge for the financial year	255,611	-	36,250	33,033	154,606	547,086	25,017	162,473	1,214,076
Written off	-	-	-	-	-	(519,868)	-	-	(519,868)
Disposals	-	-	-	-	(47,672)	(14,692)	-	-	(62,364)
At 31 December 2016	832,583	-	105,729	123,078	856,526	4,046,061	155,336	516,222	6,635,535
Carrying amount									
At 31 December 2016	11,973,022	382,284	1,924,271	219,480	147,896	719,473	93,434	411,065	15,870,925

Notes To The Financial Statements

31 December 2017 (cont'd)

4. **Property, Plant and Equipment (cont'd)**

(a) In previous financial year, included in the property, plant and equipment of the Group and the Company are leasehold land and buildings with carrying amount of RM13,666,855, which have been pledged to licensed bank as security for banking facilities granted to the Company as disclosed in Note 16.

(b) In previous financial year, the remaining lease period of leasehold land is 54 years.

5. **Product Development Costs**

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Cost				
At 1 January	21,314,043	19,924,754	18,284,861	16,261,091
Additions	2,659,940	2,475,843	2,377,050	2,023,770
Disposal of subsidiary companies	-	(1,086,554)	-	-
At 31 December	23,973,983	21,314,043	20,661,911	18,284,861
Accumulated amortisation				
At 1 January	11,481,974	9,898,806	10,363,465	9,010,612
Charge for the financial year	2,060,831	1,773,670	1,489,032	1,352,853
Disposal of subsidiary companies	-	(190,502)	-	-
At 31 December	13,542,805	11,481,974	11,852,497	10,363,465
Carrying amount				
At 31 December	10,431,178	9,832,069	8,809,414	7,921,396

(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 recoverable amount of the Cash Generating Unit ("CGU") is determined based on its value in use. The value in use is determined by discounting the future cash flows to be generated from the continuing use of the CGU based on the financial budgets prepared by the management covering a period of five (5) years.

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 CGU ranged from 4% to 9% (2016: 8% to 44%) per annum from 2018 to 2022.

(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 4.80% (2016: 4.70%) per annum has been applied in determining the recoverable amount of the CGU.

Based on the assessment, the Directors are of the view that no impairment loss is required as the recoverable amount of the CGU is higher than its carrying amount.

Notes To The Financial Statements

31 December 2017 (cont'd)

5. **Product Development Costs (cont'd)**

(c) Sensitivity to changes in assumptions

The management believes that there are no reasonable possible change in any key assumption that would cause the CGU carrying amount to exceed its recoverable amount.

(d) Included in the product development costs of the Group is Executive Directors' remuneration of RM17,157 (2016: RM67,800).

6. **Intangible assets**

	Group and Company	
	2017	**2016**
	RM	**RM**
Cost		
At 1 January/31 December	1,010,000	1,010,000
Accumulated amortisation		
At 1 January/31 December	(1,010,000)	(1,010,000)
Carrying amount		
At 31 December	-	-

Intangible assets consist of trademarks and copyrights which had been fully amortised in the financial year ended 31 December 2013.

7. **Investment in Subsidiary Companies**

(a) Investment in subsidiary companies

	Company	
	2017	**2016**
	RM	**RM**
Unquoted shares, at cost		
In Malaysia	620,003	120,000
Less: Accumulated impairment losses	(120,000)	(120,000)
	500,003	-

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective Interest 2017 %	Effective Interest 2016 %	Principal activities
Direct Holding:				
Insage (MSC) Sdn. Bhd.	Malaysia	100	60	Provision of software solutions
E2 Trade Sdn. Bhd. *	Malaysia	100	-	Investment holding

* The results of E2 Trade Sdn. Bhd. ("ETSB") were consolidated based on its management accounts as the Directors consider the financial position and financial performance of ETSB are not material to the Group.

Notes To The Financial Statements
31 December 2017 (cont'd)

7. **Investment in Subsidiary Companies (cont'd)**

(b) Incorporation of a subsidiary company

On 21 November 2017, the Company incorporated a wholly-owned subsidiary company, ETSB with an initial share capital of RM2.00 comprising 2 ordinary shares. ETSB is principally engaged in investment holding.

(c) Acquisition of equity interest from non-controlling interests

On 31 March 2017, the Company acquired additional 40% equity interest in Insage (MSC) Sdn. Bhd. ("Insage") for a cash consideration of RM1, thus increasing its equity interest from 60% to 100%.

The effect of changes in equity interest that is attributable to the owners of the parent is as follows:

	Group	
	2017	**2016**
	RM	**RM**
Carrying amount of non-controlling interests acquired	(80,744)	-
Consideration paid to non-controlling interests	(1)	-
Decrease in parent's equity	(80,745)	-

(d) Additional investment in a subsidiary company

On 30 December 2017, Insage, a wholly-owned subsidiary company of the Company, increased its paid up share capital from 200,000 to 700,000 ordinary shares for a total cash consideration of RM500,000. The Company subscribed for the entire increase in ordinary shares of Insage.

(e) Disposal of subsidiary companies

(i) In the previous financial year, the Company disposed its entire shareholdings of 130,000 ordinary shares of RM1.00 each in Capital Market Risk Advisor Sdn. Bhd., a 52% owned subsidiary company of the Company for a cash consideration of RM416,000.

(ii) In the previous financial year, the Company disposed its entire shareholding of 306,000 ordinary shares of RM1.00 each in Winvest Global Sdn. Bhd., a 51% owned subsidiary company of the Company for a cash consideration of RM66,738.

Notes To The Financial Statements
31 December 2017 (cont'd)

7. **Investment in Subsidiary Companies (cont'd)**

(e) Disposal of subsidiary companies (cont'd)

The analysis of disposal of subsidiary companies above are as follow:

	Group 2016 RM
Property, plant and equipment	140,848
Product development costs	896,052
Receivables	432,869
Cash and bank balances	240,559
Payables	(977,892)
	732,436
Goodwill on consolidation	32,528
Non-controlling interests	(351,164)
Total net assets disposed off	413,800
Less: Total disposal proceeds	(482,738)
Gain on disposal of subsidiary companies	68,938
Total disposal proceeds	482,738
Cash and cash equivalents of subsidiary companies disposed	(240,559)
Net cash inflows from disposal	242,179

The disposal of subsidiary companies had the following effect on the financial results of the Company:

	Company 2016 RM
Total disposal proceeds	482,738
Less: Cost of investment in subsidiary companies	(436,000)
Gain on disposal of subsidiary companies	46,738

Notes To The Financial Statements
31 December 2017 (cont'd)

8. **Amount Due from/(to) a Subsidiary Company**

		Company	
		2017	2016
		RM	RM
Non-current			
Non-trade	(a)	1,012,420	1,312,680
Current			
Trade	(b)	(46,699)	(53,042)
Non-trade	(a)	369,956	781,267
		323,257	728,225

(a) Amount due from a subsidiary company

This represents loans which is unsecured, bear interest ranging from 6.30% to 6.60% (2016: 1.75% to 6.60%) per annum, have fixed repayment terms ranging from 5 to 9 years and are payable in cash and cash equivalents.

(b) Amount due to a subsidiary company

This represents trade balances which is unsecured, non-interest bearing and repayable on demand.

9. **Inventories**

	Group and Company	
	2017	2016
	RM	RM
At cost		
Replacement parts	25,860	26,349
Recognised in profit or loss		
Inventories recognised as cost of sales	336,906	444,811

10. **Trade Receivables**

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade receivables	3,162,328	3,299,098	2,732,671	3,058,626
Less: Accumulated impairment losses	(12,208)	(16,117)	-	-
	3,150,120	3,282,981	2,732,671	3,058,626

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 (2016: 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.

Notes To The Financial Statements

31 December 2017 (cont'd)

10. **Trade Receivables (cont'd)**

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

	Group	
	2017	**2016**
	RM	**RM**
At 1 January	16,117	49,600
Impairment losses recognised	12,208	16,117
Amount written off	(16,117)	(49,600)
At 31 December	12,208	16,117

Analysis of the trade receivables ageing as at the end of the reporting period is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Neither past due nor impaired	2,692,646	3,025,580	2,442,221	2,867,035
Past due but not impaired				
Less than 30 days	305,757	61,415	271,413	56,009
31 to 60 days	19,981	84,032	-	84,032
61 to 90 days	35,616	12,635	6,678	12,635
More than 90 days	96,120	99,319	12,359	38,915
	457,474	257,401	290,450	191,591
	3,150,120	3,282,981	2,732,671	3,058,626
Impaired	12,208	16,117	-	-
	3,162,328	3,299,098	2,732,671	3,058,626

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. As at 31 December 2017, 85% (2016: 92%) and 89% (2016: 94%) of the trade receivables of the Group and of the Company respectively have never defaulted. These customers maintain a long working relationship with the Group.

As at 31 December 2017, the Group's and the Company's trade receivables of RM457,474 (2016: RM257,401) and RM290,450 (2016: RM191,591) were past due but not impaired. These mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amount are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

Trade receivables of the Group that are individually assessed to be impaired amounting to RM12,208 (2016: RM16,117), related to customers that are in financial difficulties. These balances are expected to be recovered through the debts recovery process.

At the end of the reporting period, the Group and the Company have 5 (2016: 5) customers that owed to the Group and the Company for approximately 59% (2016: 47%) and 68% (2016: 30%) respectively of all the receivables outstanding.

Notes To The Financial Statements

31 December 2017 (cont'd)

11. **Other Receivables**

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Other receivables	93,137	108,079	79,287	98,783
Deposits	324,075	255,762	324,075	255,462
Prepayments	2,104,986	315,038	2,094,185	308,848
	2,522,198	678,879	2,497,547	663,093

12. **Cash and Bank Balances and Short Term Funds**

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash in hand	14,929	16,995	14,493	15,995
Cash at banks	6,585,329	6,702,103	6,413,493	6,589,489
Deposits with licensed banks	206,914	727,135	206,914	727,135
	6,807,172	7,446,233	6,634,900	7,332,619
Short term funds				
At fair value through profit or loss				
- Investments in fixed income trust funds in Malaysia	14,734,445	15,882,729	14,734,445	15,882,729
	21,541,617	23,328,962	21,369,345	23,215,348

(a) Investment in fixed income trust funds in Malaysia represents investments in high 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) The annual interest rates for short term funds and deposits with licensed banks of the Group and of the Company that were effective at the end of the reporting period were 0.15% to 4.62% (2016: 0.15% to 5.32%) per annum.

(c) Deposits of the Group and of the Company have an average maturity period of 30 days (2016: 30 days). Bank balances are deposits held at call with banks.

Notes To The Financial Statements

31 December 2017 (cont'd)

13. **Assets Held for Sale**

During the current financial year, the long term leasehold land and building have been classified from property, plant and equipment to assets held for sale as the management were negotiating with Plaza 33 Sdn. Bhd. for the disposal of the property. Details of the assets held for sale are as follow:

	Group and Company	
	2017 RM	2016 RM
Cost		
At 1 January	-	-
Reclassified from property, plant and equipment	14,500,000	-
At 31 December	14,500,000	-
Accumulated depreciation		
At 1 January	-	-
Reclassified from property, plant and equipment	1,118,796	-
At 31 December	1,118,796	-
Carrying amount		
At 31 December	13,381,204	-

The assets held for sale of the Group and of the Company are charged to a licensed bank for credit facilities granted to the Company as disclosed in Note 16.

Subsequent to the financial year, the Company entered into a sale and purchase agreement with Plaza 33 Sdn. Bhd. for the disposal of leasehold land and building as disclosed in Note 33.

14. **Share Capital**

	Group and Company			
	Number of Shares		Amount	
	2017 Units	2016 Units	2017 RM	2016 RM
Authorised				
Ordinary shares of RM0.10 each	-	500,000,000	-	50,000,000
Issued and fully paid				
At 1 January	206,865,975	206,768,100	20,686,597	20,676,810
Shares issued during the financial year	-	97,875	-	9,787
Share split	206,865,975	-	-	-
Transition to no par value regime on 31 January 2017	-	-	56,768	-
At 31 December	413,731,950	206,865,975	20,743,365	20,686,597

Notes To The Financial Statements
31 December 2017 (cont'd)

14. **Share Capital (cont'd)**

The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issues to the relative entitlement of any of the members as a result of this transition.

Ordinary share capital

During the financial year, the Company undertook a share split involving the subdivision of every 1 existing ordinary share into 2 new ordinary shares which involved issuance of 206,865,975 additional ordinary shares and listing of up to 103,286,156 additional warrants arising from the adjustments to the numbers of outstanding warrants in accordance with the provisions of the Deed Poll for the outstanding warrants. The split shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 21 June 2017.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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.

On 2 June 2017, the shareholders of the Company had approved the adjustment to the exercise price and number of outstanding of the Warrants 2014/2019 pursuant to the subdivision of every 1 existing ordinary share in the Company into 2 ordinary shares in the Company ("Share Split"). Additional Warrants of 103,286,156 were listed and quoted on the Main Market of Bursa Securities on 21 June 2017. The existing exercise price has been adjusted to RM0.34 per Warrant.

As at 31 December 2017, unexercised warrants of the Company are as follows:

Date granted	Exercise price	No. of warrants over ordinary shares	Warrant expiry date
18 July 2014	RM0.34 (2016: RM0.68)	206,572,312 (2016: 103,286,156)	17 July 2019

Notes To The Financial Statements
31 December 2017 (cont'd)

15. **Reserves**

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Non-distributable					
Share premium	(a)	-	56,768	-	56,768
Other reserve	(b)	(80,745)	-	-	-
Distributable					
Retained earnings	(c)	25,909,341	24,757,733	26,124,151	25,071,929
		25,828,596	24,814,501	26,124,151	25,128,697

(a) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618(2) of the Act on 31 January 2017, the amounts standing to the credit of the share premium account become part of the Company's share capital (Note 14). Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM56,768 for purposes as set out in Sections 618(3) of the Act to pay up the unissued shares and for the bonus issue pursuant to Section 618(4) of the Act.

(b) Other reserve

Other reserve represents the difference between the Group's share of net assets before and after the acquisition of equity interest from its non-controlling interests.

(c) Retained earnings

The entire retained earnings of the Company are available for distribution as single-tier dividends.

Notes To The Financial Statements

31 December 2017 (cont'd)

16. **Loan and Borrowing**

	Group and Company 2017 RM	Group and Company 2016 RM
Secured		
Floating rate		
Term loan	4,240,002	5,221,110
Non-current liabilities		
Term loan	3,258,894	4,240,002
Current liabilities		
Term loan	981,108	981,108
	4,240,002	5,221,110

	Group and Company 2017 RM	Group and Company 2016 RM
Maturity of loan and borrowing		
Within 1 year	981,108	981,108
Between 1 to 2 years	981,108	981,108
Between 2 to 3 years	981,108	981,108
Between 3 to 4 years	981,108	981,108
Between 4 to 5 years	315,570	981,108
After 5 years	-	315,570
	4,240,002	5,221,110

The term loan of the Group and of the Company is secured by a first party charge over long term leasehold land and a building of the Group and of the Company as disclosed in Note 4(a) and 13.

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 licensed bank where the term loan was drawdown.

17. **Deferred Tax Liabilities**

	Group and Company 2017 RM	Group and Company 2016 RM
At 1 January	63,013	76,671
Recognised in profit or loss	(8,592)	(56,211)
(Over)/Under provision in prior year	(17,379)	42,553
At 31 December	37,042	63,013

Notes To The Financial Statements
31 December 2017 (cont'd)

17. **Deferred Tax Liabilities (cont'd)**

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax liabilities	40,820	63,013	37,042	63,013
Deferred tax assets	(3,778)	-	-	-
	37,042	63,013	37,042	63,013

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

	2017 RM	2016 RM
Group		
Deferred tax liabilities		
Accelerated capital allowances		
At 1 January 2017	63,013	76,671
Recognised in profit or loss	(12,944)	(56,211)
(Over)/Under provision in prior years	(9,249)	42,553
At 31 December 2017	40,820	63,013
Deferred tax assets		
Unused tax losses		
At 1 January 2017	-	-
Recognised in profit or loss	4,352	-
Under provision in prior year	(8,130)	-
At 31 December 2017	(3,778)	-
Company		
Deferred tax liabilities		
Accelerated capital allowances		
At 1 January 2017	63,013	76,671
Recognised in profit or loss	(8,592)	(56,211)
(Over)/Under provision in prior years	(17,379)	42,553
At 31 December 2017	37,042	63,013

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

	Group	
	2017 RM	2016 RM
Unused tax losses	2,496,914	2,973,870

Deferred tax assets have not been recognised in respect of this item as they have arisen from a subsidiary company which has been granted with the Pioneer Status as disclosed in Note 23.

Notes To The Financial Statements

31 December 2017 (cont'd)

18. Trade Payables

Credit term of trade payable of the Group and of the Company ranged from 60 to 90 days (2016: 60 to 90 days) depending on the terms of the contracts.

19. Other Payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	326,207	31,783	322,961	31,171
Deposits received	385,600	97,360	385,600	97,360
Accruals	1,375,673	812,439	1,338,885	785,710
Deferred revenue	804,039	764,386	170,685	171,147
GST payables	117,996	125,155	101,066	111,285
	3,009,515	1,831,123	2,319,197	1,196,673

Included in deposits received of the Group and of the Company are earnest deposit of RM313,300 (2016: RMNil) received for the proposed disposal of the Company's long term leasehold land and building as disclosed in Note 13.

20. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Application solutions				
- Software	4,565,960	5,300,111	4,462,911	4,326,399
- Hardware	570,250	478,011	570,250	478,011
Maintenance services	1,781,945	1,931,161	1,720,770	1,884,248
Application service provider	16,000,049	14,763,345	15,068,402	13,398,300
	22,918,204	22,472,628	21,822,333	20,086,958

21. Cost of Sales

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Hardware sold	389,604	391,663	389,604	391,663
Amortisation of product development costs	2,060,831	1,773,670	1,489,032	1,352,853
Project costs	2,116,542	2,008,744	2,168,556	2,243,665
Data centre and line expenses	868,813	1,212,579	868,362	1,203,990
Direct technical staff costs	1,728,775	2,167,162	1,690,428	1,540,044
License fees	261,693	318,592	144,753	143,430
Other expenses	444,723	757,576	442,619	195,846
	7,870,981	8,629,986	7,193,354	7,071,491

Notes To The Financial Statements
31 December 2017 (cont'd)

22. **Profit before Tax**

Profit before tax is derived after charging/(crediting):

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration				
- statutory audit	53,500	53,500	50,500	50,500
- non-statutory audit	9,500	4,500	9,500	4,500
Impairment loss on trade receivables	12,208	16,117	-	-
Depreciation of property, plant and equipment	968,452	1,280,898	949,317	1,214,076
Non-executive Directors' fee	144,000	144,000	144,000	144,000
Property, plant and equipment written off	-	96,282	-	96,282
Rental of premises	30,256	-	30,256	-
Interest income from:				
- deposits with licensed banks	(30,513)	(1,453)	(30,513)	(1,453)
- short term funds	(531,957)	(468,573)	(531,957)	(455,944)
- amount due from a subsidiary company	-	-	(88,429)	(102,391)
Rental income	(35,000)	(67,500)	(35,000)	(67,500)
Loss/(Gain) on disposal of:				
- property, plant and equipment	30,610	(22,669)	30,610	(22,669)
- subsidiary companies	-	(68,938)	-	(46,738)
(Gain)/Loss on foreign exchange				
- realised	(44,605)	34,520	(44,605)	34,520
- unrealised	89,134	(34,204)	89,134	(34,204)

23. **Taxation**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax expenses recognised in profit or loss:				
Current tax provision	1,749,881	1,660,867	1,749,881	1,660,867
Under/(Over) provision in prior years	65,350	(66,537)	64,909	(72,102)
	1,815,231	1,594,330	1,814,790	1,588,765
Deferred tax:				
Relating to reversal of temporary differences	(8,592)	(56,211)	(8,592)	(56,211)
(Over)/Under provision in prior years	(17,379)	42,553	(17,379)	42,553
	(25,971)	(13,658)	(25,971)	(13,658)
Tax expense for the financial year	1,789,260	1,580,672	1,788,819	1,575,107

The subsidiary company, Insage (MSC) Sdn. Bhd. ("Insage") was awarded with the Multimedia Super Corridor ("MSC") status by the Government of Malaysia. The financial incentive awarded to Insage under the MSC status is "Pioneer Status" under Section 4A of the Promotion of Investment Act, 1986. Insage has been granted the Pioneer Status by the Ministry of International Trade and Industry for services under the Promotion Investment Act, 1986 in which the statutory income is exempted from tax for a period of 5 years from 23 March 2014 to 22 March 2019.

Notes To The Financial Statements
31 December 2017 (cont'd)

23. **Taxation (cont'd)**

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.

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		**Company**	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Profit before tax	8,112,518	6,974,507	8,012,691	7,426,187
At Malaysian statutory tax rate of 24% (2016: 24%)	1,947,004	1,673,882	1,923,046	1,782,285
Expenses not deductible for tax purposes	690,185	785,444	599,673	547,789
Income not subject to tax	(781,430)	(730,746)	(781,430)	(725,418)
Deferred tax assets not recognised	(114,470)	(37,391)	-	-
Tax exempt income under pioneer status	-	(86,533)	-	-
Under/(Over) provision in respect of prior years				
- income tax	65,350	(66,537)	64,909	(72,102)
- deferred tax	(17,379)	42,553	(17,379)	42,553
Tax expense for the financial year	1,789,260	1,580,672	1,788,819	1,575,107

The Group have the following unused tax losses available for carry forward, to off-set against future taxable profits. The said amounts are subject to approval by the tax authorities.

	Group	
	2017 RM	**2016 RM**
Unused tax losses	2,512,656	3,007,744

Notes To The Financial Statements
31 December 2017 (cont'd)

24. **Earnings Per Share**

(a) Basic earnings per share

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

	Group 2017 RM	Group 2016 RM
Profit attributable to owners of the parent	6,323,258	5,629,762
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at beginning of financial year	206,865,975	206,865,975
Effect of ordinary shares issued pursuant to Share Split	206,865,975	206,865,975 #
	413,731,950	413,731,950
Basic earnings per ordinary share (in sen)	1.53	1.36 #

\# *The weighted average number of ordinary shares in issue for the previous financial year has been restated to reflect the retrospective adjustment arising from the Share Split which was completed during the financial year ended 31 December 2017.*

(b) Diluted earnings per share

Diluted earnings per share are calculated based on the adjusted consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group 2017 RM	Group 2016 RM
Profit attributable to owners of the parent	6,323,258	5,629,762
Weighted average number of ordinary shares in issue	413,731,950	413,731,950 #
Effect of conversion of warrants	144,118,438	123,495,424 ^
	557,850,388	537,227,374
Diluted earnings per ordinary share (in sen)	1.13	1.05 ^

^ *The weighted average number of ordinary shares in issue for the previous financial year has been restated to reflect the effects of full conversion of warrants pursuant to the Share Split which was completed during the financial year ended 31 December 2017.*

Notes To The Financial Statements

31 December 2017 (cont'd)

25. Dividends

	Group and Company 2017 RM	2016 RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
In respect of the financial year ended 31 December 2017		
- First interim single-tier dividend of 1.0 sen per ordinary share, paid on 28 March 2017	2,068,660	-
- Second interim single-tier dividend of 1.5 sen per ordinary share, paid on 16 June 2017	3,102,990	-
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
	5,171,650	4,135,362

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

26. Staff Costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages and other emoluments	7,468,745	7,677,675	7,105,737	6,224,642
Fee	370,786	274,500	370,786	215,000
Defined contribution plans	925,555	942,685	880,516	775,927
Social security contributions	57,525	63,153	52,860	48,912
Other staff related expenses	177,302	301,032	170,230	267,121
	8,999,913	9,259,045	8,580,129	7,531,602

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors of the Company				
Salaries and other emoluments	1,140,366	1,254,693	1,087,087	939,175
Fee	370,786	274,500	370,786	215,000
Defined contribution plans	160,174	171,588	153,768	135,199
Social security contributions	2,727	3,821	2,486	2,036
	1,674,053	1,704,602	1,614,127	1,291,410

Notes To The Financial Statements
31 December 2017 (cont'd)

27. **Reconciliation of Liabilities Arising from Financing Activities**

The table below details changes in the liabilities of the Group and of the Company arising from financing activities:

	At 1 January 2017 RM	Financing cash flow * RM	At 31 December 2017 RM
Group and Company			
Term loan	5,221,110	(981,108)	4,240,002

* Financing cash flow represents repayment of term loan in the statements of cash flows.

28. **Related Party Disclosures**

(a) Identifying related parties

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

The Company has controlling related party relationship with its direct subsidiary companies.

Related parties of the Group include:

(i) Direct subsidiary companies as disclosed in Note 7; 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

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Transaction with a subsidiary company				
Cost of services rendered	-	-	317,400	317,400
Transactions with a related party				
Rental paid/payable	30,256	-	30,256	-

Notes To The Financial Statements
31 December 2017 (cont'd)

28. **Related Party Disclosures (cont'd)**

(c) Compensation of key management personnel

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, fees and other emoluments	2,654,635	2,237,379	2,654,635	1,725,611
Defined contribution plans	278,439	239,587	278,439	186,187
Social security contributions	6,974	7,183	6,974	4,398
	2,940,048	2,484,149	2,940,048	1,916,196

29. **Segment Information**

The Company and its subsidiary companies are principally engaged in the development, provision and maintenance of computer software application solutions for the financial services industry.

The Company 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.

Capital expenditure consist of addition of property, plant and equipment.

Notes To The Financial Statements
31 December 2017 (cont'd)

29. **Segment Information (cont'd)**

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.

	Application solutions division RM	Maintenance services division RM	Application services provider division RM	Total RM
2017				
Revenue				
Total revenue	5,136,210	1,781,946	16,317,448	23,235,604
Inter-segment revenue	-	-	(317,400)	(317,400)
Revenue from external customers	5,136,210	1,781,946	16,000,048	22,918,204
Results				
Segment results	2,383,239	751,451	4,415,358	7,550,048
Interest income	126,055	43,733	392,682	562,470
Profit before tax				8,112,518
Taxation				(1,789,260)
Profit after tax				6,323,258
Segment assets	12,201,732	4,233,243	38,010,186	54,445,161
Segment liabilities	1,700,362	589,920	5,296,395	7,586,677
Other segment information				
Capital expenditure	419,161	145,423	1,305,749	1,870,333
Depreciation of property, plant and equipment	217,040	75,299	676,113	968,452
Amortisation of product development costs	461,854	160,235	1,438,742	2,060,831
Loss on disposal of property, plant and equipment	6,860	2,380	21,370	30,610
Impairment loss on trade receivables	-	-	12,208	12,208
Unrealised loss on foreign exchange	18,718	7,131	63,285	89,134

Notes To The Financial Statements

31 December 2017 (cont'd)

29. **Segment Information (cont'd)**

	Application solutions division RM	Maintenance services division RM	Application services provider division RM	Total RM
2016				
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
Interest income	120,852	40,391	308,783	470,026
Profit before tax				6,974,507
Taxation				(1,580,672)
Profit after tax				5,393,835
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
Impairment loss on trade receivables	-	-	16,117	16,117
Property, plant and equipment written off	23,029	9,032	64,221	96,282
Gain on disposal of subsidiary companies	(17,814)	(5,841)	(45,283)	(68,938)
Unrealised gain on foreign exchange	(8,181)	(3,208)	(22,815)	(34,204)
Gain on disposal of property, plant and equipment	(5,829)	(1,948)	(14,892)	(22,669)

Notes To The Financial Statements

31 December 2017 (cont'd)

29. **Segment Information (cont'd)**

Reconciliations of reportable segment revenue, assets and liabilities to the Group's corresponding amounts are as follows:

	2017 RM	2016 RM
Revenue		
Total revenue for reportable segments	23,235,604	22,930,097
Elimination of inter-segmental revenue	(317,400)	(457,469)
Revenue of the Group per statements of profit or loss and other comprehensive income	22,918,204	22,472,628
Assets		
Total assets for reportable segments	54,445,161	53,056,527
Tax recoverable	400	-
Assets of the Group per statements of financial position	54,445,561	53,056,527
Liabilities		
Total liabilities for reportable segments	7,586,677	7,512,293
Tax liabilities	286,923	123,880
Liabilities of the Group per statements of financial position	7,873,600	7,636,173

Geographical information

No disclosure on geographical segment information for revenue and non-current assets as the Group operates predominantly in Malaysia.

Major customers

The following are major customers with revenue equal to or more than 10% of the Group revenue:

	Revenue 2017 RM	Revenue 2016 RM	Segment
Company A	2,507,279	4,335,197	Application services provider and Application solutions division
Company B	3,899,058	*	Application services provider and Application solutions division
Company C	2,503,192	*	Application services provider and Application solutions division
Company D	2,247,903	*	Application services provider and Application solutions division

* Revenue contribution is individually less than 10% of the Group's revenue

Notes To The Financial Statements

31 December 2017 (cont'd)

30. **Financial Instruments**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expenses including fair values gains and losses are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Loans and receivables RM	Fair value through profit or loss RM	Financial liabilities measured at amortised cost RM	Total RM
Group				
2017				
Financial Assets				
Trade receivables	3,150,120	-	-	3,150,120
Other receivables	417,212	-	-	417,212
Cash and bank balances and short term funds	6,807,172	14,734,445	-	21,541,617
	10,374,504	14,734,445	-	25,108,949
Financial Liabilities				
Trade payables	-	-	337,160	337,160
Other payables	-	-	2,087,480	2,087,480
Loan and borrowing	-	-	4,240,002	4,240,002
	-	-	6,664,642	6,664,642
2016				
Financial Assets				
Trade receivables	3,282,981	-	-	3,282,981
Other receivables	363,841	-	-	363,841
Cash and bank balances and short term funds	7,446,233	15,882,729	-	23,328,962
	11,093,055	15,882,729	-	26,975,784
Financial Liabilities				
Trade payables	-	-	460,060	460,060
Other payables	-	-	941,582	941,582
Loan and borrowing	-	-	5,221,110	5,221,110
	-	-	6,622,752	6,622,752

Notes To The Financial Statements
31 December 2017 (cont'd)

30. **Financial Instruments (cont'd)**

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM	Fair value through profit or loss RM	Financial liabilities measured at amortised cost RM	Total RM
Company				
2017				
Financial Assets				
Trade receivables	2,732,671	-	-	2,732,671
Other receivables	403,362	-	-	403,362
Amount due from a subsidiary company	1,335,677	-	-	1,335,677
Cash and bank balances and short term funds	6,634,900	14,734,445	-	21,369,345
	11,106,610	14,734,445	-	25,841,055
Financial Liabilities				
Trade payables	-	-	313,840	313,840
Other payables	-	-	2,047,446	2,047,446
Loan and borrowing	-	-	4,240,002	4,240,002
	-	-	6,601,288	6,601,288
2016				
Financial Assets				
Trade receivables	3,058,626	-	-	3,058,626
Other receivables	354,245	-	-	354,245
Amount due from a subsidiary company	2,040,905	-	-	2,040,905
Cash and bank balances and short term funds	7,332,619	15,882,729	-	23,215,348
	12,786,395	15,882,729	-	28,669,124
Financial Liabilities				
Trade payables	-	-	439,685	439,685
Other payables	-	-	914,241	914,241
Loan and borrowing	-	-	5,221,110	5,221,110
	-	-	6,575,036	6,575,036

Notes To The Financial Statements
31 December 2017 (cont'd)

30. **Financial Instruments (cont'd)**

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, interest rate and foreign currency risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions and loans to a subsidiary company.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans to its subsidiary company. The Company monitors on an ongoing basis the results of the subsidiary company and repayments made by the subsidiary company.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group's and the Company's maximum exposure to credit risk.

The Group's has no significant concentration to credit risk except as disclosed in Note 10. The Company has no significant concentration of credits risks except as disclosed in Note 10 and loans to its subsidiary company where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

Notes To The Financial Statements
31 December 2017 (cont'd)

30. **Financial Instruments (cont'd)**

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group					
2017					
Non-derivative financial liabilities					
Trade payables	337,160	-	-	337,160	337,160
Other payables	2,087,480	-	-	2,087,480	2,087,480
Loan and borrowing	981,108	981,108	2,277,786	4,240,002	4,240,002
	3,405,748	981,108	2,277,786	6,664,642	6,664,642
2016					
Non-derivative financial liabilities					
Trade payables	460,060	-	-	460,060	460,060
Other payables	941,582	-	-	941,582	941,582
Loan and borrowing	981,108	981,108	3,258,894	5,221,110	5,221,110
	2,382,750	981,108	3,258,894	6,622,752	6,622,752
Company					
2017					
Non-derivative financial liabilities					
Trade payables	313,840	-	-	313,840	313,840
Other payables	2,047,446	-	-	2,047,446	2,047,446
Loan and borrowing	981,108	981,108	2,277,786	4,240,002	4,240,002
	3,342,394	981,108	2,277,786	6,601,288	6,601,288
2016					
Non-derivative financial liabilities					
Trade payables	439,685	-	-	439,685	439,685
Other payables	914,241	-	-	914,241	914,241
Loan and borrowing	981,108	981,108	3,258,894	5,221,110	5,221,110
	2,335,034	981,108	3,258,894	6,575,036	6,575,036

Notes To The Financial Statements

31 December 2017 (cont'd)

30. **Financial Instruments (cont'd)**

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks

(A) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowing are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowing is exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	Group	
	2017	**2016**
	RM	**RM**
Floating rate instruments		
Short term funds	14,734,445	15,882,729
Loan and borrowing	(4,240,002)	(5,221,110)
	10,494,443	10,661,619
Fixed rate instruments		
Deposits with licensed banks	206,914	727,135

	Company	
	2017	**2016**
	RM	**RM**
Floating rate instruments		
Short term funds	14,734,445	15,882,729
Loan and borrowing	(4,240,002)	(5,221,110)
	10,494,443	10,661,619
Fixed rate instruments		
Amount due from a subsidiary company	1,382,376	2,093,947
Deposits with licensed banks	206,914	727,135
	1,589,290	2,821,082

Notes To The Financial Statements
31 December 2017 (cont'd)

30. **Financial Instruments (cont'd)**

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

(A) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's and the Company's profit before tax by RM104,944 and RM104,944 (2016: RM106,616 and RM106,616) respectively, arising mainly as a result of higher / lower net interest on floating rate instruments. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(B) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD) and Singapore Dollar (SGD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's and of the Company's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in	
	USD	**SGD**
	RM	**RM**
Group and Company		
2017		
Trade receivables	18,235	-
Cash and bank balances	361,471	3,818
	379,706	3,818
2016		
Trade receivables	15,968	147,118
Cash and bank balances	517,375	4,465
	533,343	151,583

Notes To The Financial Statements

31 December 2017 (cont'd)

30. **Financial Instruments (cont'd)**

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

(B) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's and the Company's profit before tax for the financial year to a reasonably possible change in the USD and SGD exchange rates against the functional currencies of the Group and of the Company, with all other variables held constant.

	Group and Company			
	2017		2016	
	Change in currency rate	Effect on profit before tax RM	Change in currency rate	Effect on profit before tax RM
USD	Strengthened 10%	37,971	Strengthened 10%	53,334
	Weakened 10%	(37,971)	Weakened 10%	(53,334)
SGD	Strengthened 10%	382	Strengthened 10%	15,158
	Weakened 10%	(382)	Weakened 10%	(15,158)

(c) Fair value of financial instruments

(i) Methods and assumptions used to estimate fair value

The fair value of financial assets and financial liabilities are determined as follows:

Financial instruments not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amount of short term receivables and payables, cash and bank balances, current portion of amount due from a subsidiary company and short term loan and borrowing are reasonable approximation of fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long term floating rate loan approximates their fair value as the loan will be re-priced to market interest rate on or near reporting date.

Financial instruments not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of non-current portion of amount due from a subsidiary company is 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.

Financial instruments carried at fair value

The fair value of short term funds is determined by reference to the exchange quoted market bid prices at the close of the business at the end of each reporting period.

Notes To The Financial Statements

31 December 2017 (cont'd)

30. **Financial Instruments (Cont'd)**

(c) Fair value of financial instruments (cont'd)

(ii) Fair value hierarchy

Policy on transfer between levels

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

There were no transfers between levels during the current and previous financial years.

Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments
Fair value, 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.

Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using 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 input	Inter-relationship between key unobservable input and fair value
Company Financial asset Amount due from a subsidiary company	Discounted cash flow method	Discount rate (6.30% to 6.60%)	The higher the discount rate, the lower the fair value of the financial assets would be

Notes To The Financial Statements

31 December 2017 (cont'd)

30. **Financial Instruments (cont'd)**

(c) Fair value of financial instruments (cont'd)

(ii) Fair value hierarchy (cont'd)

The table below analyses 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				Total fair value	Total carrying amount
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**		
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Group										
2017										
Financial asset										
Short term funds	14,734,445	-	-	14,734,445	-	-	-	-	14,734,445	14,734,445
2016										
Financial asset										
Short term funds	15,882,729	-	-	15,882,729	-	-	-	-	15,882,729	15,882,729

Notes To The Financial Statements
31 December 2017 (cont'd)

30. **Financial Instruments (cont'd)**

(c) Fair value of financial instruments (cont'd)

(ii) Fair value hierarchy (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Total carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
Company										
2017										
Financial assets										
Short term funds	14,734,445	-	-	14,734,445	-	-	-	-	14,734,445	14,734,445
Amount due from a subsidiary company	-	-	-	-	-	-	1,600,000	1,600,000	1,600,000	1,382,376
2016										
Financial assets										
Short term funds	15,882,729	-	-	15,882,729	-	-	-	-	15,882,729	15,882,729
Amount due from a subsidiary company	-	-	-	-	-	-	2,400,000	2,400,000	2,400,000	2,093,947

Notes To The Financial Statements
31 December 2017 (cont'd)

31. **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. There were changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's net debt includes loan and borrowing, trade and other payables, less cash and cash equivalents. The Group's total capital represents equity attributable to the owners of the parent.

The gearing ratio at the end of the reporting period are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Term loan	4,240,002	5,221,110	4,240,002	5,221,110
Trade and other payables	3,346,675	2,291,183	2,633,037	1,636,358
	7,586,677	7,512,293	6,873,039	6,857,468
Less: Cash and cash equivalents	(21,541,617)	(23,328,962)	(21,369,345)	(23,215,348)
Net debt/(asset)	(13,954,940)	(15,816,669)	(14,496,306)	(16,357,880)
Total capital	46,571,961	45,420,354	46,867,516	45,815,294
Net gearing ratio		*	*	*

* Net gearing ratio is not applicable as the Group and the Company are in a net asset position.

Notes To The Financial Statements
31 December 2017 (cont'd)

32. **Comparative Information**

The financial statements of the Group and of the Company as at 31 December 2016 were audited by another auditors.

Certain comparative figures have been reclassified where necessary to conform with the current year's presentation.

	As previously stated RM	Reclassification RM	As restated RM
Group			
Statements of Financial Position			
Current Assets			
Trade and other receivables	3,961,860	(3,961,860)	-
Trade receivables	-	3,282,981	3,282,981
Other receivables	-	678,879	678,879
Current Liabilities			
Trade and other payables	2,291,183	(2,291,183)	-
Trade payables	-	460,060	460,060
Other payables	-	1,831,123	1,831,123
Company			
Statements of Financial Position			
Current Assets			
Trade and other receivables	4,449,944	(4,449,944)	-
Trade receivables	-	3,058,626	3,058,626
Other receivables	-	663,093	663,093
Amount due from a subsidiary company	-	728,225	728,225
Current Liabilities			
Trade and other payables	1,636,358	(1,636,358)	-
Trade payables	-	439,685	439,685
Other payables	-	1,196,673	1,196,673
Statements of Cash Flows			
Cash flows from operating activities			
Trade and other receivables	4,001,326	(251,904)	3,749,422
Amount due to a subsidiary company	-	251,904	251,904

33. **Subsequent Event**

On 29 March 2018, the Company entered into a sale and purchase agreement with Plaza 33 Sdn. Bhd. for the disposal of leasehold land and building held under H.S.(D) 159654, Master Lot No. PT 1, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor for a total consideration of RM15,665,000.

The disposal is yet to be completed as at the date of this report.

34. **Date of Authorisation for Issue**

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 April 2018.

List Of Properties

A summary of the Group's properties as at 31 December 2017 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 31.12.17	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	606,511	17
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	13,381,204	5

Analysis Of Shareholdings
as at 23 March 2018

Total number of issued shares	:	414,431,950 ordinary shares
Class of Shares	:	Ordinary share
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders		Number of Shares Held	
Size of holdings	**No.**	**%**	**No.**	**%**
Less than 100 shares	29	0.96	574	0.00
100 - 1,000 shares	445	14.71	212,498	0.05
1,001 - 10,000 shares	1,297	42.88	7,340,250	1.77
10,001 - 100,000 shares	976	32.26	35,354,312	8.53
100,001 – 20,721,596 shares*	275	9.09	257,589,316	62.16
20,721,597 and above**	3	0.10	113,935,000	27.49
Total	3,025	100.00	414,431,950	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 23 MARCH 2018

	Direct		Indirect	
Name	**No. of shares**	***%**	**No. of shares**	**%**
Asia Internet Holdings Sdn Bhd	89,627,400	21.63	-	-
Mohamed Nizam Bin Abdul Razak	33,383,000	8.06		
Brahmal A/L Vasudevan	31,600,000	7.62	-	-
Exacta Co., Ltd	23,350,000	5.63	-	-
Wong Thean Soon	4,500,000	1.09	89,627,400[(a)]	21.63
Wang Kuen-Chung @ Jeff Wang	1,899,004	0.46	23,350,000[(b)]	5.63
Dato' Dr. Norraesah Binti Haji Mohamed	460,000	0.11	89,627,400[(a)]	21.63

DIRECTORS' SHAREHOLDINGS AS AT 23 MARCH 2018

	Direct		Indirect	
Name	**No. of shares**	***%**	**No. of shares**	**%**
Dato' Dr. Norraesah Binti Haji Mohamed	460,000	0.11	89,627,400[(a)]	21.63
Wang Kuen-Chung @ Jeff Wang	1,899,004	0.46	23,350,000[(b)]	5.63
Ng Kim Huat	-	-	-	-
Gan Teck Ban	1,350,000	0.33	-	-
Eng Shao Hon	-	-	-	-
Aaron Sim Kwee Lein	-	-	-	-
Lok Choon Hong	40,000	0.01	-	-
Wong Kok Chau	5,000	0.00	-	-

Note:
(a) Deemed interest by virtue of his/her shareholding in Asia Internet Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.
(b) 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 23 March 2018

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Shareholders	No. of shares	%
1.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ASIA INTERNET HOLDINGS SDN BHD (MY2599)	57,202,000	13.80
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHAMED NIZAM BIN ABDUL RAZAK (MY0888)	33,383,000	8.06
3	RHB NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR EXACTA CO LTD	23,350,000	5.63
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR ASIA INTERNET HOLDINGS SDN BHD	20,000,000	4.83
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BRAHMAL A/L VASUDEVAN (PBCL-0G0115)	12,600,000	3.04
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAYAKUMAR A/L PANNEER SELVAM	10,755,300	2.60
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BRAHMAL A/L VASUDEVAN (M73106)	10,000,000	2.41
8	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	9,742,000	2.35
9	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED GF)	9,470,000	2.29
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE YOKE FONG	7,364,500	1.78
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITES ACCOUNT FOR ASIA INTERNET HOLDINGS SDN BHD	6,310,000	1.52
12	KENANGAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ASIA INTERNET HOLDINGS (001-ACCOUNT 2)	6,115,400	1.48
13	KOH THUAN TECK	5,994,000	1.45
14	HLIB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WANG, CHI-CHAO (CCTS)	4,873,900	1.18
15	MAYBANK NOMINEES TEMPATAN SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG THEAN SOON	4,500,000	1.09
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TERENCE WONG @ HUANG THAR-REARN	4,400,000	1.06
17	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	4,000,000	0.97
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	4,000,000	0.97
19	CHIA KEE SIONG	3,973,250	0.96
20	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED BCF)	3,750,000	0.90
21	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED MF)	3,600,000	0.87
22	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITIES UNIT TRUST	3,131,600	0.76
23	RHB NOMINEES (TEMPATAN) SDN BHD TAN AH LOY @ TAN MAY LING	3,000,000	0.72
24	CHIA KEE SIONG	2,950,000	0.71
25	DB (MALAYSIA) NOMINEES (ASING) SDN BHD DEUTSCHE BANK AG LONDON (DB LN EQ HSE CE)	2,350,000	0.57
26	MOHD RADZUAN BIN AB HALIM	2,198,550	0.53
27	WONG II LE	2,117,450	0.51
28	KENANGA NOMINEES (TEMPATAN SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIANG KAI LOON (010)	1,972,600	0.48
29	QUEK TEE KIAM	1,930,000	0.47
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HONG HENG SOON	1,850,000	0.45

Analysis Of Warrant Holdings
as at 23 March 2018

Type of securities	:	Warrants
Total warrants issued but not exercise	:	205,872,312
Tenure of warrants	:	5 years (2014/2019)

DISTRIBUTION OF WARRANT HOLDINGS

	Warrant Holders		Number of Warrants	
Size of holdings	**No.**	**%**	**No.**	**%**
Less than 100 issued warrants	74	5.58	3,646	0.00
100 - 1,000 issued warrants	300	22.61	64,494	0.03
1,001 - 10,000 issued warrants	383	28.86	2,325,298	1.13
10,001 - 100,000 issued warrants	440	33.16	16,566,226	8.05
100,001 – 10,293,614 issued warrants*	124	9.34	50,784,548	24.67
10,293,615 and above**	6	0.45	136,128,100	66.12
Total	1,327	100.00	205,872,312	100.00

Notes:
* Less than 5% of issued warrants.
** 5% and above of issued warrants.

SUBSTANTIAL WARRANT HOLDERS AS AT 23 MARCH 2018

	Direct		Indirect	
Name	**No. of Warrants**	**%**	**No. of Warrants**	**%**
Jayakumar A/L Panneer Selvam	44,902,600	21.81	-	-
CIMB Bank Berhad	32,000,000	15.54	-	-
Bank Julius Baer & Co. Ltd.	20,057,800	9.74	-	-
Credit Suisse	14,000,000	6.80	-	-
Mohamed Nizam Bin Abdul Razak	13,167,700	6.40	-	-
Wong Thean Soon	12,045,000	5.85	7,000,000[(a)]	3.40

DIRECTORS' WARRANT HOLDINGS AS AT 23 MARCH 2018

	Direct		Indirect	
Name	**No. of Warrants**	**%**	**No. of Warrants**	**%**
Dato' Dr. Norraesah Binti Haji Mohamed	-	-	7,000,000[(a)]	3.40
Wang Kuen-Chung @ Jeff Wang	102	0.00	-	-
Ng Kim Huat	-	-	-	-
Gan Teck Ban	-	-	-	-
Eng Shao Hon	-	-	-	-
Aaron Sim Kwee Lein	-	-	-	-
Lok Choon Hong	-	-	-	-
Wong Kok Chau	1,000	0.00	-	-

Note:
(a) Deemed interest by virtue of his/her shareholding in Asia Internet Holdings Sdn Bhd 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.

Thirty (30) Largest Warrant Holders

as at 23 March 2018

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Warrant Holders	No. of warrants	%
1.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAYAKUMAR A/L PANNEER SELVAM	44,902,600	21.81
2.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB BANK BERHAD (EDP 2)	32,000,000	15.54
3	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO LTD (SINGAPORE BCH)	20,057,800	9.74
4	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	14,000,000	6.80
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHAMED NIZAM BIN ABDUL RAZAK (MY0888)	13,167,700	6.40
6	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG THEAN SOON (7003171)	12,000,000	5.83
7	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ASIA INTERNET HOLDINGS SDN BHD (001-ACCOUNT 2)	7,000,000	3.40
8	NG LI-SHING	2,433,000	1.18
9	PREMANAND JEARAJASINGAM	2,180,000	1.06
10	KOH THUAN TECK	1,997,000	0.97
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BRAHMAL A/L VASUDEVAN (M73106)	1,500,000	0.73
12	QUEK TEE KIAM	1,210,000	0.59
13	DATO' LIM KOK HAN	1,204,400	0.59
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD NG CHEN JOU	1,176,300	0.57
15	DATO' LIM KOK HAN	978,500	0.48
16	MOHD RADZUAN BIN AB HALIM	888,174	0.43
17	KEK CHIN WU	864,000	0.42
18	WONG II LE	841,724	0.41
19	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEOW CHEE LIP	732,900	0.36
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH EU JIM (PB)	703,900	0.34
21	CHIA AUN LING	683,200	0.33
22	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM WILLIE	652,000	0.32
23	BAN SUAN SIM	580,000	0.28
24	LEE SIM NEE	550,000	0.27
25	LEE LIAN CHUAN	528,000	0.26
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD HOOI CHEE KOK	522,000	0.25
27	WONG SAU MEI	516,100	0.25
28	YONG SOO CHAI @ YONG SOW LAN	515,000	0.25
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG VOON FUI (MI2032)	503,000	0.24
30	LOW SHIN YUN	500,000	0.24

ExcelFORCE MSC Berhad
(Company No. 570777 X)
Incorporated in Malaysia

FORM OF PROXY
(Before completing this form please refer to the notes below)

No. of ordinary shares held	

I/We.. NRIC No./Co. No./CDS A/C No ....
(Full name in block letters)

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 Sixteenth Annual General Meeting of the Company to be held at Dewan Berjaya, Equestrian Club, Bukit Kiara Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 30 May 2018 at 2.30 p.m. 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 the payment of Directors' fees and benefits from 1 June 2018 until next Annual General Meeting of the Company		
Resolution 2 - To re-elect the Director, Wang-Kuen Chung @ Jeff Wang		
Resolution 3 - To re-elect the Director, Aaron Sim Kwee Lein		
Resolution 4 - To re-elect the Director, Gan Teck Ban		
Resolution 5 - To re-appoint Messrs. UHY		
Resolution 6 - Authority to allot shares		
Resolution 7 - Retention of Independent Director, Ng Kim Huat		
Resolution 8 - Retention of Independent Director, Aaron Sim Kwee Lein		

(Please indicate with "X" in the space provided how you wish your vote(s) 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 2018

…………………………….
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 23 May 2018. Only a depositor whose name appears on the Record of Depositors as at 23 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.*
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 may appoints two (2) proxies to attend 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 Security 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 of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
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 shall be deposited at Company's Share Registrar Office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petraling Jaya, Selangor not less than forty-eight (48) hours before the time set 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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