cuscapi®

Spearheading the Digital Era

Annual Report 2016

WELCOME TO cuscapi®

WE HAVE GROWN TO BE A TRUSTED AND INNOVATIVE INDUSTRY SPECIALIST. TODAY, WE ARE A STRONGER ENGINE FOR EXPONENTIAL GROWTH AND PERFORMANCE. LED BY A VISIONARY TEAM OF LEADERS WITH EXTENSIVE EXPERIENCE IN GLOBAL CONSULTING, WE CONTINUE TO SHOWCASE NEW AND INNOVATIVE BUSINESS MANAGEMENT SOLUTIONS WORLDWIDE.

With our in-depth industry experience, and knowledge implementing world-class solutions, and certification as Microsoft Gold Partner and Capability Maturity Model® Integration (CMMI) Level 3 Award, we are committed to support our clients as they grow and expand their markets. Listed on the Main Market of Bursa Malaysia, we have established credentials in the food and beverage, retail, hospitality, automotive, telecommunication, financial services, and public service industries.

With 12 service centres nationwide and strong regional presence and support infrastructure in 29 other countries, through over 7,000 installed sites, we continue to create more value for our clients by enabling them to maximise their businesses' customer capital through excellent delivery.

Spearheading the Digital Era

With the introduction of our REV Self-Ordering Tablets and Transight Cloud Restaurant Management completing our suite of synergistic business solutions offering, Cuscapi is poised to enter a new phase of growth in the digital era, spearheaded by our innovative digital platforms. This cover design uses a cloud Venn diagram to visualise this integration of our entire ecosystem of synergistic services that will help our customers unlock the value of their customer capital.

CONTENTS

VISION

To enable, transform and inspire businesses to develop deeper, more successful and meaningful relationships with their customers.

MISSION

To be a catalyst for our clients' success by bringing their customers closer through world-class solutions and services.

OUR VALUES

Our values are what we uphold as an organisation. This guides our decisions, our actions and our approach to the challenges to our organisation and business. Through these values, we develop a consistent and single-minded approach in all that we do.

EXCELLENCE
We are always committed to delivering excellence to create true business value to our clients.

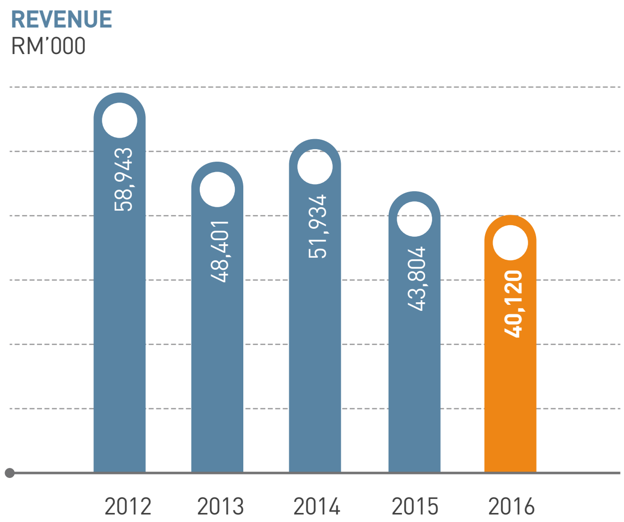
CREATIVITY
We see innovation as a means to contribute to client success. We thrive on creative thinking, constantly challenging the way we approach our business and serve our clients, including their customers.

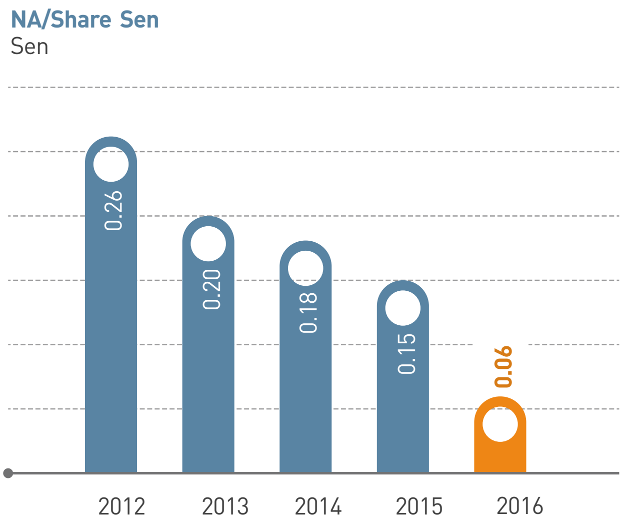
TEAM SPIRIT
We are at our best when we work as a team, sharing our collective knowledge to help our clients to realise value from their customers.

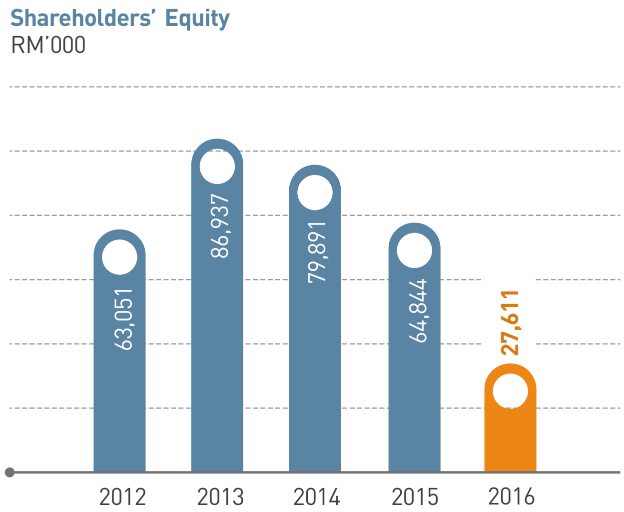
ZEAL
We are passionate about making a difference to our clients and their customers with enthusiasm in everything we do.

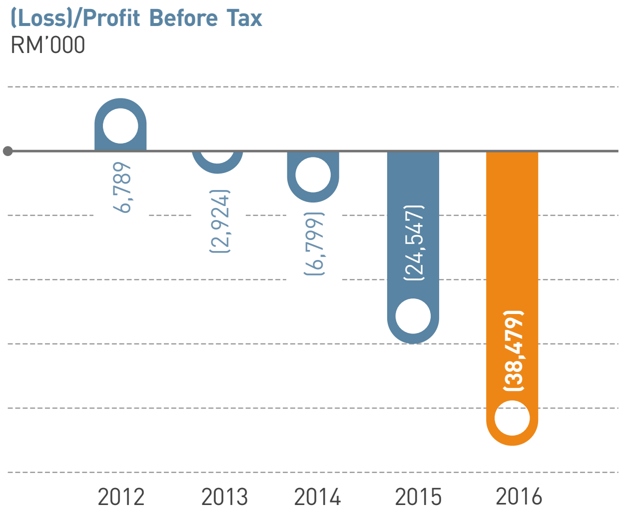
INTEGRITY
We conduct ourselves in a professional and honourable manner contributing to the success of our company and our clients.

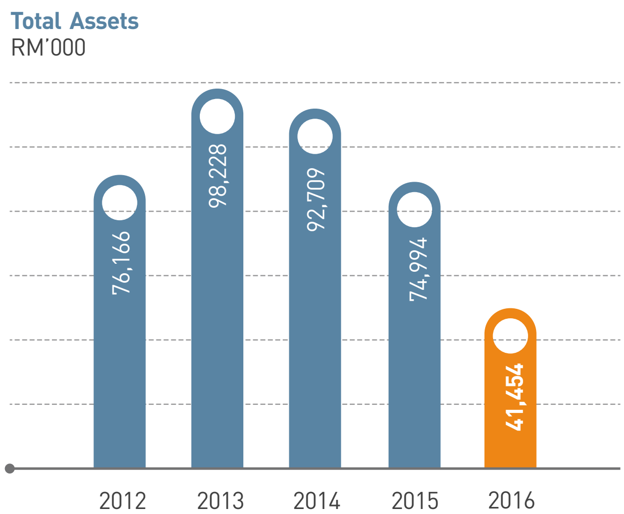
FINANCIAL HIGHLIGHTS

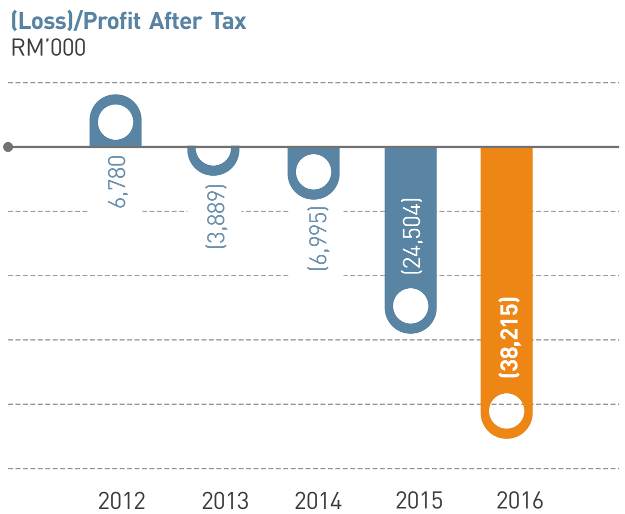












BREAKING THROUGH IN CHINA

Cuscapi has secured a contract from Hong Kong-listed Ajisen China Holdings Ltd. to exclusively deploy and manage REV self-ordering tablets for all of the client's current and future restaurants China for a period of six years. The Ajisen contract will start contributing progressively as we implement the 25,000 tablets in Ajisen's 634 stores over a 12-month period.

MANAGEMENT DISCUSSION & ANALYSIS

THE BOARD OF DIRECTORS OF THE COMPANY ("BOARD") AND MANAGEMENT HEREBY TO PRESENT THE MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") WHICH CONTAINS COMMENTARY FROM THE MANAGEMENT TO GIVE INVESTORS AND SHAREHOLDERS A BETTER UNDERSTANDING OF THE BUSINESS, OPERATIONS AND FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED ("FYE") 31 DECEMBER 2016. THE MD&A SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS AND THE NOTES RELATED THERETO.

1. Overview of Operations

Cuscapi Group is involved primarily in the provision of Restaurant Management Solutions and offers a comprehensive range of integrated solutions for the industry, including but not limited to Point of Sales Solution, Outlet Management Solutions, Information Technology Security Solutions, IT Consulting Services and Contact Center Outsourcing Services. Cuscapi also provides IT solutions to businesses across various industries, including retail, hospitality, automotive, telecommunications, financial and public services.

We were established in Malaysia on 16 November 1978 and to date we have combined in-depth industry experience and knowledge in implementing world-class solutions. We are certified as Microsoft Gold Partner and our solution development capability is certified at Capability Maturity Model® Integration (CMMI) Level 3.

Currently we have 12 service centres nationwide and a strong regional presence with support infrastructure in 29 other countries for over 7,000 installed sites.

1.1 Our operating segments are as follow:-

(a) Geography locations

(i) Malaysia

Involves in software development, the provision of remedial services for Restaurant Management hardware and related software implementation and support services, the provision of Restaurant Management solutions, the provision of project management, business and IT related consultancy services, the provision of network infrastructure and security solutions and services and system integration services, and the provision of contact centres for outsourcing services in Malaysia.

(ii) South East Asia

Involves in the provision of Restaurant Management Solutions and business management solutions, the provision of remedial services for Restaurant Management hardware and related software implementation and support services, the provision of project management, business and IT related consultancy services in the South East Asia region other than Malaysia.

(iii) People's Republic of China

Involves in software development, the provision of Restaurant Management and business management solutions, remedial services for Restaurant Management hardware and related software implementation and support services, the provision of project management, business and IT related consultancy services, and the provision of contact centres for outsourcing services in People's Republic of China.

(b) Business units

(i) Operational Cost Centre

This segment is involved in the support services to all the customers for the Group.

(ii) Group Corporate

This segment is involved in Group-level corporate services, and treasury functions.

MANAGEMENT DISCUSSION & ANALYSIS

1.2 Our revenue is derived through our subsidiary companies of which the principal activities are summarised as below:-

Subsidiaries	Date and place of incorporation	Principal activities
Cuscapi Bhd.	16.11.1978 Malaysia	Investment Holding
Cuscapi Malaysia Sdn. Bhd.	17.07.2000 Malaysia	Provision of Restaurant Management and business management solutions, remedial services for Restaurant Management hardware and related software implementation and support services
Cuscapi Innovation Lab Sdn. Bhd.	11.04.2002 Malaysia	Software development
Cuscapi Solutions Sdn. Bhd.	24.05.2003 Malaysia	Software development
Cuscapi Consulting Sdn. Bhd.	20.09.1997 Malaysia	Provision of project management, business and IT related consultancy services
Cuscapi Outsourcing Sdn. Bhd.	30.05.2008 Malaysia	Provision of a contact centre for outsourcing services
Cuscapi Interactive Solutions Sdn. Bhd.	03.09.2003 Malaysia	Provision of software development, interactive devices solutions, Restaurant Management and business management solutions
Cuscapi International Sdn. Bhd.	20.02.2003 Malaysia	Investment Holding
Cuscapi Hong Kong Ltd.	31.10.2011 Hong Kong	Provision of Restaurant Management and business management solutions, remedial services for Restaurant Management hardware and related software implementation and support services
Cuscapi Interactive Technology (China) Pty. Ltd.	30.08.2013 Hong Kong	Investment Holding
Shanghai Cuscapi Interactive Network Technology Co. Ltd.	23.12.2016 China	Software development, interactive devices solutions, restaurant management, business management solutions and other related services and products
Cuscapi Suzhou Co. Ltd.	31.10.2008 China	Software development

Subsidiaries	Date and place of incorporation	Principal activities
Cuscapi Guangzhou Co. Ltd.	14.02.2012 China	Dormant
Cuscapi Philippines, Inc.	16.05.2012 Philippines	Investment Holding
Tills N Labels System Marketing, Inc.	03.11.2011 Philippines	Provision of Restaurant Management and business management solutions, remedial services for Restaurant Management hardware and related software implementation and support services, project management business and IT related consultancy services
Cuscapi International Pte. Ltd.	18.10.2007 Singapore	Investment Holding
Cuscapi Singapore Pte. Ltd.	12.01.2009 Singapore	Provision of Restaurant Management and business management solutions, remedial services for Restaurant Management hardware and related software implementation and support services, project management business and IT related consultancy services
Cuscapi (Thailand) Co. Ltd.	12.03.2011 Thailand	Provision of Restaurant Management and business management solutions, remedial services for Restaurant Management hardware and related software implementation and support services, project management business and IT related consultancy services
PT Cuscapi Indonesia	13.04.2011 Indonesia	Provision of Restaurant Management and business management solutions, remedial services for Restaurant Management hardware and related software implementation and support services
Cuscapi Beijing Co. Ltd.	18.10.2007 China	Provision of Restaurant Management and business management solutions, remedial services for Restaurant Management hardware and related software implementation and support services, project management business and IT related consultancy services
Cuscapi Shanghai Co. Ltd.	01.08.2011 China	Provision of Restaurant Management and business management solutions, remedial services for Restaurant Management hardware and related software implementation and support services, project management business and IT related consultancy services

MANAGEMENT DISCUSSION & ANALYSIS

2. Share Performance

The following table sets out the summary of share performance for the FYE 2016:-

Currency in MYR

Month	Open	High	Low	Close	Volume
Dec 2016	0.11	0.13	0.10	0.11	4,487,000
Nov 2016	0.12	0.13	0.10	0.10	1,853,700
Oct 2016	0.13	0.13	0.12	0.12	4,322,200
Sept 2016	0.12	0.14	0.10	0.13	6,318,000
Aug 2016	0.12	0.15	0.12	0.12	25,879,600
July 2016	0.10	0.13	0.09	0.12	18,369,000
Jun 2016	0.10	0.12	0.09	0.09	11,365,800
May 2016	0.10	0.14	0.10	0.10	22,415,900
Apr 2016	0.10	0.11	0.10	0.10	2,312,100
Mar 2016	0.11	0.12	0.10	0.10	5,607,100
Feb 2016	0.13	0.13	0.12	0.12	2,986,800
Jan 2016	0.14	0.14	0.12	0.13	6,609,300

As at 31 December 2016, Cuscapi market capitalisation at RM47.91 million in the number of shares issued at 435,553,338.

3. Revenue and Gross Profit

3.1 Revenue by Countries

For the cumulative twelve (12) months ended 31 December 2016, the Group has recorded a decrease of revenue by 8.40% as against the corresponding period for last year, with total revenue registered at RM40.12 million (FPE Q4'2015: RM43.80 million). The reduced sales was due to the competitive business environment and continuous economic slowdown. The breakdown in revenue are as follow:-

Country	Actual YTD 2016	Actual YTD 2015	Increase/ (Decrease)
Malaysia	**18,357,144**	19,323,929	(966,785)
Singapore	**4,905,734**	5,586,860	(681,126)
Philippines	**4,502,042**	3,616,247	885,795
Thailand	**1,872,298**	3,278,405	(1,406,107)
Indonesia	**573,640**	806,497	(232,857)
SEA	**30,210,858**	32,611,938	(2,401,080)
Beijing	**4,851,264**	5,704,824	(853,560)
Shanghai	**5,058,169**	5,487,145	(428,976)
Suzhou	**–**	–	–
HK	**–**	–	–
China	**9,909,433**	11,191,969	(1,282,536)
Total	**40,120,291**	43,803,907	(3,683,616)

3.2 Revenue by Products

The breakdown of our revenue by products is set out below:-

	Audited			
Product	**FYE 2016**		**FYE 2015**	
	RM	**%**	**RM**	**%**
Transight	**35,161,501**	**88%**	36,553,383	83%
CODS	**3,559,467**	**9%**	4,697,154	11%
Others	**1,399,323**	**3%**	2,553,370	6%
Total	**40,120,291**	**100%**	43,803,907	100%

3.3 Losses by Countries

For the cumulative 12 months, the Group recorded a Loss before taxation of RM38.48 million, representing an increase of approximately RM13.93 million loss against the corresponding period for last year, mainly attributable by the following market:-

Country	**Actual YTD 2016**	**Actual YTD 2015**	**Variance**
Malaysia	**(9,549,028)**	(15,860,267)	6,311,239
Singapore	**137,873**	1,910,684	(1,772,811)
Philippines	**(1,414,651)**	(56,847)	(1,357,804)
Thailand	**(931,615)**	239,251	(1,170,866)
Indonesia	**(181,235)**	(179,261)	(1,974)
SEA	**(11,938,656)**	(13,946,440)	2,007,784
Beijing	**(1,558,346)**	1,238,736	(2,797,082)
Shanghai	**(3,505,374)**	(2,703,518)	(801,856)
Suzhou	**(21,536,134)**	(9,077,648)	(12,458,486)
HK	**59,695**	(58,490)	118,185
China	**(26,540,159)**	(10,600,920)	(15,939,239)
Total	**(38,478,815)**	(24,547,360)	(13,931,455)

The increased losses of RM13.93 million is mainly attributable by:-

(i) reduced sales and increased cost of services as a result of weakening of Ringgit Malaysia for prevailing products and services in South East Asia and China respectively;

(ii) impairment of goodwill and intangible assets for total of RM14.25 million; and

(iii) unrealised loss on foreign exchange differences of RM0.62 million.

MANAGEMENT DISCUSSION & ANALYSIS

3.4 Assets, Liabilities and Liquidity are mainly due to:-

(i) Trade and other receivables and prepayments was decreased by 40.43% as compared to the preceding year, recorded at the balance of RM14.48 million in FYE 2016 and RM24.30 million in FYE 2015 due to better credit control in the year 2016. (Debtor ageing FYE 2016: 132 days, debtor ageing FYE 2015: 203 days)

(ii) Goodwill and intangible assets decreased by 62.54% as against the corresponding period for last year, with total Goodwill and intangible costs recorded at RM11.51 million while in the year 2015 recorded at RM30.74 million are due to provision of impairment up to RM14.25 million in the year 2016.

(iii) Trade and other payable increased by 33.2% as compared to the preceding year, recorded at the balance of RM12.99 million in FYE 2016 and RM9.76 million in FYE 2015 are due to purchase of inventory for contract purpose.

(iv) Cash and bank balance decreased by 51.46% as compared to the preceding year, recorded at the balance of RM3.89 million in FYE 2016 and RM8.02 million in FYE 2015 due to lower sales and higher operating expenses.

4. Anticipated of Known Risk Affecting Group's Results, Operations and Financial Condition

Our Group's financial condition and results of operations have been, and will continue to be affected by amongst others, the following key factors:-

(i) Our Group's ability to stay competitive vis-à-vis our competitors by providing good quality services;

(ii) Our Group's ability in developing and implementing marketing strategies, expansion of our service offerings and solutions to suit customers' needs, and to keep abreast with new Restaurant Management technologies;

(iii) Our Group's ability to develop good working relationships with our customers, suppliers as well as staff, and implement incentive driven plans to improve on the efficiency of our staff;

(iv) The developments in the political and economic conditions in Malaysia and globally which may materially and adversely affect the business, operations and financial performance of our Group;

(v) Our dependence on the abilities and continued performance of our Directors, key management and key technical personnel for our Group's success as any loss of these key personnel could materially affect our Group; and

(vi) Foreign exchange fluctuations and translation losses which may result in our Group incurring foreign exchange losses or gains due to the fluctuations in the exchange rates.

4.1 Impact of foreign exchange rates/ interest rates/ commodity prices on operating profits

(i) Impact from foreign currency exchange rates

Our Group is exposed to foreign currency risks as our sales and purchases are partly denominated in foreign currencies, such as in United States Dollar ("USD"), China Renminbi ("RMB"), Singapore Dollar ("SGD") and Philippine Peso ("PESO"). As such, any appreciation or depreciation of these currencies against RM will result in us incurring foreign exchange gains or losses.

(ii) Impact from commodity prices

FYE 31 December 2016, our Group's financial performance was not affected by commodity prices.

4.2 Impact of inflation

Our Group's financial performance during the FYE 31 December 2016 was not significantly affected by the impact of inflation.

4.3 Government/Economic/Fiscal or monetary policies

Risk relating to political, economic and regulatory policies which may materially affect our business and financial performance.

The financial performance of our Group had not been materially affected by any government, economic, fiscal or monetary policies of factors for the FYE 31 December 2016.

5. Prospects

Despite the challenging and competitive business environment, the Board and Management of the Group remain confident of revenue and cost breakthroughs with its new REV Self-Ordering Tablets and Transight Cloud Restaurant Management offerings.

The breakthroughs serve as a launch pad for the Group to establish and deliver exponential revenue growth through innovative digital platforms.

The Group remains focused on executing its strategies to achieve better financial performance of its existing business through the migration of existing clients to its new Transight Cloud Restaurant Management offering to significantly reduce service costs and improve operating margins and are expected to propel the Group to the next level of growth in coming years.

GROUP STRUCTURE

cuscapi®
CUSCAPI BERHAD

- 100% **CUSCAPI MALAYSIA SDN. BHD. ("CMSB")**
- 100% **CUSCAPI INNOVATION LAB SDN. BHD. ("CILSB")**
- 100% **CUSCAPI SOLUTIONS SDN. BHD. ("CSSB")**
- 100% **CUSCAPI CONSULTING SERVICES SDN. BHD. ("CCSSB")**
- 100% **CUSCAPI OUTSOURCING SDN. BHD. ("COSB")**
- 100% **CUSCAPI INTERACTIVE SOLUTIONS SDN. BHD. ("CISSB")**
- 100% **CUSCAPI INTERNATIONAL SDN. BHD. ("CISB")**
  - 100% Cuscapi Hong Kong Limited
    - 100% Cuscapi Interactive Technology (China) Pty. Ltd.
      - 100% Shanghai Cuscapi Interactive Network Technology Co. Ltd.
    - 100% Cuscapi Suzhou Co. Ltd.
    - 100% Cuscapi Guangzhou Co. Ltd.
    - 99.99% Cuscapi Philippines, Inc.
      - 99.99% Tills N Labels System Marketing, Inc.
- 100% **CUSCAPI INTERNATIONAL PTE. LTD.**
  - 100% PT Cuscapi Indonesia
  - 100% Cuscapi Singapore Pte. Ltd.
  - 100% Cuscapi (Thailand) Co. Ltd.
  - 100% Cuscapi Beijing Co. Ltd.
  - 100% Cuscapi Shanghai Co. Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Dato' Gan Nyap Liou @ Gan Nyap Liow
Independent Non-Executive Chairman

Her Chor Siong
Chief Executive Officer

Lim Li Li
Non-Independent Non-Executive Director

Ang Chin Joo
Independent Non-Executive Director

Khoo Chuan Keat
Independent Non-Executive Director

COMPANY SECRETARIES

Datuk Tan Leh Kiah
(MAICSA No.: 0719692)

Lim Chien Joo
(MAICSA No.: 7063152)

AUDIT COMMITTEE

Khoo Chuan Keat
Chairman
(Appointed as Chairman on 01.06.2016)

Lim Li Li

Ang Chin Joo

Dato' Gan Nyap Liou @ Gan Nyap Liow
(Resigned as Member and Chairman on 01.06.2016)

NOMINATION COMMITTEE

Dato' Gan Nyap Liou @ Gan Nyap Liow
Chairman

Lim Li Li

Ang Chin Joo

REMUNERATION COMMITTEE

Dato' Gan Nyap Liou @ Gan Nyap Liow
Chairman

Lim Li Li

Her Chor Siong

ESOS COMMITTEE

Ang Chin Joo
Chairman

Her Chor Siong

Khoo Chuan Keat

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 1, Block B, Dataran PHB
Saujana Resort, Seksyen U2
40150 Shah Alam
Selangor Darul Ehsan
Tel : 603 7623 7777
Fax : 603 7622 1999

EXTERNAL AUDITORS

Baker Tilly Monteiro Heng (AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 603 2297 1000
Fax : 603 2282 9980

PRINCIPAL BANKERS

Standard Chartered Bank Malaysia Berhad

Malayan Banking Berhad

HSBC Bank Malaysia Berhad

SHARE REGISTRAR

Securities Services (Holding) Sdn. Bhd.
(Company No. 36869-T)
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603 2084 9000
Fax : 603 2094 9940

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Bhd.
Main Market of Bursa Malaysia Securities Berhad
Stock Name : CUSCAPI
Stock Code : 0051
Warrant Name : CUSCAPI-WA
Warrant Code : 0051-WA

CONNECTING WITH CONSUMERS

The real value of REV comes from it being a platform that enables access to more than 100 million end-consumers per annum. We plan to leverage the long interaction opportunity with these customers to harness its potential as an effective media channel as we continue to transform Cuscapi into a technology company that focuses on long term shareholder value and not on short term profits.

DIRECTORS' PROFILES

DATO' GAN NYAP LIOU @ GAN NYAP LIOW

INDEPENDENT,
NON-EXECUTIVE CHAIRMAN
AGE 62, MALE, MALAYSIAN

Dato' Gan Nyap Liou @ Gan Nyap Liow was appointed as an Independent Non-Executive Director of our Company on 23 June 2006. He is the Chairman of our Nomination and Remuneration Committees.

Dato' Larry Gan engages actively in the digital space. He is a strategic investor in e-Commerce and digital enterprises, and operates an extensive business network of entrepreneurs, incubators, consulting professionals and investment funds. He advocates disruptive business models, mentors new startups, and assists with exponential growth.

He was worldwide partner at Accenture for 16 years till his retirement in 2004, and held many global leadership positions including Managing Partner for ASIA, Chairman of the International Advisory Council and member of the Global Management Council. He managed the Accenture multibillion-dollar technology Ventures Fund as Managing Partner, Corporate Development Asia Pacific.

Over a career span of 26 years in Accenture, he consulted on strategic projects for government organisations and multinational corporations, and invested and worked with innovative technologies around the world. Alongside, he served on several external industry organisations, national consultative bodies, advisory boards of universities and professional associations. He was Chairman of the Association of Computer Industry Malaysia (PIKOM), Vice-President of the Association of Asian Oceania Computer Industry Organisation, Member of the Ministry of Science & Technology Think Tank, Copyright Tribunal, and Labuan International Financial Exchange Committee, and Director of MIMOS Berhad (National Technology Research).

Since Accenture, he invested and assumed board roles in several publicly listed technology companies. Currently, Dato' Larry Gan served on the Boards of Rev Asia Berhad (Chairman), Saujana Resort (M) Berhad and Tropicana Corporation Berhad.

He is a Certified Management Consultant and a Chartered Accountant.

He has attended six (6) out of seven (7) Board Meetings held during the FYE 31 December 2016.

Dato' Larry Gan has no family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offences within the past 5 years, other than traffic offences and no public sanctions or penalties were imposed on him by the relevant regulatory bodies during the FYE 31 December 2016.

HER CHOR SIONG

CHIEF EXECUTIVE OFFICER &
EXECUTIVE DIRECTOR
AGE 44, MALE, MALAYSIAN

Mr. Her Chor Siong was appointed to the Board of Directors of Cuscapi Berhad on 17 August 2006 and served as Executive Director between 2006 and 2009, where he led the group's international expansion, which now has presence in China, South East Asia and the Middle East. He is a member of our Remuneration and ESOS Committee.

Mr. Her was appointed Chief Executive Officer (CEO) of Cuscapi Berhad in 2010 to spearhead Cuscapi's strategy to become the preferred business solutions partner of F&B Enterprises in Asia and the Middle East. He was instrumental in the development of Cuscapi as a key F&B solutions provider in China, working along-side key F&B customers such as Ganso, YongHe King, Xiabu xiabu, Yippin and many more.

Prior to him joining Cuscapi Berhad, he held a senior position with Accenture, a global consulting company. During his tenure with Accenture, he delivered a wide range of consulting services for Accenture's telecommunications clients across Malaysia, Singapore, Thailand and Korea.

He subsequently founded Adeptis Solutions in 2003 and was the CEO of Adeptis Solutions between 2003 and 2006. In Adeptis Solutions, he developed a successful business providing dealer management and e-commerce solutions to an impressive list of automotive clients in Malaysia leading to the acquisition of Adeptis Solutions by Cuscapi Berhad in 2006.

He is a graduate of the National University of Malaysia and holds a Bachelor of Arts (Honours) in Sociology and Political Science.

Save for his directorship of the Company, Mr. Her does not hold any other directorship in public companies and listed issuers.

He has attended all seven (7) Board Meetings held during the FYE 31 December 2016.

Mr. Her has no family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offences within the past 5 years, other than traffic offences and no public sanctions or penalties were imposed on him by the relevant regulatory bodies during the FYE 31 December 2016.

DIRECTORS' PROFILES

ANG CHIN JOO

INDEPENDENT
NON-EXECUTIVE DIRECTOR
AGE 64, MALE, MALAYSIAN

Mr. Ang Chin Joo (C J Ang) is an Independent Non-Executive Director of the Company. As a former Executive Director and CEO, he was responsible for setting up the business directions and formulating the strategy for the company in its earlier years. He has been on the Board since 29 May 1998. He was redesignated as Independent Non-Executive Director on 21 August 2009. He is a member of our Audit, Nomination and ESOS Committees.

Mr. Ang began his career in the IT industry with Computer Systems Advisers Berhad (CSA) in 1976. He joined IBM Malaysia in 1981 where he spent 13 years in various sales, marketing, services, management and consulting positions covering various industries such as banking, telecommunications, airlines, utilities, as well as small and medium enterprises. His consulting stint in IBM in 1992 and 1993 included being the Principal of the IBM Consulting Group for the ASEAN region.

In 1994, he become the first Country Manager for Compaq Computer Malaysia. After three years in Compaq, he embarked on an entrepreneurial path with his involvement in Transight Systems and Datascan Sdn. Bhd., eventually listing Datascan on the MESDAQ market of Bursa Malaysia. Datascan is now Cuscapi Berhad.

He was President of PIKOM, the National ICT Association of Malaysia, from January 2008 till May 2010, after which he was appointed Advisor on the PIKOM Council. In May 2011, he was appointed as a Director on the Board of MDEC, the Malaysian Digital Economy Corporation, an agency under the Ministry of Communications and Multimedia (KKMM). He is also an Advisor to Outsourcing Malaysia, a chapter of PIKOM.

He graduated with a Bachelor of Applied Science (Honours) from the University of Science Malaysia in 1976.

Save for his directorship of the Company, Mr. Ang does not hold any other directorship in public companies and listed issuers.

He has attended all seven (7) Board Meetings held during the FYE 31 December 2016.

Mr. Ang has no family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offences within the past 5 years, other than traffic offences and no public sanctions or penalties were imposed on him by the relevant regulatory bodies during the FYE 31 December 2016.

LIM LI LI

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR
AGE 56, FEMALE, MALAYSIAN

Ms. Lim Li Li was appointed as a Non-Independent Non-Executive Director of Cuscapi Berhad on 24 September 2013. She is a member of our Audit, Remuneration and Nomination Committees.

Ms. Lim is a lawyer, graduated from University of Malaya and also possesses a Master's Degree in Business Administration from the same University. She was with Hong Leong Group of Companies prior to joining the Peremba Group. She is currently the Director, Corporate Affairs of Peremba (Malaysia) Sdn. Bhd. and presently, sits on the Boards of Saujana Resort (M) Berhad, Handal Dinamis Holdings Berhad and Saujana CARES Foundation.

She has attended all seven (7) Board Meetings held during the FYE 31 December 2016.

Ms. Lim has no family relationship with any Director and/or major shareholder of the Company. She does not have any conflict of interest with the Company and has not been convicted of any offences within the past 5 years, other than traffic offences and no public sanctions or penalties were imposed on her by the relevant regulatory bodies during the FYE 31 December 2016.

DIRECTORS' PROFILES

KHOO CHUAN KEAT

INDEPENDENT
NON-EXECUTIVE DIRECTOR
AGE 62, MALE, MALAYSIAN

Mr. Khoo Chuan Keat, was appointed as an Independent Non-Executive Director of Cuscapi Berhad on 1 August 2015. He is also a member of our Audit and ESOS Committees.

Mr. Khoo is a pre-eminent tax and strategic business consultant; a well-recognised leader in the industry. He has a wealth of knowledge and experience in the entire spectrum of taxation. His industry specialism includes financial services, property development and healthcare.

He has also been engaged in advising on strategic visioning of business ventures, corporate re-organisations and mergers & acquisitions as well as lobbying for fiscal policy changes and incentives, and economic roundtable discussions.

He has a long distinguished career as a professional services adviser with PricewaterhouseCoopers Malaysia for 34 years. Prior to PricewaterhouseCoopers, he spent almost a decade in the profession in the United Kingdom working with MNC clients and on trans-Atlantic consolidations.

During his tenure with PricewaterhouseCoopers, he was a Partner/Senior Executive Director for 26 years and served in various key capacities including Tax Leader of the Malaysian and South East Asian Peninsula (SEAPEN) firms; CEO of PwC E-Tax.com Sdn. Bhd., a MSC-status company; and Company Secretary of the PricewaterhouseCoopers Group of Companies in Malaysia.

He was also a member of the East Cluster Regional Tax Leadership Team and a regular faculty member of the Regional Leadership Development Programme.

He currently serves as Director of Eastspring Investments Berhad.

He is a prolific writer for the media and a frequent speaker at conferences on a wide range of topics, most recently on retirement transformation, seniors living and aged care in which he is well-recognised as a leading authority. He was also a key facilitator at the PEMANDU Lab on Seniors Living.

He has a string of professional qualifications both in the United Kingdom and Malaysia including Institute of Chartered Accountants in England & Wales; Chartered Institute of Taxation, United Kingdom; Institute of Chartered Secretaries & Administrators, United Kingdom; Malaysian Institute of Certified Public Accountants; Chartered Tax Institute of Malaysia; Malaysian Institute of Chartered Secretaries & Administrators; and Malaysian Institute of Accountants.

He has attended all seven (7) Board Meetings held during the FYE 31 December 2016.

Mr. Khoo has no family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offences within the past 5 years, other than traffic offences and no public sanctions or penalties were imposed on him by the relevant regulatory bodies during the FYE 31 December 2016.

KEY SENIOR MANAGEMENTS' PROFILE

CHAN YOKE SIN

HEAD OF PEOPLE STRATEGY
AGE 45, FEMALE, MALAYSIAN

Ms. Chan Yoke Sin graduated from University of Warwick majoring in Human Capital Management in year 2000. She is a qualified Occupational Personality Questionnaire (OPQ) and Harrison Assessment (HA) interpreter.

Ms. Chan started her career in 1995 with DBS Bank as Human Resources Executive and moved on to a public listed company, Malaysia Pacific Corporation Berhad as Human Resources Manager in 2005.

Later, Ms. Chan advanced her career with a renowned MNC, Hilti Malaysia as Human Resources Manager in end 2006 and thereafter promoted as Head of Human Resources in 2012 whereby as one of the top management personnel and Human Resource Business Partner, Ms. Chan has revamped and implemented various HR initiatives that has significantly contributed to the growth of the company, like performance management system, integration program, succession planning, talent development, leadership development, just to name some.

Ms. Chan was also a trained facilitator for many of the Human Resources workshops i.e. behavioural interview technique, impactful communication skill, foundation of management, situational leadership and etc.

Ms. Chan joined Cuscapi in March 2014 as Head of People Strategy.

ROBIN CUI RUI

CHIEF TECHNOLOGY OFFICER
AGE 41, MALE, MALAYSIAN

Mr. Cui Rui graduated with Bachelor Degree of Computer Science and Engineering from Shanghai Jiaotong University in 1999.

In 1999, he started his career as a software engineer and then tech manager in Intrinsic Technology Shanghai Ltd. (Intrinsic Group) and thereafter proceeded to joined Shanghai Etang Information Service Ltd. in 2002 as tech director.

In year 2004, Mr. Cui Rui joined a public listed company, Kodak China as GAR senior manager and the founder of Digital Imaging Service BU. He was responsible for establishing the Digital Imaging Service business in Great Asia Pacific Area as one of the founders handling tech and engineering of the company.

In 2006, he came back to Intrinsic Group as CTO to re-organise the Group (Intrinsic, Linktone, GreenLake and Smartpay) to be Shanghai Smartpay Jieyin Co., LTD. and the key member of the acquisition that Ping An Group acquired Smartpay in 2011.

In August 2011, he joined Cuscapi as CTO.

LIM SZE YEAN

CHIEF FINANCIAL OFFICER
AGE 44, MALE, MALAYSIAN

Mr. Lim Sze Yean graduated with Master Degree of Business Administration from Rutherford University in 2006. He is a Chartered Accountant of the Malaysian Institute of Accountants and a Fellow Member of The Association of Chartered Certified Accountants. He is also currently an Associate member of Certified Fraud Examiners (CFE), the Chartered Tax Institute of Malaysia (CTIM), and The Institute of Internal Auditors Malaysia (IIA).

In 1993, he started his career as a senior auditor in KH Ng & Co. and thereafter proceeded to joined GEP Associates in 1996. In year 1999, Mr. Lim joined a public listed company, Malaysian AE Models Holdings Bhd. for 16 years. He was promoted as Group Finance General Manager in July 2003 and was responsible for handling the group financial costing, internal control including overseeing the company's business growth. In September 2005, he was re-designated as Group Finance Director and assisted in the planning of bond and equity raising for the Group. He has over 16 years of experience in various areas of finance including corporate finance, internal controls and risk management. In 2015 he joined Benalec Holding Bhd. as Chief Financial Officer (CFO) and overall in charge for the Group overall Financial, Corporate, Internal Control and Investment operations.

In October 2016, he joined Cuscapi as Finance Director and was promoted to CFO on 1 April 2017.

None of the above members of Key Senior Management has any:
- directorships in public companies and listed issuers;
- family relationship with any Directors and/or major shareholders of the Company;
- personal interest or conflict of interest in any business arrangement involving the Group;
- conviction for offences within the past five (5) years other than traffic offences (if any); and
- public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

CATALYSING REVENUE GROWTH

REV self-ordering tablets allow business operators to more efficiently manage their business and maximise engagement with diners to nurture the growth of their business. It has been shown to increase our customers' average revenue by 15-20% and saves cost by 10-15%. The recommendation engine that will be included in the next version of REV is projected to further add to the revenue growth.


Success
Solution
Business Strategy
Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management
Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management
SOCIAL NETWORK
Sep
Oct
Nov
Dec

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Malaysian Code of Corporate Governance 2012 ("Code") sets out the broad principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance as an integral part of their business dealings and culture. The Board of Directors ("Board") acknowledges and fully supports the importance of corporate governance in directing and managing the businesses and affairs of the Group, and to safeguard and enhance shareholders' value and performance of the Group.

The Board is pleased to disclose below the manner in which it has applied the principles and complied with the recommended best practices set out in the Code throughout the FYE 31 December 2016.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

1. Clear Functions of The Board and Management

The Company is led and controlled by an effective Board comprised of members drawn from various professional backgrounds, bringing depth and diversity in experience, expertise and perspectives to the Group's business operations. The Group recognises the pivotal role played by the Board of Directors in the stewardship of its strategic business direction and ultimately in the enhancement of its long-term shareholder value. The respective roles of the board and management are clearly set out to ensure accountability by the parties.

The Board remains resolute and upholds its responsibility in governing, guiding and monitoring the direction of the Company with the eventual objective of enhancing long term sustainable value creation aligned with shareholders' interests whilst taking into account the long term interests of all stakeholders, including shareholders, employees, customers, business associates and the communities in which the Group conducts its business.

2. Clear Roles and Responsibilities of the Board

The Board is led by a team of experienced members from different professional backgrounds, all of whom provide the Group with a wealth of professional expertise and experience which are conducive for efficient deliberations at Board Meetings, giving rise to effective decision making and providing multi-faceted perspectives to the business operations of the Group.

All Board members participate fully in decisions making on key issues involving the Company. The overall principal roles and responsibilities of the Board are as follows, amongst others:

- Ensuring that the Company's goals are clearly established and strategies are in place for achieving the Company's long-term growth;
- Provide clear objectives and policies to senior management for operations;
- Oversee the conduct and proper management of the Company's businesses, including succession planning;
- Ensure establishment of appropriate risk management framework and adequate management information and internal control system of the Company;
- Approve transactions and activities outside the discretionary powers of senior management, subject to shareholders' approval where necessary;
- Establishing policies for strengthening the performance of the Group including ensuring that the Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;
- Ensuring that the Company's financial statements are true and fair and conform with any applicable laws and/or regulations; and
- Ensuring that the Company adheres to high standards of ethics and corporate behaviour, which is formalised through a code of conduct.

The Board reserves certain powers for itself and delegates other matters to the CEO and Key Senior Management as per limit of authority (LOA). The responsibilities amongst others, are as follows:

- Overall responsibility for the day-to-day management of the business of the Company and the Group, with all the powers, discretions and delegations authorised, from time to time, by the Board;
- Ensuring the due execution of strategic goals, effective operation within the Company, and explaining, clarifying and informing the Board on matters pertaining to the Company and the Group;
- Developing and implementing strategies, business direction, plans and policies of the Company and the Group;
- Assessing business opportunities which are of potential benefit to the Group;
- Ensuring the efficiency and effectiveness of the operations of the Company and the Group; and
- Supervising heads of divisions and departments who are responsible for all functions contributing to the success of the Company and the Group.

Together with the Independent Non-Executive Directors, CEO ensures that strategies are fully discussed and examined after taking into account the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the respective communities in which the company conducts its business.

The Independent Non-Executive Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations to the exclusion of other relevant factors. They help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board. They also ensure that the Board practices good governance in discharging its duties and responsibilities. The Board, as a whole, exercises overall control of the Group.

The Board has formalised a Code of Ethics and Conduct for its directors and employees. The Board would periodically review the Code of Ethics and Conduct and it is available for reference at the Company's website at www.cuscapi.com.

3. Board Composition

The Board has overall responsibility for the corporate governance, strategic direction and for overseeing the investments and operations of the Company and the Group.

Presently, the Board comprises only one (1) Executive Director, four (4) Non-Executive Directors, whereby more than half of the board members are Independent Non-Executive Directors provides effective check and balance in the functioning of the Board. The status of their directorships is as follows:

Name of Directors	Designation
Dato' Gan Nyap Liou @ Gan Nyap Liow	Independent Non-Executive, Chairman
Her Chor Siong	Chief Executive Officer & Executive Director
Ang Chin Joo	Independent Non-Executive Director
Lim Li Li (f)	Non-Independent Non-Executive Director
Khoo Chuan Keat	Independent Non-Executive Director

Cuscapi Berhad complies with the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") with regard to board composition and the required ratio of independent directors. In this respect, the Board is fully compliant with Recommendations 3.4 and 3.5 of the Code, whereby its Chairman is both an Independent and a Non-Executive member of the Board. None of the Independent Directors' tenure has exceeded a cumulative term of nine (9) years save for Dato' Gan Nyap Liou @ Gan Nyap Liow. The profiles of the directors are set out on pages 18 to 22 of this Annual Report.

Currently, Dato' Larry Gan Nyap Liou @ Gan Nyap Liow, an Independent Non-Executive Director, chairs the Board while the position of CEO is held by Her Chor Siong. The Chairman is responsible to lead the Board and ensure the effectiveness of the Board.

STATEMENT ON CORPORATE GOVERNANCE

The roles of the Chairman and the CEO are segregated and clearly defined by their individual position descriptions. The Chairman is responsible for running the Board and ensures that all directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The CEO is responsible for the day-to-day management of the business as well as the implementation of Board policies and decisions.

All persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally during recruitment, promotion, remuneration and training. The Group is also committed to workplace diversity ensuring that we value and respect our differences and that our workplace is fair, accessible, flexible and inclusive and free from discrimination.

The Board will, from time to time, review its composition and size to ensure it fairly reflects the investments of the shareholders of the Company.

4. Code of Conduct

The Board acknowledges and emphasises the importance for all Directors and employees to embrace the highest standards of corporate governance practices and ethical standards. In this respect, formalised a Code of Conduct is in place. These codes are aimed to emphasise the Company's commitment to ethics and compliance with applicable laws and regulations, set forth basic standards of ethical behaviour within the Group.

5. Board Charter

The Board has adopted a Board Charter which sets out the roles, functions, compositions, operation and processes of the Board which is intended to ensure that all the Board members acting on behalf of the Company are fully aware of their obligation in discharging their duties and responsibilities to the Company. The Board Charter serves as a source of reference and primary induction literature to provide insights to prospective Board members and senior management. In addition, it also assists in the assessment of the Board's performance and that of its individual Directors.

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available for reference at the Company's website at www.cuscapi.com.

6. Access to Information and Advice

All members of the Board are supplied with information in a timely manner. Board reports and papers are circulated prior to Board Meetings to enable Directors to obtain further information and explanations, where required, before the meetings. The Board is also unhindered, has direct access and entitled to request for the attendance and briefing at its meetings of independent advisors and consultants if such attendance is deemed necessary at the Company's expense.

Each Director also has unhindered access to all information pertaining to the Group's business and affairs to enable them to discharge their duties and they also unhindered access to the advice and services of the Company Secretary, and if so required.

7. Sustainability Policy

Sustainability efforts and initiatives are embedded in the day-to-day operational activities or are organised via special programs for specific sustainability cause. By achieving a satisfactory balance on bottom-line growth, welfare safeguard of people and community within a harmonious state of the environment, such efforts are intended to benefit the shareholders, investors, operating environment, society, employees, customers, business partners, contractors, suppliers and other stakeholders.

The Group is mindful of the importance of business sustainability in developing the business operations and corporate strategy. In this respect, the Board has always ensured that all aspects of the Group's business which have direct and indirect impacts on the work place, communities and environment are balanced with the interest of the Group's stakeholders.

8. Company Secretary

The Company Secretaries are responsible for ensuring that the Board procedures are followed, the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretaries also advise the Board on issues relating to the Company's constitution, corporate governance, and compliance with laws, rules and regulatory requirements.

The Company Secretaries, who are qualified, experienced and competent, organise, attend and ensure that all Board Meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory records of the Company.

PRINCIPLE 2: STRENGTHEN COMPOSITION

Board Committees

The Board may from time to time establish Board Committees as it considers appropriate to assist the Board in discharging its duties and responsibilities.

The Board has formed the following Committees, each with its own functions and responsibilities. The Committees operate within their respective defined terms of reference approved by the Board and, where necessary, by way of specific authority delegated by the Board. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

- Audit Committee
- Nomination Committee
- Remuneration Committee
- ESOS Committee

(i) Audit Committee

The information on the Audit Committee are set out in the Audit Committee Report on pages 44 to 45 of this Annual Report and its terms of reference are set out on the Company's website at www.cuscapi.com.

(ii) Nomination Committee

The Nomination Committee comprises three (3) members, the members of the Nomination Committee are as follows:

- **Dato' Gan Nyap Liou @ Gan Nyap Liow** - Chairman
  (Independent Non-Executive Chairman)

- **Ang Chin Joo** - Member
  (Independent Non-Executive Director)

- **Lim Li Li (f)** - Member
  (Non-Independent Non-Executive Director)

STATEMENT ON CORPORATE GOVERNANCE

The terms of reference of the Nomination Committee, which is made available at the Company's website at www.cuscapi.com, are reviewed by the Board annually and updated as appropriate. Among others, the responsibilities of the Nomination Committee include:

- Identifying, nominating and orientating New Directors;
- Reviewing the mix of skills, knowledge, expertise and experience of the Directors and other qualities, including core competencies required for the Board;
- Recommending to the Board the directors to fill the seats on the various Board committees;
- Developing and maintaining the criteria to be used in the recruitment process and the annual assessment of Directors; and
- Assessing the effectiveness of the Board as a whole, as well as that of the Board Committees and the contribution of each individual Director.

A summary of the activities of the Nomination Committee in discharge of its duties during the FYE 31 December 2016 are as follows:

- Recommending the re-election of Directors retiring at the Annual General Meeting ("AGM") 2016;
- Reviewed and recommended to the Board, the appointment of Mr. Khoo Chuan Keat as Chairman of the Audit Committee in place of Dato' Gan Nyap Liou @ Gan Nyap Liow;
- Conducting the annual assessment of the Board's effectiveness as a whole and performances of the Board Committees; and
- Conducting the annual performance assessment of each individual director.

Recommendation 2.1 of the Code proposed that the Senior Independent Non-Executive Director chairs the Nominating Committee. The Board has not nominated a Senior Independent Non-Executive Director as it opined that given the strong independent element of the Board, any concerns regarding the Group can be conveyed to any of the Independent Directors.

The Nomination Committee is primarily empowered by its terms of reference in carrying out the following functions amongst others, is to review annually the required mix of skills, gender and age diversity, experience and other qualities of the Directors and to recommend new appointments, if any, to the Board.

Candidates who fulfilled the requirements prescribed under the relevant laws and regulations may be proposed by the CEO or any Director to the Nomination Committee for appointment as Director. In assessing the suitability of any candidate for directorship, the Nomination Committee will take into consideration the candidate's reputation, educational background, skills, knowledge, expertise, competence and experience in line with the Group's business operations, age, time commitment, independence and integrity.

The Nomination Committee also makes the necessary background checks on the potential candidates' character and history prior to submitting its recommendations to the Board for approval.

The Board is conscious of meeting the Corporate Governance Blueprint 2011 issued by the Securities Commission on increasing women participation on Boards to reach 30% by 2016. However, the Board believes that given the current state of the Group's operations, it is more important to have the right mix of skills on the Board rather than attaining the percentage concerned. In this respect, it must be noted that a Non-Independent Non-Executive Director is a female. Nevertheless, the Group is committed to provide fair and equal opportunities and nurturing diversity at all levels within the Group.

A Director who is subject to re-election or re-appointment at the AGM is also assessed by the Nomination Committee before a recommendation is made to the Board and shareholders for his/her re-election or re-appointment.

Based on the assessment undertaken for FY2016, the Nomination Committee (save for Ms. Lim who abstained from deliberations on her own re-election) recommended to the Board that the following Directors who are due to retire pursuant to Article 91 of the Company's Articles of Association be proposed for re-election at the forthcoming AGM of the Company:

- Her Chor Siong
- Lim Li Li (f)

The Board (save for the members who abstained from deliberations on their own re-election) supported the Nomination Committee's recommendations.

The Nomination Committee assesses the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director annually. This assessment is internally facilitated and conducted on a peer and self-evaluation basis through questionnaires circulated to the Directors covering the following aspects associated with Board's and Board committees' effectiveness:-

- Board Operation
- Board Responsibilities and Composition
- Strategic Planning
- Performance Monitoring
- Meeting Processes

(iii) Remuneration Committee

The members of the Remuneration Committee are as follows:

- **Dato' Gan Nyap Liou @ Gan Nyap Liow** - Chairman
  (Independent Non-Executive Chairman)

- **Her Chor Siong** - Member
  (Chief Executive Officer & Executive Director)

- **Lim Li Li (f)** - Member
  (Non-Independent Non-Executive Director)

The terms of reference of the Remuneration Committee are reviewed by the Board periodically and are updated as appropriate. Among others, the responsibilities of the Remuneration Committee include the following:

- Recommending to the Board the remuneration package for Non-Executive Directors and remuneration packages for each Executive Director and Senior Management; and
- Recommending to the Board a Remuneration Framework on the fee structure and level of remuneration for the Executive Directors and Senior Management

The Group's policy on Directors' remuneration serves to attract, retain and motivate Directors, whereby the level of remuneration of the Directors is such as to be sufficient to attract and retain Directors needed to manage the Group effectively. The remuneration system is structured to link rewards to corporate and individual performance in the case of Executive Director. In the case of Non-Executive Directors, the level of remuneration shall reflect the level of responsibilities and fiduciary duties, and time commitments undertaken by the particular non-executive director concerned.

In relation to the fees for Directors, it will be presented at the AGM for shareholders' approval. All Non-Executive Directors receive an annual fee upon shareholders' approval at the AGM. Apart from this fee, the Non-Executive Directors were also paid attendance allowances to defray their travelling and other incidental costs for attending Board or Board committees' meetings.

STATEMENT ON CORPORATE GOVERNANCE

The aggregate remuneration of Directors for the FYE 31 December 2016 is as follows:

Directors' Remuneration

	Company			Group		
Category	**Executive Directors RM**	**Non-Executive Directors RM**	**Total RM**	**Executive Directors RM**	**Non-Executive Directors RM**	**Total RM**
Directors' Fees	–	353,000	353,000	–	353,000	353,000
Directors' Salaries	720,000	–	720,000	720,000	–	720,000
Other Emoluments	86,400	73,000	159,400	86,400	73,000	159,400
Benefits in kind	4,452	–	4,452	4,452	–	4,452
TOTAL	810,852	426,000	1,236,852	810,852	426,000	1,236,852

The number of Directors whose total remuneration falls within the following bands is as follows:

	Company			Group		
Range of Remuneration	**Executive Directors RM**	**Non-Executive Directors RM**	**Total RM**	**Executive Directors RM**	**Non-Executive Directors RM**	**Total RM**
RM50,000 to RM100,000	–	3	3	–	3	3
RM100,001 to RM150,000	–	1	1	–	1	1
RM150,001 to RM200,000	–	–	–	–	–	–
RM200,001 to RM350,000	–	–	–	–	–	–
RM800,001 to RM850,000	1	–	1	1	–	1
TOTAL	1	4	5	1	4	5

The Board is of the view that the transparency and accountability aspects of the Code as applicable to Directors' remuneration are appropriately served by the "band disclosure" in accordance with the Listing Requirements.

(iv) ESOS Committee

The ESOS Committee comprises three (3) members, the members of the ESOS Committee are as follows:

- **Ang Chin Joo** - Chairman
  (Independent Non-Executive Director)
- **Her Chor Siong** - Member
  (Chief Executive Officer & Executive Director)
- **Khoo Chuan Keat** - Member
  (Independent Non-Executive Director)

The primary responsibility of the ESOS Committee is to administer with the help of the Head Of People for the implementation of the Share Issuance Scheme ("Scheme") in accordance with the objectives and regulations as set out in the By-Laws of the Scheme and in such manner as it shall in its absolute discretion deem fit and within such powers and duties as are conferred upon it by the Board.

PRINCIPLE 3: REINFORCE INDEPENDENCE

1. Appointment and Re-election of the Directors

In accordance with the Company's Articles of Association, a re-election of Directors shall take place each year during the AGM. All Directors shall retire from office at least once every three years, but shall be eligible for re-election. At the forthcoming AGM, Mr. Her Chor Siong and Ms. Lim Li Li will be standing for re-election pursuant to Article 91 of the Company's Articles of Association.

The profiles of these Directors are set out in the Directors' Profile on pages 18 to 22 of this Annual Report.

Any new or additional director appointed by the Board during the year shall hold office until the next AGM and shall then be eligible for re-election.

2. Reinforce of Independence

The presence of Independent Directors ensures at through and objective deliberation of issues affecting the Group.

3. Annual Assessment of Independent Director

During the year, the Board assessed the independence of Independent Director and satisfied with the level of independence demonstrated by all the Independent Directors and their ability to provide objective judgement to Board deliberations and decision making. Further, all Independent Directors have confirmed their compliance of Independence as prescribed under Listing Requirements of Bursa Securities.

4. Tenure of Independent Director and Re-appointment

The Board noted the Recommendation of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director.

However, as recommended by the Code, the Company will seek shareholders' approval at the AGM in respect of Dato' Gan Nyap Liou @ Gan Nyap Liow, whose tenure has exceeded nine (9) years. He abstained from any Board deliberation pertaining to his independence.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE 4: FOSTER COMMITMENT OF THE DIRECTORS

1. Board Meetings

The Board ordinary schedules five (5) Board Meetings in a year. Additional meetings are convened as and when necessary. The meeting agenda and Board papers are distributed in advance to the Directors for deliberations during the Board Meeting. The decisions and issues discusse in arising at the decisions are minuted.

The Board met seven (7) times during the FYE 31 December 2016. A summary of attendance for each of the Board of Directors are as follows:

Name of Directors	Status of Directorship	No. of Meetings Attended
Dato' Gan Nyap Liou @ Gan Nyap Liow	Independent Non-Executive Chairman	6/7
Her Chor Siong	Chief Executive Officer & Executive Director	7/7
Ang Chin Joo	Independent Non-Executive Director	7/7
Khoo Chuan Keat	Independent Non-Executive Director	7/7
Lim Li Li (f)	Non-Independent Non-Executive Director	7/7

2. Directors' Training and Development

The Board as a whole will evaluate and establish or recommend the development programmes, the attendance of which may be required of each Board member so as to better equip him for discharging his duties and responsibilities. The Board members will also, from time to time, review programmes suitable for their development needs for furtherance of their duties and responsibilities as directors. In addition to attending seminars and other training programmes, the Board members are expected to constantly keep up to date with articles on market development, industry news, changes in regulations and related issues. The Nomination Committee would also assess the training needs of the Board from time to time.

A newly appointed Director must attend the Mandatory Accreditation Programme as specified by Bursa Securities. Orientation that include visits to the Group's business operations and meetings with key management, where appropriate, were also organised for newly-appointed Directors to facilitate their understanding of the Group's operations and businesses.

During the financial year, the Directors have attended various training programmes, forum and/or seminars as follows:

Name of Directors	Title of Seminar/Forum/Courses	Date of Attendance
Dato' Gan Nyap Liou @ Gan Nyap Liow	CIMB Market Outlook	12 January 2016
	Credit Suisse Economic Outlook	18 January 2016
	UBS Global Outlook	19 January 2016
	Entrepreneurs Day Lake Tegernsee MUNICH	10-11 March 2016
	Invest Malaysia	12-13 March 2016
	Invest ASEAN	14-15 March 2016
	FIDE 2nd Distinguished Board Leadership Series - Avoiding Financial Myopia	19 April 2016
	Malaysian Property Market Update	19 May 2016
	Wild Digital Conference Le Meridien Hotel, KL	8 – 9 June 2016
	FINTECH : Business Opoortunity or Disruptor	4 August 2016
	UBS Internet	27 September 2016

Name of Directors	Title of Seminar/Forum/Courses	Date of Attendance
Khoo Chuan Keat	Capital Market Director Programme	20 April 2016
Ang Chin Joo	Audit Committee Conference Audit Committee Leadership Track of 2016 National Conference of Internal Auditors Malaysian Private Equity Forum	29 March 2016 11 October 2016 20 September 2016
Lim Li Li (f)	Cybersecurity Threat and How Board Should Mitigate the Risks	18 November 2016

All the Directors will continue to attend relevant training and education programmes in order to keep themselves abreast with the latest developments in the market place covering laws, rules and regulations, capital market developments, business environment, corporate governance, risk management, general economic, industry and technical developments. The Board is also regularly update on new and relevant statutory as well as regulatory guidelines from time to time during the Board Meetings. This will enable the Board to discharge their duties effectively and ensure the sustenance of active participation in Board deliberations.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

1. Financial Reporting

The Board is committed to presenting a fair, balanced and comprehensive financial performance and prospects in all disclosures made to the shareholders and the general public. In addition to providing financial statements and annual report on an annual basis to the shareholders, the Company also presents the Group's financial results on a quarterly basis via public announcements. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness of all relevant information for disclosure.

Prior to the presentation of the Company's financial statements to the Board for approval and issuance to the stakeholders, Audit Committee meetings were held to review the Company's financial statements in the presence of external auditors and the Finance Director.

With the assistance of Audit Committee, the Board will ensure that the preparation and fair presentation and disclosure in the financial statements are in accordance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirement of the Companies Act, 1965 in Malaysia and Listing Requirements of Bursa Malaysia Securities Berhad.

The Board, through the Audit Committee, maintains a close and formal as well as a transparent arrangement and relationship with the Company's external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

2. Suitability and Independence of External Auditors

The Company, through the Audit Committee, has an appropriate and transparent relationship with the external auditors. In the course of audit of the Group's operation, the external auditors have highlighted to the Audit Committee and the Board, matters that requires the Board's attention. The external auditors provide statutory audit function to the Group.

A summary of the activities of the Audit Committee during the year is set out in the Audit Committee Report on pages 44 to 45 of this Annual Report. The Audit Committee has considered the independence of the external auditors and obtained declaration of independence from them during the Audit Committee meeting.

STATEMENT ON CORPORATE GOVERNANCE

The Audit Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The external auditors have confirmed, at an Audit Committee meeting that, they are, and have been, independent throughout the conduct of audit engagement in accordance with terms of relevant professional and regulatory requirements.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

1. Risk Management and Internal Control

The Board has the overall responsibility of monitoring a sound internal control system that covers effective and efficient operations, compliance with the Law, relevant Regulations and risk management. This is to safeguard shareholders' investments and the Group's assets apart from assuring financial controls.

The Group's internal audit function is carried out by outsourced external consultants Stanco & Ruche who reports directly to the Audit Committee and conducts independent assessment on the adequacy, efficiency and effectiveness of the Group's governance, risk management and internal control processes.

Detailed information on internal control is set out in the Statement on Risk Management & Internal Control on pages 40 to 43 of this Annual Report.

Risk management is given priority by the establishment of policies to identify, evaluate and manage the Company's corporate risk profile to mitigate and possible adverse effects arising therefrom.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board notes that importance of timely dissemination of information to shareholders. This is achieved through accurate and timely disclosures and announcements to Bursa Securities including quarterly financial results, annual reports, annual audited accounts, circulars/statements to shareholders, general meetings and other material information. The Board ensures that all material information and corporate disclosures are discussed with the Management prior to dissemination to ensure compliance with the Bursa Securities MMLR. The Board strives to disclose the price sensitive information to the public as soon as practicable through Bursa Securities. These information are electronically published and can be assessed at the Bursa Securities website at www.bursamalaysia.com. The Company's corporate website at www.cuscapi.com serves as a key communication channel for shareholders, investors, members of the public and other stakeholders to obtain up-to-date information on the Group's activities, financial results, major strategic development and other matters affecting stakeholders' interests.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

1. Communication

The Company recognises the importance of communicating with its shareholders and other stakeholders and does this through the Annual Reports, AGM and the various disclosures and announcements made to Bursa Malaysia Securities Berhad on a timely basis. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

In addition, the Company makes various announcements through Bursa Malaysia Securities Berhad, in particular, the timely release of the quarterly results within two (2) months from the close of a particular quarter. Summaries of the quarterly and full year results and copies of the full announcements are supplied to shareholders and members of the public upon request. Members of the public can also obtain the full financial results and Company announcements from the Bursa Malaysia Securities Berhad website.

2. Investor Relation

Along with good corporate governance practices, the Company has embarked on appropriate corporate policies to provide greater disclosure and transparency through all its communications with its shareholders, investors and the general public. The Company strives to promote and encourage bilateral communications with its shareholders through participation at its general meetings and also ensures timely dissemination of any information to investors, analysts and the general public.

The Group maintains the following website that allows all shareholders and investors access to information about the Group: www.cuscapi.com.

Any further information regarding the Cuscapi group may also be obtained from the following person:-

Lim Sze Yean
Chief Financial Officer
Cuscapi Berhad
Telephone : 603 7623 7777
Facsimile : 603 7622 1999
Email : ir@cuscapi.com

This Statement on Corporate Governance is made in accordance with a resolution of the Board dated 12 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

Options or Convertible Securities

The Company had in the financial year under review granted the following share options under the Employees' Share Option Scheme. Details of the options granted, accepted and/or lapsed are as follows:-

			I--------------- NUMBER OF SHARE OPTIONS ---------------I			
GRANT DATE	EXPIRY DATE	EXERCISE PRICE RM/ SHARE (ADJUSTED)	AT 1.1.2016	EXERCISED	LAPSED	AT 31.12.2016
7.2.2011	23.1.2020	0.21	**2,858,367**	–	(167,726)	**2,690,641**
30.6.2011	23.1.2020	0.32	**12,902**	–	(12,902)	–
28.2.2012	23.1.2020	0.30	**6,025,956**	–	(1,237,640)	**4,788,316**
26.2.2013	23.1.2020	0.23	**4,300,014**	–	(1,019,101)	**3,280,913**
TOTAL			**13,197,239**	–	**(2,437,369)**	**10,759,870**

The Company established an ESOS Committee in the FYE 31 December 2010 to oversee the administration of the Company's Employees' Share Option Scheme.

Audit and Non-audit Fees

Audit fee for the fianancial year ended 31 December 2016 : RM48,000

Other than the following, there were no non-audit fees paid to the external auditors for the FYE 31 December 2016:-

SERVICES	AMOUNT (RM)
Review of the Statement on Risk Management and Internal Control	6,000
Review of the Supplementary Information on the Breakdown of Realised and Unrealised Profits or Losses	6,000
Review of Key Audit Matters	5,000
Review of Other Information	5,000

Material Contracts

The Company and its subsidiaries have not entered into any material contracts outside the ordinary course of business, involving Directors and substantial shareholders since the end of the previous financial year.

Utilisation of Proceeds

No fund raising corporate proposal was carried out by the Company during the FYE 31 December 2016.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The financial statements of Cuscapi Berhad (the Company) and its subsidiaries (the Group) are presented by the Directors in compliance to the Companies Act, 1965 (the Act) which requires the Directors to present a true and fair view of the Group and of the Company performance at the end of the financial year. The financial statements for the year ended 31 December 2016 include statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows. These are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act, 1965 in Malaysia and the Listing Requirements of Bursa Malaysia Securities Berhad.

Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year then ended.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound Risk Management system and Internal Control to safeguard shareholders' investments and Group assets. The Listing Requirements of Bursa Malaysia Securities Berhad require directors of listed companies to include a statement in the annual reports on the state of their Risk Management and Internal Control on a group basis.

The Group, in discharging its stewardship responsibilities, has recognised and established procedures of Risk Management and Internal Control that are largely in accordance with the guidance provided in the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers". These procedures, which are subject to continuous review by the Board, provide a systematic and ongoing process for identifying, evaluating and managing the significant business risks faced by the Group that may affect the achievement of its business objectives.

The Board of Directors of Cuscapi Berhad ("the Board"), in recognition of this responsibility, hereby issues the following statement which is prepared in accordance with these requirements.

2. BOARD RESPONSIBILITY

The Board recognise the importance of a sound framework of Risk Management and Internal Control for good corporate governance and to safeguard the shareholders' interests. Towards this end, the Board is committed to maintaining a sound system of Risk Management and Internal Control for the Group and ensuring its continued effectiveness, adequacy and integrity through a process of periodic review.

The Board has delegated the responsibility of undertaking this process of periodic review to the Audit Committee, the delegation of responsibility is defined in the Audit Committee Charter. However, the Board as a whole remains ultimately responsible for the effectiveness, adequacy and integrity of the system of risk management and internal controls.

The Board maintains full control over strategic, financial, organisational and compliance issues and has put in place an organisation with formal lines of responsibility, clear segregation of duties and appropriate delegation of authority. The Board has delegated to the senior management the implementation of the system of Risk Management and Internal Control within an established framework throughout the Group.

The Board also acknowledges the need to establish an ongoing process for identifying, evaluating and managing significant risks faced by the Group and to regularly review this process in conjunction with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

The CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. The CEO sets the framework of the internal control environment by providing leadership and direction to senior managers and reviewing the way they are controlling the business. This control is exercised through senior management in respect of commercial, financial and operational aspects of the Company. The CEO and Senior Management meet regularly in respect of such matters.

The Board fully supports the contents of the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers and through the Audit Committee continually reviews the adequacy and effectiveness of the Risk Management processes in place within the various operating units with the aim of strengthening the Risk Management functions across the Group.

Risks may include strategy, financial, operational, compliance or external risks, such as country, market, currency risk or regulatory risk.

Management also acknowledges its responsibility for the management of risks, for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so in accordance with the policies adopted by the Board. The Board and the Management also recognise and acknowledge that the development of an effective risk management and internal control system is an ongoing process and to this end maintains a continuous commitment to strengthen the existing internal control environment of the Group.

4. INTERNAL AUDIT FUNCTION

The Internal audit function assesses the efficiency and appropriateness of operations and examines the functioning of internal control. Internal audit seeks to ensure the reliability of financial and operational reporting, compliance with applicable laws and regulations, and proper management of the Company's assets.

Internal audit is independent from the operational management and is performed by an external service provider. In a desire to maintain total independence in the management of the internal control environment and remain in compliance with the Bursa Malaysia Securities Berhad Listing Requirements, the Company has appointed Messrs Stanco & Ruche Consulting to manage the Company's internal audit function on an outsourced basis.

Messrs Stanco & Ruche Consulting reports independently and directly to the Audit Committee in respect of the internal audit function. The Audit Committee together with Messrs Stanco & Ruche Consulting agrees on the scope and planned internal audit activity annually and all audit findings arising there from are reported to the Audit Committee on a quarterly basis.

Follow up reviews are also carried out to assess the status of implementation of management action plans, which are based on internal audit recommendations. The results of these follow up reviews are also highlighted to the Audit Committee.

5. OTHER KEY INTERNAL CONTROL ELEMENTS

Apart from risk management framework and internal audit, the other key elements of the Group's system of internal control are stated as below:

Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The CEO and the CFO leads the presentation of Board Papers and provides comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is prerequisite. In addition, the Board is kept updated on the Group's activities and operation on a regular basis.

Organisational Structure with Formally Defined Responsibility Lines and Delegation of Authority

There is in place an organisational structure with formally defined responsibility lines and authorities to facilitate quick response to changes in the evolving business environment, effective supervision of day-to-day business conduct and accountability for operational performance. The procedures include the establishment of authority limits for all aspects of the business, which is subject to periodic review throughout the year as to their implementation and for their continuing suitability.

The approval of capital and revenue proposals above certain limits is reserved for the Board. Other investment decisions are delegated for approval in accordance with authority limits. Comprehensive appraisal and monitoring procedures are applied to all major investment decisions.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Group Policies and Guidelines

The documented policies and procedures from an integral part of the internal control system to safeguard shareholders' investment and Group's assets against material losses and ensure complete and accurate financial information. The internal procedures and policies are clearly documented in manuals and reviewed and revised periodically to meet changing business, operational and statutory reporting needs. This is to ensure proper documentation, authorisations and effective control over operating units within the Group.

Operating manuals are also available within the Group and these set out policies and procedures for day-to-day operations and act as guidance for employees on the necessary steps to be taken in a given set of circumstances. The manuals enable tasks to be carried out with minimal supervision.

Formalised Strategic Planning and Operating Plan Processes

The Group undertakes a comprehensive business planning and budgeting process each year to establish plans and targets against which performance is monitored on an ongoing basis. Key business risk are identified during the business planning process and are reviewed regularly during the year. A detailed budgeting process has been implemented in the Group where each department/business unit prepares a budget for the upcoming financial year for the approval of the Board. The budget is monitored and major variances are followed-up by the respective Management.

Reporting and Review

Adequate financial and operational information systems are in place to capture and present timely and pertinent internal business information. Clear reporting structure ensure financial (eg. Monthly management accounts and variance reporting) and operational reports (sales analysis and breakdown) are periodically prepared and presented to Management or Board for discussion and review on timely basis. Scheduled and ad-hoc meetings are held at operational and management levels to identify, discuss and resolve business and operational issues.

Monitoring

The Group monitors compliance with its internal controls through management reviews and reports which are internally reviewed by key personnel. Regular internal audit visit are conducted on the key activities of the Group's business and functional units to monitor compliance with procedures and to assess the adequacy and effectiveness of internal control.

Procedures and Control Environment

Control procedures and environments at Group and individual business unit levels have been established.

Established control activities for day-to-day financial and operational activities are in place covering preventive controls, predictive controls, manuals controls, computer controls and management controls. These include top-level reviews of financial and operating performance, authorisations, verifications, reconciliation, physical controls over assets, segregation of duties and controls over information systems.

In addition to internal financial controls, the Director have ensured that safety and health regulations, environmental controls and political risks have been considered and complied with.

Quality and Ability of Employee

Every employee of the Group is contractually bound to observe prescribed standards of business ethics in the manner of conducing themselves at work and their relationships with external parties such as customers and suppliers. The Group expects each employee to conduct himself/herself with integrity and objectivity and not to place himself/herself in a position of conflict of interest. The competence of staff personnel is maintained through a structured recruitment process, a performance measurement and rewarding system and a wide variety of training and development programmes.

Human resource policies have been established and it reflects the Group's objective on human resource management with emphasis on development in areas relating to succession planning and competency. Policies also include code of conduct and performance management as control measures on staff's overall conduct and performance. On-going internal and/or external training are provided to plant and head office personnel, to improved employees' technical and non-technical competence and skills.

6. WEAKNESSES IN INTERNAL CONTROL

Management continues to take appropriate measures and maintains an ongoing commitment to continuously monitor the Group's control environment and processes with a view to both strengthening its internal control structure and the management of risks.

The Board of Directors is of the opinion that there is no significant weakness in the system of internal control, contingencies or uncertainties that could result in material loss and adversely affect the Group.

CONCLUSION

The Board is of the opinion that the existing system of the internal control is adequate to achieve the Group's business objectives so as to safeguard shareholders' investments and Group's assets. The Board will continuously access the adequacy of the Group's system of internal control and make improvements and enhancements to the system as and when necessary.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirement, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Malaysian Approved Standard on *Assurance Engagements, ISAE 3000, Assurance Engagements Other than Audits of Reviews of Historical Financial Information* and RPG 5 (Revised), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report*. RPG 5 (Revised) 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.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 12 April 2017.

CORPORATE SOCIAL RESPONSIBILITY

The board recognised the importance of the Group as a socially and environmentally responsible corporate citizen. The Group is committed to do our part in giving back to society at large. Although we do not have social responsibility programs to fulfil our stated requirements, we participated to Environment, Community and Charity Program to conserve and protect our environment during the financial year 2016.

AUDIT COMMITTEE REPORT

The Board of Directors of Cuscapi Berhad is pleased to present the report of the Audit Committee ("Committee") of the Board for the year ended 31 December 2016.

OBJECTIVE

The Committee was established to assist the Board review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems including the management information systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Committee is guided by its terms of reference which can be viewed on the Company's website at www.cuscapi.com.

MEMBERSHIP AND MEETINGS

Name	Designation	Status of Directorship	No. of Meetings Attended/No. of Meetings Held*
Khoo Chuan Keat *(appointed as Chairman on 1 June 2016)*	Chairman	Independent Non-Executive Director	5/5
Lim Li Li (f)	Member	Non-Independent Non-Executive Director	5/5
Ang Chin Joo	Member	Independent Non-Executive Director	5/5
Dato' Gan Nyap Liou @ Gan Nyap Liow *(resigned as member and Chairman on 1 June 2016)*	Ex-Chairman	Independent Non-Executive Chairman	2/2

* Number of meetings held during the respective member's tenure of office during the FYE 31 December 2016 ("FY2016")

Whilst the terms of reference require the Committee to meet at least four (4) times in a financial year, it met 5 times during FY2016. The Company Secretary who is also the Secretary to the Committee was in attendance during the meetings. CEO, Senior Management and the Internal Auditors, if necessary, were invited to the meetings to deliberate on matters within their purview. Where appropriate, the External Auditors were invited to attend and brief the Committee and to provide responses to queries raised by the Committee in respect of the Company's Financial Statements and reporting requirements.

SUMMARY OF ACTIVITIES

The following activities were carried out by the Committee in the discharge of its functions and duties to meet its responsibilities during FY2016:

- Reviewed and recommended the quarterly financial results of the Group (including announcements) and the annual financial statements of the Group and Company for Board's approval.
- Deliberated on significant matters raised by the external auditors including financial reporting issues, significant judgements made by Executive Management, significant and unusual events or transactions and management's reports and updates on actions recommended by the external auditors for improvement.
- Deliberated on changes in or implementation of major accounting changes and compliance with accounting standards and other legal requirements.

- Reviewed and approved the external auditors' scope of work and audit plan prior to commencement of the annual audit.
- Reviewed and discussed with the external auditors, the results of the audit, the audit report and findings noted in the course of their audit and reported the same to the Board.
- Evaluated the independence and performance of the external auditors and recommended their fees and re-appointment to the Board for approval.
- Met the external auditors without the presence of Executive Management to have a frank and candid dialogue, and to exchange free and honest views and opinions.
- Reviewed and approved the internal audit plan and the internal auditors' scope of work.
- Reviewed and discussed with the internal auditors, their audit findings and issues arising during the course of audit.
- Reviewed and issued this Report for inclusion in the FY2016 Annual Report.
- Reviewed the Statement on Corporate Governance on behalf of the Board for inclusion in the FY2016 Annual Report.
- Reviewed the Statement on Risk Management and Internal Control on behalf of the Board for inclusion in the FY2016 Annual Report.

INTERNAL AUDIT FUNCTION

It is the responsibility of the Internal Auditors to provide the Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures.

To this end the functions of the Internal Auditors are to:-

- Perform audit work in accordance with the pre-approved internal audit plan;
- Carry out reviews on the systems of internal control of the Group;
- Review and comment on the effectiveness and adequacy of the existing control policies and procedures; and
- Provide recommendations, if any, for the improvement of the control policies and procedures.

The Committee and Board of Directors are satisfied with the performance of the Internal Auditors and have in the interest of continuity and greater independence in the Internal Audit function, taken the decision to continue with the outsource of the Internal Audit function to external professional firm who shall specialising in the internal audit services.

The Internal Auditors undertook four (4) audits routines in the year under review as follows:-

- Corporate Governance;
- Cash and Treasury Management;
- Sales, Delivery and Maintenance Process; and
- Procurement and Inventory Management.

The total cost incurred for internal audit function for the FYE 31 December 2016 was RM60,000.

During the financial year 2016, the audit committee also engaged PricewaterhouseCoopers Risk Services Sdn. Bhd. to conduct governance and internal control review for Cuscapi at a fee of RM72,000.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial year, net of tax	(38,215,575)	(10,319,155)
Attributable to:		
Owners of the Company	(38,215,575)	(10,319,155)
Non-controlling interests	–	–
	(38,215,575)	(10,319,155)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2016.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS' REPORT

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

In the opinion of the directors, no contingent or other liability of the Group or of the Company 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 or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Note 19 to the financial statements; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is 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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTION GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year other than the issue of options pursuant to the Employees' Share Option Scheme ("ESOS") and Warrants.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

At an Extraordinary General Meeting held on 18 January 2011, the directors approved the ESOS for the granting of non-transferable options to eligible senior executives and employees.

The salient features of the ESOS are as follows:

(i) The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed an amount equivalent to twenty percent (20%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time;

(ii) The new shares to be allotted upon the exercise of the options shall, upon issue and allotment, rank pari-passu in all respects with the existing issued and paid-up ordinary share capital of the Company;

(iii) An Eligible Person is any executive director or employee of the Company or the Group who at the date of offer:

  (a) has attained the age of eighteen (18) years;
  (b) in the case of an employee (including executive directors), is employed by and on the payroll of the Group and whose employment has been confirmed in writing or has been in employment of the Group for a period of at least twelve (12) full months of continuous service where the employee is employed by the Group on a contract basis; and
  (c) in the case of a non-executive director, is duly elected as a member of the Board of Directors of the companies within the Group with a director fee.

(iv) The persons to whom the options have been granted under the ESOS have no right to participate in any employees' share option scheme of any other company within the Group;

(v) Not more than 50% of the shares issued pursuant to the ESOS shall be allocated, in aggregate, to the directors and senior management of the Group. In addition, not more than 10% of the shares shall be allocated to any Eligible Person who, either singly or collectively, through persons connected to him/her, holds 20% or more in the issued and paid-up capital (excluding treasury shares) of the Company; and

(vi) The option price is the higher of:

  (a) the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer, subject to a discount of not more than ten percent (10%) which the Company may at its discretion decide to give; or
  (b) the par value of the shares.

DIRECTORS' REPORT

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

On 7 February 2011, 30 June 2011, 28 February 2012 and 26 February 2013, the Company granted 9,790,200 share options, 1,576,500 share options, 9,967,500 share options and 7,056,600 share options respectively, under the ESOS. These options expired on 23 January 2014 and one-third of these options are exercisable on or after every anniversary from the date of the acceptance of the offer up to the date of the options expiry.

On 26 November 2013 and 10 February 2017, pursuant to Clause 20.2 of the Bylaws of ESOS ("Bylaws"), the Board of Directors has approved the extension of the ESOS scheme for three (3) years. The latest extension is to 23 January 2020. All existing outstanding options granted shall therefore be exercisable up to the extended period.

Pursuant to Clause 13.1 of the Bylaws in relation to any alteration in the capital structure of the Company during the option period, the following shall be adjusted in such a manner as the external auditors or adviser of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the ESOS Committee, confirm in writing to be in their opinion, fair and reasonable:

(a) the subscription price;
(b) the number of new shares which a grantee shall be entitled to subscribe for upon the exercise of each option (excluding options already exercised); and/or
(c) the number of new shares and/or subscription price comprised in an option which is open for acceptance (if such option is subsequently accepted in accordance with terms of the offer and the scheme).

As such, on completion of the previous rights and bonus issues, the ESOS options have been adjusted based on the provision of Clause 13.2 (f) of the ByLaws in the following manner:

	Original Exercise Price RM	Adjusted Exercise Price RM	Original No. of ESOS Option Units	Adjusted No. of ESOS Option Units
7 February 2011	0.27	0.21	5,201,300	6,778,290
30 June 2011	0.42	0.32	1,050,000	1,368,351
28 February 2012	0.395	0.30	8,231,400	10,727,090
26 February 2013	0.295	0.23	7,056,600	9,196,101

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS during the financial year ended 31 December 2016 are as follows:

		I------ Number of share options ------I				
Grant Date	Expiry Date	Exercise Price RM/Share (Adjusted)	At 1 January 2016	Exercised	Lapsed	At 31 December 2016
7.2.2011	23.1.2020	0.21	2,858,367	–	(167,726)	2,690,641
30.6.2011	23.1.2020	0.32	12,902	–	(12,902)	–
28.2.2012	23.1.2020	0.30	6,025,956	–	(1,237,640)	4,788,316
26.2.2013	23.1.2020	0.23	4,300,014	–	(1,019,101)	3,280,913
			13,197,239	–	(2,437,369)	10,759,870

Details of the options granted to directors are disclosed in the section on Directors' Interests in this report.

In April 2017, a total number of 345,000 new ordinary share has been exercised at the Option Price of RM0.21 per share.

WARRANTS ("Warrants")

The Warrants issued on 25 April 2013 are constituted under a Deed Poll dated 20 March 2013 executed by the Company. The Warrants are listed on the Bursa Malaysia Securities Berhad.

The outstanding Warrants during the financial year ended 31 December 2016 are stated as below:

	Number of Warrants			
	At 1 January 2016	**Exercised**	**Expired**	**At 31 December 2016**
Warrants	123,156,443	–	–	123,156,443

The salient terms of the Warrants are as follows:

(i) Each Warrant entitles the registered holder/(s) at any time prior to 24 April 2018 to subscribe for one (1) new ordinary share of RM0.10 each. Warrants that are not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose. The Warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll;

(ii) The exercise price for the Warrants is fixed at RM0.27 per new ordinary share of the Company, subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll;

(iii) The exercise period is five (5) years from the date of issuance until the maturity date. Upon the expiry of the exercise period, any unexercised rights will lapse and cease to be valid for any purposes; and

(iv) The holders of the Warrants are not entitled to vote in any general meeting or to participate in any dividends, rights, allotment and/or other forms of distribution other than on winding-up, compromise or arrangement of the Company and/or offer of further securities in the Company unless and until the holders of the Warrants becomes a shareholder of the Company by exercising his Warrants into new shares or unless otherwise resolved by the Company in general meeting.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Gan Nyap Liou @ Gan Nyap Liow
Her Chor Siong
Ang Chin Joo
Lim Li Li
Khoo Chuan Keat

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the Company

	Number of ordinary shares of RM0.10 each			
	At 1 January 2016	**Bought**	**Sold**	**At 31 December 2016**
Direct interests:				
Dato' Gan Nyap Liou @ Gan Nyap Liow	26,100,000	–	–	26,100,000
Her Chor Siong	26,541,666	–	–	26,541,666
Ang Chin Joo	22,132,300	–	(11,000,000)	11,132,300
Lim Li Li	791,875	–	–	791,875
Indirect interests:				
Ang Chin Joo #	–	11,000,000	(11,000,000)	–
Lim Li Li #	635,775	–	–	635,775

	Number of Warrants				
	At 1 January 2016	**Issued**	**Exercised**	**Sold**	**At 31 December 2016**
Direct interests:					
Dato' Gan Nyap Liou @ Gan Nyap Liow	6,511,500	–	–	–	6,511,500
Her Chor Siong	7,583,333	–	–	–	7,583,333
Ang Chin Joo	3,971,000	–	–	(3,971,000)	–
Lim Li Li	226,250	–	–	–	226,250
Indirect interests:					
Ang Chin Joo #	–	3,971,000	–	(3,971,000)	–
Lim Li Li #	181,650	–	–	–	181,650

	Number of options over ordinary shares of RM0.10 each			
	At 1 January 2016	**Exercised**	**Lapsed**	**At 31 December 2016**
Dato' Gan Nyap Liou @ Gan Nyap Liow	1,303,061	–	–	1,303,061
Her Chor Siong	4,560,910	–	–	4,560,910
Ang Chin Joo	517,535	–	–	517,535

Deemed interested in the shares held by him/her spouse.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 22 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangement where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from the share options granted under the ESOS.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 31 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
DATO' GAN NYAP LIOU @ GAN NYAP LIOW
Director

....
HER CHOR SIONG
Director

Date: 12 April 2017

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **DATO' GAN NYAP LIOU @ GAN NYAP LIOW** and **HER CHOR SIONG**, being two of the directors of CUSCAPI BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 60 to 139 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 140 has been prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

....

DATO' GAN NYAP LIOU @ GAN NYAP LIOW
Director

....

HER CHOR SIONG
Director

Date: 12 April 2017

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **LIM SZE YEAN,** being the officer primarily responsible for the financial management of CUSCAPI BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 60 to 139 and the supplementary information set out on page 140 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.

....
LIM SZE YEAN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 12 April 2017.

Before me,

....
MOHD FITRY ABDUL GHANI (W703)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CUSCAPI BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cuscapi Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of 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 60 to 139.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Investment in subsidiaries (Note 4(i) & 6 to the financial statements)
Goodwill on consolidation (Note 4(a) & 7 to the financial statements)
Development costs (Note 4(f), 4(j), 4(k) & 8 to the financial statements)
Amount owing by subsidiaries (Note 4(h) & 10 to the financial statements)

The Group and the Company determined whether there is any indication of impairment on investment in subsidiaries, goodwill on consolidation and development costs, and assessed whether objective evidence of impairment exists for amount owing by subsidiaries.

The recoverable amounts of investment in subsidiaries, goodwill on consolidation and development costs were determined based on value-in-use and the amount owing by subsidiaries was compared against present value of estimated future cash flows, which involves exercise of significant judgement on the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates and gross profit margin.

Key Audit Matters (continued)

Our audit response:

Our audit procedures focus on evaluating the cash flow projections and the Group's forecasting procedures which included, among others:

- assessing the valuation methodology adopted by the Group;
- comparing the actual results with previous cash flow projection to assess the performance of the business and historical accuracy of the projections;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key inputs such as discount rates, forecast growth rates, and gross profit margin; and
- testing the mathematical accuracy of the impairment assessment.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CUSCAPI BERHAD (INCORPORATED IN MALAYSIA)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- 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's and 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.
- 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 or 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements, being accounts that have been included in the consolidated accounts.

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

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 140 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No. 2916/03/18 (J)
Chartered Accountant

Kuala Lumpur

Date: 12 April 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-current assets					
Property, plant and equipment	5	**4,766,024**	6,268,675	**177,664**	342,297
Investment in subsidiaries	6	**–**	–	**14,169,241**	13,338,527
Goodwill on consolidation	7	**4,730,349**	8,413,848	**–**	–
Development costs	8	**6,784,483**	22,329,155	**–**	–
Deferred tax assets	9	**670,751**	200,586	**–**	–
Trade receivables	10	**517,254**	1,159,648	**–**	–
Total non-current assets		**17,468,861**	38,371,912	**14,346,905**	13,680,824
Current assets					
Inventories	11	**4,965,655**	4,515,410	**–**	–
Trade and other receivables	10	**12,307,566**	22,058,500	**82,070,832**	85,039,659
Prepayment		**1,656,198**	1,089,193	**102,488**	101,069
Tax recoverable		**1,163,249**	939,229	**72,000**	36,000
Cash and short-term deposits	12	**3,892,511**	8,019,414	**650,646**	1,144,911
Total current assets		**23,985,179**	36,621,746	**82,895,966**	86,321,639
TOTAL ASSETS		**41,454,040**	74,993,658	**97,242,871**	100,002,463
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13	**43,553,338**	43,553,338	**43,553,338**	43,553,338
Other reserves	14	**35,976,176**	35,091,734	**25,892,166**	25,965,905
(Accumulated losses)/retained earnings		**(51,918,618)**	(13,800,551)	**3,361,034**	13,675,736
TOTAL EQUITY		**27,610,896**	64,844,521	**72,806,538**	83,194,979
Non-current liability					
Trade payables	15	**880,246**	–	**–**	–
Deferred tax liabilities	9	**459,053**	392,224	**–**	–
Total non-current liabilities		**1,339,299**	392,224	**–**	–
Current liabilities					
Short-term borrowing	16	**389,239**	–	**389,239**	–
Trade and other payables	15	**12,114,606**	9,756,913	**24,047,094**	16,807,484
Total current liabilities		**12,503,845**	9,756,913	**24,436,333**	16,807,484
TOTAL LIABILITIES		**13,843,144**	10,149,137	**24,436,333**	16,807,484
TOTAL EQUITY AND LIABILITIES		**41,454,040**	74,993,658	**97,242,871**	100,002,463

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Revenue	17	**40,120,291**	43,803,907	**3,503,707**	4,625,000
Direct cost of sales	18	**(33,861,490)**	(28,877,619)	**–**	–
Amortisation of development costs		**(8,812,586)**	(6,899,882)	**–**	–
Gross (loss)/profit		**(2,553,785)**	8,026,406	**3,503,707**	4,625,000
Other income		**1,330,051**	550,202	**3,187,386**	11,378,499
Administrative expenses		**(23,051,104)**	(20,023,134)	**(5,792,746)**	(5,815,003)
Other operating expenses	19				
- Impairment loss on goodwill		**(3,611,336)**	(8,529,097)	**–**	–
- Impairment loss on development cost		**(10,640,688)**	(4,602,984)	**–**	–
- Impairment loss on amount owing by subsidiaries		**–**	–	**(11,238,916)**	(844,539)
Operating (loss)/profit		**(38,526,862)**	(24,578,607)	**(10,340,569)**	9,343,957
Finance income	20	**53,886**	72,365	**25,827**	27,403
Finance costs	20	**(5,839)**	(41,118)	**(4,413)**	(5,852)
Net finance income		**48,047**	31,247	**21,414**	21,551
(Loss)/profit before tax	21	**(38,478,815)**	(24,547,360)	**(10,319,155)**	9,365,508
Income tax credit	23	**263,240**	42,821	**–**	85,263
(Loss)/profit for the financial year		**(38,215,575)**	(24,504,539)	**(10,319,155)**	9,450,771
Other comprehensive income, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefits plans		**23,769**	–	**–**	–
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation		**958,181**	9,458,243	**–**	–
Other comprehensive income for the financial year		**981,950**	9,458,243	**–**	–
Total comprehensive (loss)/income for the financial year		**(37,233,625)**	(15,046,296)	**(10,319,155)**	9,450,771
(Loss)/profit attributable to:					
Owners of the Company		**(38,215,575)**	(24,504,539)	**(10,319,155)**	9,450,771
Non-controlling interests		**–**	–	**–**	–
		(38,215,575)	(24,504,539)	**(10,319,155)**	9,450,771
Total comprehensive (loss)/income attributable to:					
Owners of the Company		**(37,233,625)**	(15,046,296)	**(10,319,155)**	9,450,771
Non-controlling interests		**–**	–	**–**	–
		(37,233,625)	(15,046,296)	**(10,319,155)**	9,450,771
Basic/diluted loss per share (sen):	24	**(8.77)**	(5.63)		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company							
		Non-distributable					Distributable	
Group	Share Capital RM	Exchange Reserve RM	Employees' Share Option Reserve RM	Statutory Reserve RM	Warrants Reserve RM	Share Premium RM	Retained Earnings/ (Accumulated Losses) RM	Total Equity RM
At 1 January 2016	43,553,338	8,903,365	453,404	222,464	11,207,235	14,305,266	(13,800,551)	64,844,521
Total comprehensive loss for the financial year								
Remeasurement of defined benefit plans	–	–	–	–	–	–	23,769	23,769
Exchange difference on translation of foreign operation	–	958,181	–	–	–	–	–	958,181
Other comprehensive income for the financial year	–	958,181	–	–	–	–	23,769	981,950
Loss for the financial year	–	–	–	–	–	–	(38,215,575)	(38,215,575)
Total comprehensive loss	–	958,181	–	–	–	–	(38,191,806)	(37,233,625)
Transactions with owners								
ESOS lapsed	–	–	(73,739)	–	–	–	73,739	–
Total transactions with owners	–	–	(73,739)	–	–	–	73,739	–
At 31 December 2016	43,553,338	9,861,546	379,665	222,464	11,207,235	14,305,266	(51,918,618)	27,610,896

	Attributable to owners of the Company							
		Non-distributable					Distributable	
Group	**Share Capital RM**	**Exchange Reserve RM**	**Employees' Share Option Reserve RM**	**Statutory Reserve RM**	**Warrants Reserve RM**	**Share Premium RM**	**Retained Earnings/ (Accumulated Losses) RM**	**Total Equity RM**
At 1 January 2015	43,553,338	(554,878)	540,729	222,464	11,207,235	14,305,266	10,616,663	79,890,817
Total comprehensive loss for the financial year								
Exchange difference on translation of foreign operation	–	9,458,243	–	–	–	–	–	9,458,243
Other comprehensive income for the financial year	–	9,458,243	–	–	–	–	–	9,458,243
Loss for the financial year	–	–	–	–	–	–	(24,504,539)	(24,504,539)
Total comprehensive loss	–	9,458,243	–	–	–	–	(24,504,539)	(15,046,296)
Transactions with owners								
ESOS lapsed	–	–	(87,325)	–	–	–	87,325	–
Total transactions with owners	–	–	(87,325)	–	–	–	87,325	–
At 31 December 2015	43,553,338	8,903,365	453,404	222,464	11,207,235	14,305,266	(13,800,551)	64,844,521

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	Share Capital RM	Employees' Share Option Reserve RM	Warrants Reserve RM	Share Premium RM	Retained Earnings RM	Total Equity RM
	I------ Attributable to owners of the Company					------I
		I--- Non-distributable		---I	Distributable	
At 1 January 2016	**43,553,338**	**453,404**	**11,207,235**	**14,305,266**	**13,675,736**	**83,194,979**
Total comprehensive income for the financial year	**–**	**–**	**–**	**–**	**(10,319,155)**	**(10,319,155)**
Transactions with owners						
ESOS lapsed	**–**	**(73,739)**	**–**	**–**	**4,453**	**(69,286)**
Total transactions with owners	**–**	**(73,739)**	**–**	**–**	**4,453**	**(69,286)**
At 31 December 2016	**43,553,338**	**379,665**	**11,207,235**	**14,305,266**	**3,361,034**	**72,806,538**
At 1 January 2015	43,553,338	540,729	11,207,235	14,305,266	4,194,082	73,800,650
Total comprehensive income for the financial year	–	–	–	–	9,450,771	9,450,771
Transactions with owners						
ESOS lapsed	–	(87,325)	–	–	30,883	(56,442)
Total transactions with owners	–	(87,325)	–	–	30,883	(56,442)
At 31 December 2015	43,553,338	453,404	11,207,235	14,305,266	13,675,736	83,194,979

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
(Loss)/profit before tax	**(38,478,815)**	(24,547,360)	**(10,319,155)**	9,365,508
Adjustments for:				
Amortisation of development costs	**8,812,586**	6,899,882	**–**	–
Bad debts written off	**499,753**	65,449	**4,046**	–
Currency realignment	**(1,553,690)**	4,658,261	**–**	–
Deposit forfeited	**3,776**	–	**–**	–
Depreciation of property, plant and equipment	**2,292,601**	2,240,390	**178,889**	191,908
Impairment loss on amount owing by subsidiaries	**–**	–	**11,238,916**	844,539
Impairment loss on development cost	**10,640,688**	4,602,984	**–**	–
Impairment loss on goodwill on consolidation	**3,611,336**	8,529,097	**–**	–
Impairment loss on property, plant and equipment	**117,548**	–	**–**	–
Impairment loss on trade receivables	**2,416,041**	245,558	**–**	–
Interest expenses	**5,839**	41,118	**4,413**	5,852
Interest income	**(53,886)**	(72,365)	**(25,827)**	(27,403)
Inventories written down	**291,471**	–	**–**	–
Inventories written off	**181,573**	145,280	**–**	–
Loss on financial assets carried at amortised cost	**–**	39,450	**–**	–
Property, plant and equipment written off	**116,824**	341,701	**–**	86,475
Net gain on disposal of property, plant and equipment	**(4,553)**	(445)	**–**	–
Unrealised loss/(gain) on foreign exchange differences	**619,142**	(15,646)	**(2,673,826)**	(11,088,780)
Operating (loss)/profit before changes in working capital, carried forward	**(10,481,766)**	3,173,354	**(1,592,544)**	(621,901)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Operating (loss)/profit before changes in working capital, carried forward		**(10,481,766)**	3,173,354	**(1,592,544)**	(621,901)
Changes in working capital:					
Inventories		**(923,289)**	(443,468)	**–**	–
Trade and other receivables		**6,300,552**	8,158,316	**342,698**	(971,128)
Trade and other payables		**3,231,965**	(2,538,828)	**570,159**	1,000,590
Balances with subsidiaries		**–**	–	**(3,702,476)**	(4,556,113)
Cash flows generated (used in)/from operations		**(1,872,538)**	8,349,374	**(4,382,163)**	(5,148,552)
Interest paid		**(5,839)**	(41,118)	**(4,413)**	(5,852)
Net income tax (paid)/refunded		**(377,743)**	141,051	**10,964,000**	(17,760)
Net cash (used in)/generated from operating activities		**(2,256,120)**	8,449,307	**6,577,424**	(5,172,164)
Cash flows from investing activities					
Fixed deposit held as security value		**(12,248)**	1,124,791	**(12,248)**	(11,141)
Additional investment in a subsidiary company		**–**	–	**(900,000)**	–
Development costs paid		**(1,199,722)**	(7,067,731)	**–**	–
Purchase of property, plant and equipment		**(1,128,616)**	(2,026,961)	**(14,256)**	(79,894)
Proceeds from disposal of property, plant and equipment		**3,488**	11,547	**–**	–
Net cash outflow on acquisition of a subsidiary	6(ii)	**–**	(5,540)	**–**	–
Interest received		**53,886**	72,365	**25,827**	27,403
Net cash flows (used in)/generated from investing activities		**(2,283,212)**	(7,891,529)	**(900,677)**	(63,632)
Cash flows from financing activities					
Payment of finance lease liabilities		**–**	(191,617)	**–**	(21,078)
Net advances from subsidiaries		**–**	–	**(6,572,499)**	5,592,451
Net cash flows (used in)/generated from financing activities		**–**	(191,617)	**(6,572,499)**	5,571,373
Net change in cash and cash equivalents		**(4,539,332)**	366,161	**(895,752)**	335,577
Cash and cash equivalents at the beginning of the financial year		**7,648,874**	7,261,421	**774,371**	396,567
Effect of exchange rate changes on cash and cash equivalents		**10,942**	21,292	**–**	42,227
Cash and cash equivalents at the end of the financial year		**3,120,484**	7,648,874	**(121,381)**	774,371

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Analysis of cash and cash equivalents:				
Short-term deposits placed with licensed banks	**483,142**	1,016,669	**483,142**	370,540
Cash and bank balances	**3,409,369**	7,002,745	**167,504**	774,371
	3,892,511	8,019,414	**650,646**	1,144,911
Less:				
Fixed deposit held as security value (Note 12)	**(382,788)**	(370,540)	**(382,788)**	(370,540)
Bank overdraft (Note 16)	**(389,239)**	–	**(389,239)**	–
	3,120,484	7,648,874	**(121,381)**	774,371

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Cuscapi Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company are both located at Level 1, Block B, Dataran PHB, Saujana Resort, Seksyen U2, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 April 2017.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company had adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 134	Interim Financial Reporting
MFRS 138	Intangible Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (continued)

MFRS 9 Financial Instruments (continued)

Key requirements of MFRS 9 (continued):

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to 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:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (continued)

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 1 First-time Adoption of MFRSs

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 *Financial Instruments: Disclosure,* MFRS 119 *Employee Benefit*s and MFRS 10 *Consolidated Financial Statements* because they are no longer applicable.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 provide specific guidance on the accounting for:

(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10-B16 of the standard.

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (continued)

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency at the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency and has been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.7 to the financial statements.

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

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Transactions eliminated on consolidation

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

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b) to the financial statements.

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency transactions and operations (continued)

(a) Translation of foreign currency transactions (continued)

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

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

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

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

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows (continued):

(i) Financial assets (continued)

<u>Available-for-sale financial assets</u>

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

<u>Unquoted equity instruments carried at cost</u>

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) Financial liabilities

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

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

<u>Other financial liabilities</u>

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, 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 initially recognised less cumulative amortisation.

(c) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment, is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (continued)

(c) Depreciation

Property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Plant and equipment	10% - 25%
Furniture and fittings	15% - 20%
Motor vehicles	20%
Computers	20% - 40%
Renovation	2% - 10%

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

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if 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 or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, 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 assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.7 Goodwill and other intangible assets

(a) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

(b) Research and development costs

Research costs are recognised in profit or loss as incurred.

An intangible asset arising from development is recognised when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the intangible asset will generate future economic benefits;
- adequate resources to complete the development and to use or sell the intangible asset are available; and
- the expenditures attributable to the intangible asset during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an intangible asset in a subsequent period.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. The policy for the recognition and measurement of impairment any losses is in accordance with Note 3.10(b) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Goodwill and other intangible assets (continued)

(c) Amortisation

The amortisation methods used and the estimated useful lives are as follows:

	Method	Useful lives (years)
Development costs	Straight-line	5

The residual values, useful lives and amortisation methods are reviewed at the end of each reporting period.

3.8 Inventories

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

Cost is determined on the weighted average basis and comprises the cost of purchase and incidentals 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.

3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts and fixed deposits held as security values.

3.10 Impairment of asset

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed 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 financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of asset (continued)

(a) Impairment and uncollectibility of financial assets (continued)

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of asset (continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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 non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs 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 CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. 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 CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.11 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Share capital represents the nominal value of shares that have been issued. Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained earnings and recognised as a liability in the period in which they are declared. Share premium includes any premium received upon issuance of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Defined benefit plans

The Group operates defined benefit pension plans (funded) and provides a post-employment healthcare benefit (unfunded) plan to employees as provided in the employment agreements between the companies in the Group and their employees.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) and the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net interest is calculated by applying the discount to the net balance of the defined benefit obligation and fair value of plan assets.

The Group recognises the following costs in profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

3.13 Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sales of goods and services rendered

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities and is recognised in the profit or loss when the significant risks and rewards of ownership of the goods have been transferred to the buyer and when the services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income (continued)

(b) Rental income

Rental revenue comprise rental of Point of Sale ("POS") equipment recognised on an accrual basis.

(c) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such revenue will accrue to the Group.

(d) Dividend income

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

(e) Management fee

Management fee is recognised upon completion of services rendered in accordance with the terms of the agreement entered into.

3.14 Income tax

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

(c) Good and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- 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 assets or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.15 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Fair value measurements

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

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

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognises transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.17 Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This require an estimation of the value-in-use of the cash-generating units ("CGUs") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used for the impairment assessment are stated in Note 7 to the financial statements.

(b) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on the straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 2.5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment, therefore the future depreciation charges could be revised. The carrying amounts of property, plant and equipment are disclosed in Note 5 to the financial statements.

(c) Impairment of property, plant and equipment

The Group and the Company review the carrying amount of its property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the property, plant and equipment. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arises.

As at the end of the financial year under review, the directors are of the view that there is no indication of impairment to these assets and therefore no independent professional valuation was procured by the Company during the financial year to determine the carrying amount of these assets. The carrying amounts of property, plant and equipment are disclosed in Note 5 to the financial statements.

(d) Taxation

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The income tax expense is disclosed in Note 23 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following (continued):

(e) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying amount of deferred tax assets not recognised are disclosed in Note 9 to the financial statements.

(f) Impairment of development costs

The Group determines whether development costs, not yet available for use, are tested for impairment, at least on an annual basis. Development costs have finite useful lives and are assessed for impairment whenever there is an indication of impairment.

This requires an estimation of the value-in-use of the assets or cash generating units. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of the cash flows. The carrying amount of development costs is disclosed in Note 8 to the financial statements.

(g) Allowance for obsolescence inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories. The carrying amount of inventories is disclosed in Note 11 to the financial statements.

(h) Impairment of receivables

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables. The carrying amounts of receivables are disclosed in Note 10 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following (continued):

(i) Impairment of investment in subsidiaries

The Company carries out the impairment test based on a variety estimation including the value-in-use of the cash generating unit. Estimating a value-in-use amount requires the Company to make an estimation of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The management determined the recoverable amount of the investment in subsidiaries based on the individual assets' value in use and the probability of the realisation of the assets. The present value of the future cash flows to be generated by the asset is the asset's value in use, and it is assumed to be the same as the net worth of the asset as at reporting date. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount. The carrying amount of investment in subsidiaries is disclosed in Note 6 to the financial statements.

(j) Useful life of development costs

The development costs are amortised on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these intangible assets to be 5 years of their expected benefit. The amortisation period and amortisation method are reviewed at each reporting date. The carrying amount of development costs is disclosed in Note 8 to the financial statements.

(k) Capitalisation and amortisation of development expenditure

The Group follows the guidance of MFRS 138 Intangible Assets in determining the amount and nature of development expenditure to be capitalised and its subsequent amortisation. The assessment of the capitalisation criteria as disclosed in Note 3.7(b) to the financial statements requires ongoing estimates on the future outcome of the development projects. Any changes from the previous estimates will impact the initial and subsequent capitalisation of the development expenditure as well as its future amortisation charges.

(l) Classification between operating lease and finance lease for leased equipment

The Group developed certain criteria based on MFRS 116 Property, Plant and Equipment in making judgement whether leased equipment should be classified either as operating lease or finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the rental leased equipment meets the criteria of the finance lease, the equipment will be classified as property, plant and equipment if it is for own use or else will be treated as rental expenses. Judgements are made on the individual leased equipment to determine whether the leased equipment qualify as operating lease or finance lease.

The Group treated the leased equipment as operating lease, at the end of the expiry of the lease, all the risks and rewards incidental to ownership does not transfer substantially.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Computers RM	Renovation RM	Total RM
2016						
Cost						
At 1 January 2016	10,423,175	802,900	840,783	4,327,293	2,586,091	18,980,242
Additions	802,793	–	–	240,093	85,730	1,128,616
Disposals/Written-off	(978,868)	–	–	–	(204,938)	(1,183,806)
Exchange differences	(76,507)	(52,415)	(5,047)	(18,919)	(15,817)	(168,705)
At 31 December 2016	10,170,593	750,485	835,736	4,548,467	2,451,066	18,756,347
Accumulated Depreciation						
At 1 January 2016	6,781,681	644,195	639,873	3,305,184	1,340,634	12,711,567
Depreciation charge for the financial year	1,390,132	60,359	115,415	515,639	211,056	2,292,601
Disposals/Written-off	(855,660)	–	–	–	(94,839)	(950,499)
Exchange differences	(26,733)	(30,823)	(1,148)	(8,856)	4,214	(63,346)
At 31 December 2016	7,289,420	673,731	754,140	3,811,967	1,461,065	13,990,323
Carrying amount						
At 1 January 2016	3,641,494	158,705	200,910	1,022,109	1,245,457	6,268,675
At 31 December 2016	2,881,173	76,754	81,596	736,500	990,001	4,766,024

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Plant and Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Computers RM	Renovation RM	Total RM
2015						
Cost						
At 1 January 2015	7,958,379	764,918	792,936	3,776,692	2,669,557	15,962,482
Additions	1,688,758	–	–	306,896	31,307	2,026,961
Disposals/Written-off	(130,170)	(86,841)	–	(2,965)	(496,049)	(716,025)
Exchange differences	906,208	124,823	47,847	246,670	381,276	1,706,824
At 31 December 2015	10,423,175	802,900	840,783	4,327,293	2,586,091	18,980,242
Accumulated Depreciation						
At 1 January 2015	5,076,453	584,615	501,730	2,649,749	1,059,270	9,871,817
Depreciation charge for the financial year	1,280,488	75,090	115,841	536,191	232,780	2,240,390
Disposals/Written-off	(120,824)	(84,666)	–	(790)	(156,946)	(363,226)
Exchange differences	545,564	69,156	22,302	120,034	205,530	962,586
At 31 December 2015	6,781,681	644,195	639,873	3,305,184	1,340,634	12,711,567
Carrying amount						
At 1 January 2015	2,881,926	180,303	291,206	1,126,943	1,610,287	6,090,665
At 31 December 2015	3,641,494	158,705	200,910	1,022,109	1,245,457	6,268,675

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Plant and Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Computers RM	Renovation RM	Total RM
2016						
Cost						
At 1 January 2016	**206,681**	**218,738**	**572,997**	**1,091,175**	**17,722**	**2,107,313**
Additions	**2,550**	**–**	**–**	**11,706**	**–**	**14,256**
At 31 December 2016	**209,231**	**218,738**	**572,997**	**1,102,881**	**17,722**	**2,121,569**
Accumulated Depreciation						
At 1 January 2016	**156,907**	**213,962**	**485,930**	**907,420**	**797**	**1,765,016**
Depreciation charge for the financial year	**9,715**	**2,766**	**69,651**	**96,403**	**354**	**178,889**
At 31 December 2016	**166,622**	**216,728**	**555,581**	**1,003,823**	**1,151**	**1,943,905**
Carrying amount						
At 1 January 2016	**49,774**	**4,776**	**87,067**	**183,755**	**16,925**	**342,297**
At 31 December 2016	**42,609**	**2,010**	**17,416**	**99,058**	**16,571**	**177,664**
2015						
Cost						
At 1 January 2015	186,436	299,269	572,997	1,031,526	122,090	2,212,318
Additions	20,245	–	–	59,649	–	79,894
Disposals/Written-off	–	(80,531)	–	–	(104,368)	(184,899)
At 31 December 2015	206,681	218,738	572,997	1,091,175	17,722	2,107,313
Accumulated Depreciation						
At 1 January 2015	147,778	291,419	416,280	799,635	16,420	1,671,532
Depreciation charge for the financial year	9,129	2,902	69,650	107,785	2,442	191,908
Disposals/Written-off	–	(80,359)	–	–	(18,065)	(98,424)
At 31 December 2015	156,907	213,962	485,930	907,420	797	1,765,016
Carrying amount						
At 1 January 2015	38,658	7,850	156,717	231,891	105,670	540,786
At 31 December 2015	49,774	4,776	87,067	183,755	16,925	342,297

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
At cost		
Unquoted shares	**14,547,873**	14,547,873
ESOS granted to employees of subsidiaries	**122,427**	191,713
Additional during the year	**900,000**	–
	15,570,300	14,739,586
Less: Impairment loss	**(1,401,059)**	(1,401,059)
	14,169,241	13,338,527

On 10 February 2016, Cuscapi Suzhou Co. Ltd. and Cuscapi Guangzhou Co. Ltd. have been restructured to become direct subsidiaries of Cuscapi Hong Kong Ltd.

On 31 October 2016, the Company subscribed for 900,000 Ordinary Shares of RM1/- each in Cuscapi Malaysia Sdn. Bhd. at a total subscription price of RM900,000/-.

On 27 December 2016, the Company has announced that Cuscapi Interactive Technology (China) Pty. Ltd., a wholly-owned subsidiary of Cuscapi Hong Kong Ltd. which is a wholly-owned subsidiary of Cuscapi International Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company had on 23 December 2016 incorporated a wholly-owned subsidiary in China known as Shanghai Cuscapi Interactive Network Technology Co. Ltd. with a registered capital of USD70,000/-.

The incorporation of Shanghai Cuscapi Interactive Network Technology Co., Ltd. is not expected to have any material impact on the earnings of the Group for the financial year ended 31 December 2016.

(i) Details of the subsidiaries are as follows:

Name of company	Principal place of business/country of incorporation	Effective ownership interest/Voting rights 2016 %	Effective ownership interest/Voting rights 2015 %	Principal activities
Direct subsidiaries				
Cuscapi Innovation Lab Sdn. Bhd.	Malaysia	**100**	100	Software development
Cuscapi Consulting Services Sdn. Bhd.	Malaysia	**100**	100	Provision of project management, business and IT related consultancy services
Cuscapi Malaysia Sdn. Bhd.	Malaysia	**100**	100	Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(i) Details of the subsidiaries are as follows (continued):

Name of company	Principal place of business/country of incorporation	Effective ownership interest/Voting rights 2016 %	2015 %	Principal activities
Direct subsidiaries (continued)				
Cuscapi Interactive Solutions Sdn. Bhd.	Malaysia	**100**	100	Provision of software development, interactive devices solutions, POS and business management solutions
BRG Asia Sdn. Bhd. #	Malaysia	**–**	51	Dormant
Cuscapi Solutions Sdn. Bhd.	Malaysia	**100**	100	Software development
Cuscapi Outsourcing Sdn. Bhd.	Malaysia	**100**	100	Provision of a contact centre for outsourcing services
Cuscapi International Sdn. Bhd.	Malaysia	**100**	100	Investment holding
Cuscapi International Pte. Ltd. *	Singapore	**100**	100	Investment holding
Subsidiary of Cuscapi International Sdn. Bhd.				
Cuscapi Hong Kong Ltd. +	Hong Kong	**100**	100	Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services
Subsidiaries of Cuscapi International Pte. Ltd.				
北京客凯易科技有限公司 (Cuscapi Beijing Co. Ltd.) *	China	**100**	100	Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management business and IT related consultancy services

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(i) Details of the subsidiaries are as follows (continued):

Name of company	Principal place of business/country of incorporation	Effective ownership interest/Voting rights 2016 %	2015 %	Principal activities
Subsidiaries of Cuscapi International Pte. Ltd. (continued)				
上海客凯易信息科技有限公司 (Cuscapi Shanghai Co. Ltd.) *	China	**100**	100	Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management business and IT related consultancy services
PT Cuscapi Indonesia +	Indonesia	**100**	100	Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services
Cuscapi Singapore Pte. Ltd. *	Singapore	**100**	100	Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management business and IT related consultancy services
Cuscapi (Thailand) Co. Ltd. +	Thailand	**100**	100	Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management business and IT related consultancy services
苏州客凯易科技有限公司 (Cuscapi Suzhou Co. Ltd.) *	China	**–**	100	Software development
广州客凯易信息科技有限公司 (Cuscapi Guangzhou Co. Ltd.) *	China	**–**	100	Dormant

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(i) Details of the subsidiaries are as follows (continued):

Name of company	Principal place of business/country of incorporation	Effective ownership interest/Voting rights 2016 %	2015 %	Principal activities
Subsidiaries of Cuscapi Hong Kong Ltd.				
苏州客凯易科技有限公司 (Cuscapi Suzhou Co. Ltd.) *	China	**100**	–	Software development
广州客凯易信息科技有限公司 (Cuscapi Guangzhou Co. Ltd.) *	China	**100**	–	Dormant
Cuscapi Philippines, Inc. +	Philippines	**99.99**	99.99	Investment holding
Cuscapi Interactive Technology (China) Pty. Ltd. +	Hong Kong	**100**	100	Investment holding
Subsidiary of Cuscapi Philippines, Inc				
Tills N Labels System Marketing, Inc. +	Philippines	**99.99**	99.99	Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management business and IT related consultancy services
Subsidiary of Cuscapi Interactive Technology (China) Pty. Ltd.				
Shanghai Cuscapi Interactive Network Technology Co. Ltd.	China	**100**	–	Software development, interactive devices solutions, POS, business management solutions and other related services and products

* Audited by an independent member firm of Baker Tilly International.

\+ Audited by auditors other than Baker Tilly Monteiro Heng.

\# Struck-off from Register of Companies.

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(ii) Acquisition of a subsidiary

Group

In previous financial year, the indirect subsidiary of the Company, namely Cuscapi Hong Kong Ltd. has acquired the 100% equity interest in Cuscapi Interactive Technology (China) Pty. Ltd. ("CIT") comprising 10,000 ordinary shares of HKD1-00 each in CIT for a cash consideration of RM5,540/- ("Purchase Price"). Accordingly, CIT became indirect wholly-owned subsidiary of the Group and of the Company.

The fair value of the identifiable assets and liabilities of CIT as at the date of acquisition were:

	2015 RM
Other receivables	4,508
Trade and other payables	(14,429)
Net identifiable assets	(9,921)
Goodwill on consolidation (Note 7)	15,461
Consideration settled in cash	5,540
Less: Cash and cash equivalents of subsidiary acquired	–
Net cash outflow on acquisition	5,540

The Group has impaired the goodwill on consolidation of RM15,461/-, the impairment loss was recognised in other operating expenses in the statements of the profit or loss and other comprehensive income in the previous financial year.

(iii) Non-controlling interests in subsidiaries

The Group's subsidiaries which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

7. GOODWILL ON CONSOLIDATION

	Group	
	2016 RM	**2015 RM**
At 1 January	**8,413,848**	15,727,015
Acquisition of a subsidiary (Note 6(ii))	**–**	15,461
Impairment loss	**(3,611,336)**	(8,529,097)
Currency translation differences	**(72,163)**	1,200,469
At 31 December	**4,730,349**	8,413,848

7. GOODWILL ON CONSOLIDATION (CONTINUED)

The carrying amounts of goodwill allocated of the CGU are as follow:

	Group	
	2016	**2015**
	RM	**RM**
Cuscapi Solutions Sdn. Bhd.	**988,390**	2,000,000
Tills N Labels System Marketing, Inc.	**3,741,959**	6,413,848
	4,730,349	8,413,848

The recoverable amount of the goodwill has been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the management covering a five-year period. The discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows within the five (5) years period are as follows:

	2016	**2015**
Discount rates	**13.01%**	13.87%
Growth rates	**0% - 8%**	0% - 49%

The calculations of the value in use for the CGUs are most sensitive to the following assumptions:

(i) Budgeted growth margin

The budgeted gross margin was projected based on past experience, actual operating results and the five (5) years business plan. These are increased over the budget period for anticipated efficiency improvements.

(ii) Sales growth rates

The sales forecasted sales growth rates are based on historical results adjusted for the potential contract to be secured by the Group.

(iii) Discount rates

Discount rate was estimated based on the weighted average cost of capital of the Group.

(iv) Terminal value

Terminal value was imputed in the computation of the 5-year cash flow forecast projection. Growth rate was not included to derive the terminal value on a prudence basis whereby the growth rates of these companies are subjective after the 5th year.

8. DEVELOPMENT COSTS

	Group 2016 RM	Group 2015 RM
Development cost		
At 1 January	**51,988,683**	40,673,370
Additions	**1,199,722**	7,067,731
Currency translation differences	**(726,421)**	4,247,582
At 31 December	**52,461,984**	51,988,683
Accumulated amortisation		
At 1 January	**25,056,544**	16,725,714
Amortisation for the financial year	**8,812,586**	6,899,882
Currency translation differences	**(3,435,301)**	1,430,948
At 31 December	**30,433,829**	25,056,544
Accumulated impairment loss		
At 1 January	**4,602,984**	–
Charge for the financial year	**10,640,688**	4,602,984
At 31 December	**15,243,672**	4,602,984
Net carrying amount		
At 31 December	**6,784,483**	22,329,155

Included in development costs is an amount of RM Nil (2015: RM4,560,462/-) representing software under development and yet to be commercialised.

The amortisation of development costs of the Group and the Company amounting to RM8,812,586/- (2015: RM6,899,882/-) is included in cost of sales.

The impairment loss amounting to RM10,640,688/- (2015: RM4,602,984/-) was recognised in other operating expenses in the statements of comprehensive income.

The recoverable amount of the development cost is determined based on value-in-use calculation using cash flow projections based on financial budgets approved by the management covering a five (5) year period.

Development costs principally comprise internally generated expenditure on major projects where it is reasonably anticipated that the costs will be recovered through future commercial activities. The remaining amortisation periods at the financial year-end range from 1 to 5 years (2015: 1 to 5 years).

8. DEVELOPMENT COSTS (CONTINUED)

Included in the additions of development costs during the financial year are as follows:

	Group	
	2016	2015
	RM	RM
Staff costs:		
Salaries and allowances	**1,199,722**	7,078,344

9. DEFERRED TAX ASSETS/(LIABILITIES)

The components of deferred tax assets and liabilities prior to off-setting are as follow:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deferred tax assets	**670,751**	200,586	**–**	–
Deferred tax liabilities	**(459,053)**	(392,224)	**–**	–
	211,698	(191,638)	**–**	–

Presented after appropriate offsetting as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
At 1 January	**(191,638)**	(249,437)	**–**	(62,100)
Currency realignment	**(13,627)**	17,197	**–**	–
Recognised in profit or loss (Note 23)	**416,963**	40,602	**–**	62,100
At 31 December	**211,698**	(191,638)	**–**	–

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The deferred tax assets and deferred tax liabilities are attributable to:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Unabsorbed capital allowances	**(4,180)**	336,174	**–**	195,087
Unutilised tax losses	**649,152**	1,430,886	**–**	7,211
Unearned income	**13,831**	62,770	**–**	–
Unrealised losses	**15,949**	137,816	**–**	–
Differences between the carrying amounts of property, plant and equipments and their tax bases	**(463,054)**	(2,159,284)	**–**	(202,298)
	211,698	(191,638)	**–**	–

The deferred tax assets not recognised in the financial statements are in respect of the following temporary differences:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Unutilised tax losses	**10,892,180**	8,203,920	**2,544,487**	858,937
Unutilised capital allowances	**1,177,825**	385,274	**(45,294)**	(173,596)
	12,070,005	8,589,194	**2,499,193**	685,341
Potential deferred tax assets not recognised at 24%	**2,896,801**	2,061,407	**599,806**	164,482

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-current					
Trade					
Trade receivables		**517,254**	1,159,648	**–**	–
Current					
Trade					
Trade receivables	(a)	**13,493,322**	19,040,883	**7,300**	7,300
Amount owing by subsidiaries	(b)	**–**	–	**15,612,696**	11,910,220
		13,493,322	19,040,883	**15,619,996**	11,917,520
Less: Impairment for trade receivables		**(2,898,788)**	(476,887)	**(7,300)**	(7,300)
		10,594,534	18,563,996	**15,612,696**	11,910,220
Non-trade					
Other receivables		**661,108**	1,609,142	**85,760**	427,778
GST receivable		**47,038**	125,100	**2,041**	11,906
Amount owing by subsidiaries	(b)	**–**	–	**78,109,198**	73,197,468
Sundry advances		**452,691**	881,300	**4,495**	4,495
Deposits		**893,986**	878,962	**340,097**	336,377
		2,054,823	3,494,504	**78,541,591**	73,978,024
Less: Impairment for other receivables		**(341,791)**	–	**–**	–
Impairment for amount owing by subsidiaries		**–**	–	**(12,083,455)**	(848,585)
		1,713,032	3,494,504	**66,458,136**	73,129,439
Total trade and other receivables (current)		**12,307,566**	22,058,500	**82,070,832**	85,039,659
Total trade and other receivables (non-current and current)		**12,824,820**	23,218,148	**82,070,832**	85,039,659

NOTES TO THE FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

The foreign currency exposure profile of trade and other receivables are as follow:

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
United States Dollar		**2,070,567**	5,113,585	**58,346,648**	58,701,738
Singapore Dollar		**890,985**	1,117,185	**124,227**	90,129
China Renminbi		**1,269,880**	1,563,555	**–**	–
Philippine Peso		**2,067,835**	4,384,430	**–**	–
Thailand Baht		**729,190**	1,436,439	**–**	–
Ringgit Malaysia		**5,796,363**	9,602,954	**23,599,957**	26,247,792
		12,824,820	23,218,148	**82,070,832**	85,039,659

(a) Trade receivables are non-interest bearing and normal trade credit terms offered by the Group and the Company ranging from 30 to 60 days (2015: 30 to 60 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

(b) Amount owing by subsidiaries are unsecured, non-interest bearing and repayable on demand in cash.

(c) The non-current trade receivable of the Group is the amounts receivables from the distributor for the licensing fees and is expected to be collected as follow:

	One to two years RM	Two to three years RM	Three to four years RM	Total RM
2016				
Non-current				
Trade receivables	**517,254**	**–**	**–**	**517,254**
2015				
Non-current				
Trade receivables	685,468	474,180	–	1,159,648

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Ageing analysis of trade receivables

The Group and the Company maintain an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's and the Company's total trade receivables are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Neither past due nor impaired	**5,672,584**	5,097,443	**3,503,707**	4,625,000
Past due but not impaired	**5,439,204**	14,626,201	**12,108,989**	7,285,220
1 - 30 days past due not impaired	**610,074**	2,562,840	**–**	–
31 - 120 days past due not impaired	**940,992**	3,512,565	**–**	–
More than 121 days past due not impaired	**3,888,138**	8,550,796	**12,108,989**	7,285,220
Impaired	**2,898,788**	476,887	**7,300**	7,300
	14,010,576	20,200,531	**15,619,996**	11,917,520

Receivables that are neither past due nor impaired
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. Most of the Group's trade receivables arise from long standing customers with the Group.

Receivables that are past due but not impaired
The management has a credit policy in place to monitor and minimise the exposure of default. The Group and the Company trade only with recognised and credit worthy third parties. Trade receivables are monitored on an ongoing basis. As at the reporting date, there were no significant concentrations of credit risk in the Group and the Company, and receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired
The Group's and Company's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	Individually impaired			
	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Trade receivables				
- nominal amounts	**2,898,788**	476,887	**7,300**	7,300
Less: Impairment loss	**(2,898,788)**	(476,887)	**(7,300)**	(7,300)
	–	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Ageing analysis of trade receivables (continued)

Receivables that are impaired (continued)

Movements in the impairment accounts:

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
At 1 January				
- *Trade receivables*	**476,887**	625,979	**7,300**	7,300
- *Amount owing by subsidiaries*	**–**	–	**848,585**	7,821
	476,887	625,979	**855,885**	15,121
Movement during the year:				
- *Trade receivables*				
Charge for the financial year	**2,416,041**	245,558	**–**	–
Currency realignment	**5,860**	21,440	**–**	–
Written-off	**–**	(416,090)	**–**	–
	2,421,901	(149,092)	**–**	–
- *Other receivables*				
Charge for the financial year	**341,791**	–	**–**	–
	341,791	–	**–**	–
- *Amount owing by subsidiaries*				
Charge for the financial year	**–**	–	**11,238,916**	844,539
Written-off	**–**	–	**(4,046)**	(3,775)
	–	–	**11,234,870**	840,764
At 31 December				
- *Trade receivables*	**2,898,788**	476,887	**7,300**	7,300
- *Other receivables*	**341,791**	–	**–**	–
- *Amount owing by subsidiaries*	**–**	–	**12,083,455**	848,585
	3,240,579	476,887	**12,090,755**	855,885

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

11. INVENTORIES

	Group	
	2016	**2015**
	RM	**RM**
At cost:		
Point of sales related equipment, components and parts	**4,644,679**	4,064,753
At net realisable value:		
Point of sales related equipment, components and parts	**320,976**	450,657
	4,965,655	4,515,410

Recognised profit or loss:		
Inventories at cost recognised as cost of sales	**8,388,265**	8,129,887
Inventories written off	**181,573**	145,280
Write down of inventories to net realisable value	**291,471**	258,007

12. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	**3,409,369**	7,002,745	**167,504**	774,371
Short-term deposits placed with licensed banks	**483,142**	1,016,669	**483,142**	370,540
	3,892,511	8,019,414	**650,646**	1,144,911

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Short-term deposits placed with licensed banks	**483,142**	1,016,669	**483,142**	370,540
Less: Pledged deposits	**(382,788)**	(370,540)	**(382,788)**	(370,540)
	100,354	646,129	**100,354**	–
Cash and bank balances	**3,409,369**	7,002,745	**167,504**	774,371
Bank overdraft (Note 16)	**(389,239)**	–	**(389,239)**	–
	3,120,484	7,648,874	**(121,381)**	774,371

The short-term deposits of the Group and of the Company amounting to RM382,788/- and RM382,788/- respectively (2015: RM370,540/- and RM370,540/-) are pledged as securities for borrowings as disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

12. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

The foreign currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
United States Dollar	**671,787**	405,581	**126,725**	40,609
Singapore Dollar	**320,391**	335,652	**–**	–
China Renminbi	**1,185,558**	2,094,158	**–**	–
Philippine Peso	**518,045**	2,162,328	**–**	–
Hong Kong Dollar	**2,394**	1,710	**–**	–
Indonesian Rupiah	**10,258**	201,896	**–**	–
Thailand Baht	**102,826**	723,795	**–**	–
Ringgit Malaysia	**598,110**	1,077,625	**40,779**	733,762
	3,409,369	7,002,745	**167,504**	774,371

The short-term deposits have maturity dates of 3 months and 12 months (2015: 12 months) which bear interest rate ranging 2.85% to 3.30% (2015: 3.10% to 3.21%) per annum.

13. SHARE CAPITAL

	Group and Company			
	Number of ordinary share of RM0.10 each		Amounts	
	2016 Units	2015 Units	2016 RM	2015 RM
Authorised:				
At 1 January/31 December	**1,200,000,000**	1,200,000,000	**120,000,000**	120,000,000
Issued and fully paid:				
At 1 January/31 December	**435,533,377**	435,533,377	**43,553,338**	43,553,338

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

14. OTHER RESERVES

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Share premium	(a)	**14,305,266**	14,305,266	**14,305,266**	14,305,266
Exchange reserve	(b)	**9,861,546**	8,903,365	**–**	–
Employees' share option reserve	(c)	**379,665**	453,404	**379,665**	453,404
Statutory reserve	(d)	**222,464**	222,464	**–**	–
Warrants reserve	(e)	**11,207,235**	11,207,235	**11,207,235**	11,207,235
		35,976,176	35,091,734	**25,892,166**	25,965,905

(a) Share premium

The share premium is arrived at after accounting for the premium received over the nominal value of the shares issued to the public, less subsequent capitalisation for bonus issue of the Company, if any, and share issuance expenses.

(b) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees as disclosed in Note 25 to the financial statements. The reserve is made up of the cumulative value of services received from employees recorded over the resting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(d) Statutory reserve

In accordance with relevant laws and regulations of the People's Republic of China ("PRC"), the subsidiary company is required to transfer 10% of its net profit for the financial year prepared in accordance with the accounting regulation of the PRC to the statutory reserve. The transfer will continue until the reserve balance reaches 50% of its registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of the subsidiary company, subject to the approval from the PRC authority, and is not available for dividend distribution to the shareholders.

14. OTHER RESERVES (CONTINUED)

(e) Warrants reserve

The Warrants issued on 25 April 2013 are constituted under a Deed Poll dated 20 March 2013 executed by the Company. The Warrants are listed on Bursa Malaysia Securities Berhad.

The outstanding Warrants during the financial year ended 31 December 2016 are stated as below:

	Number of Warrants			
	At 1 January 2016	**Exercised**	**Expired**	**At 31 December 2016**
Warrants	123,156,443	–	–	123,156,443

The salient terms of the Warrants are as follows:

(i) Each Warrant entitles the registered holder/(s) at any time prior to 24 April 2018 to subscribe for one (1) new ordinary share of RM0.10 each. Warrants that are not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose. The Warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll;

(ii) The exercise price for the Warrants is fixed at RM0.27 per new ordinary share of the Company, subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll;

(iii) The exercise period is five (5) years from the date of issuance until the maturity date. Upon the expiry of the exercise period, any unexercised rights will lapse and cease to be valid for any purposes; and

(iv) The holders of the Warrants are not entitled to vote in any general meeting or to participate in any dividends, rights, allotment and/or other forms of distribution other than on winding-up, compromise or arrangement of the Company and/or offer of further securities in the Company unless and until the holders of the Warrants becomes a shareholder of the Company by exercising his Warrants into new shares or unless otherwise resolved by the Company in general meeting.

The valuation of warrant is based on the relative fair value of the ordinary shares by reference to the following assumptions comprising:

Valuation model	:	Black Scholes
Fair value of warrant	:	RM0.091
Share price	:	RM0.26
Exercise price	:	RM0.27
Expiry date	:	24 April 2018
Volatility	:	31.834%
Risk free interest rate	:	3.193% per annum

15. TRADE AND OTHER PAYABLES

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-current					
Trade					
Trade payables		**880,246**	–	**–**	–
Current					
Trade					
Trade payables	(a)	**4,747,448**	2,996,831	**–**	–
Non-trade					
Other payables	(a)	**3,414,589**	2,392,672	**698,884**	440,191
GST payable		**96,604**	82,411	**18,432**	38,483
Amount owing to subsidiaries	(b)	**–**	–	**22,495,219**	15,825,768
Accrued operating expenses		**2,348,153**	2,675,102	**834,559**	487,496
Refundable deposits		**348,358**	1,046,344	**–**	15,546
Advance receipts from customer for maintenance contract		**1,159,454**	563,553	**–**	–
		7,367,158	6,760,082	**24,047,094**	16,807,484
Total trade and other payables (current)		**12,114,606**	9,756,913	**24,047,094**	16,807,484
Total trade and other payables (non-current and current)		**12,994,852**	9,756,913	**24,047,094**	16,807,484

(a) The trade and other payables are non-interest bearing and are normally settled on 30 to 120 days (2015: 30 to 120 days) from the date of invoices.

(b) Amount owing to subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand in cash.

15. TRADE AND OTHER PAYABLES (CONTINUED)

The foreign currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
United States Dollar	**2,569,946**	648,633	**9,229,069**	5,331,094
Singapore Dollar	**962,921**	1,349,305	**273,86**	–
China Renminbi	**3,198,484**	3,291,178	**–**	–
Philippine Peso	**1,340,653**	1,071,817	**–**	–
Hong Kong Dollar	**19,610**	33,989	**–**	–
Indonesian Rupiah	**–**	–	**–**	–
Thailand Baht	**458,281**	909,899	**–**	–
Ringgit Malaysia	**4,444,957**	2,452,092	**14,544,239**	11,476,390
	12,994,852	9,756,913	**24,047,094**	16,807,484

16. SHORT-TERM BORROWING

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Bank overdraft	**389,239**	–	**389,239**	–

Bank overdraft bears interest at 8.60% per annum.

The bank overdraft of the Company is secured by way of RM200,000/- as sinking fund via quarterly placement of time deposit of RM50,000/-.

17. REVENUE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Sale of goods	**18,326,350**	21,221,919	**–**	–
Services	**21,793,941**	22,581,988	**–**	–
Management fees	**–**	–	**3,503,707**	4,625,000
	40,120,291	43,803,907	**3,503,707**	4,625,000

18. DIRECT COST OF SALES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cost of goods sold	**16,672,325**	17,705,681	**–**	–
Other direct costs	**17,189,165**	11,171,938	**–**	–
	33,861,490	28,877,619	**–**	–

19. OTHER OPERATING EXPENSES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Impairment loss on goodwill	**3,611,336**	8,529,097	**–**	–
Impairment loss on development cost	**10,640,688**	4,602,984	**–**	–
Impairment loss on amount owing by subsidiaries	**–**	–	**11,238,916**	844,539
	14,252,024	13,132,081	**11,238,916**	844,539

20. FINANCE INCOME AND FINANCE COSTS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Interest income on short-term deposits placed with licensed bank	**53,886**	72,365	**25,827**	27,403
Interest expenses:				
- hire purchase	**–**	154	**–**	154
- trade loan	**–**	35,159	**–**	–
- bank overdraft	**4,413**	–	**4,413**	–
- late payment	**1,426**	5,805	**–**	5,698
	5,839	41,118	**4,413**	5,852

21. (LOSS)/PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Amortisation of development costs	**8,812,586**	6,899,882	**–**	–
Auditor's remuneration:				
- Statutory:				
- current year	**354,979**	319,899	**48,000**	40,000
- prior year	**–**	1,832	**–**	–
- Non statutory				
- current year	**12,000**	30,000	**12,000**	30,000
- prior year	**13,000**	–	**13,000**	–
Bad debts written off	**499,753**	65,449	**4,046**	–
Depreciation of property, plant and equipment	**2,292,601**	2,240,390	**178,889**	191,908
Deposit forfeited	**3,776**	–	**–**	–
Directors' remunerations:				
- Directors' allowances	**73,000**	32,000	**73,000**	32,000
- Directors' fees	**353,000**	333,000	**353,000**	333,000
- Directors' emoluments:				
- salaries and bonus	**720,000**	720,000	**720,000**	720,000
- defined contribution plans	**86,400**	86,400	**86,400**	86,400
- other benefits	**4,452**	9,990	**4,452**	9,990
Impairment loss on amount owing by subsidiaries	**–**	–	**11,238,916**	844,539
Impairment loss on development cost	**10,640,688**	4,602,984	**–**	–
Impairment loss on goodwill on consolidation	**3,611,336**	8,529,097	**–**	–
Impairment loss on property, plant and equipment	**117,548**	–	**–**	–
Impairment loss on trade receivables	**2,416,041**	245,558	**–**	–
Inventories written down	**291,471**	–	**–**	–
Inventories written off	**181,573**	145,280	**–**	–
Loss on financial assets carried at amortised cost	**–**	39,450	**–**	–
Operating lease rental expenses	**912,425**	818,140	**–**	–
Property, plant and equipment written off	**116,824**	341,701	**–**	86,475
Rental of premises	**2,765,890**	2,726,391	**213,168**	280,641

21. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax (continued):

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Staff costs				
- salaries, allowances, bonuses and overtime	**15,129,531**	14,312,548	**2,186,273**	1,966,758
- defined contribution plans	**2,092,151**	1,770,620	**248,129**	238,761
- other staff related expenses	**1,588,892**	1,349,092	**187,318**	183,080
Unrealised loss on foreign exchange	**619,142**	–	**–**	–
Gain on disposal of property, plant and equipment	**(4,553)**	(445)	**–**	–
Realised gain on foreign exchange	**(300,759)**	(390,176)	**(513,560)**	(289,719)
Unrealised gain on foreign exchange	**–**	(15,646)	**(2,673,826)**	(11,088,780)

22. DIRECTORS' REMUNERATION

The aggregate amount of remuneration received and receivable by the directors of the Group and the Company during the financial year are as follows:

	Group and Company	
	2016	**2015**
	RM	**RM**
Directors of the Company		
Executive Directors:		
- Salaries, allowances and bonus	**720,000**	720,000
- Defined contribution plan	**86,400**	86,400
- Other emoluments	**4,452**	9,990
	810,852	816,390
Non-executive Directors:		
- Directors' fees	**353,000**	333,000
- Allowances	**73,000**	32,000
	426,000	365,000
Total directors' remuneration	**1,236,852**	1,181,390

NOTES TO THE FINANCIAL STATEMENTS

23. INCOME TAX CREDIT

The major components of income tax credit are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Current income tax:				
Taxation in Malaysia				
- current year	**(66,454)**	–	**–**	–
- (under)/over provision in prior years	**(19,359)**	27,439	**–**	23,163
	(85,813)	27,439	**–**	23,163
Taxation outside Malaysia				
- current year	**(67,910)**	(25,220)	**–**	–
Total current income tax	**(153,723)**	2,219	**–**	23,163
Deferred taxation (Note 9):				
- current year	**647,705**	73,706	**–**	–
- (under)/over provision in prior years	**(230,742)**	(33,104)	**–**	62,100
	416,963	40,602	**–**	62,100
Income tax credit recognised in profit or loss	**263,240**	42,821	**–**	85,263

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rates applicable to the foreign subsidiaries are as follow:

Countries		**2016**	**2015**
		%	**%**
(a)	China	**25.00**	25.00
(b)	Singapore	**17.00**	17.00
(c)	Indonesia	**25.00**	25.00
(d)	Hong Kong	**16.50**	16.50
(e)	Thailand	**20.00**	20.00
(f)	Philippines	**30.00**	30.00

23. INCOME TAX CREDIT (CONTINUED)

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax credit are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
(Loss)/Profit before tax	**(38,478,815)**	(24,547,360)	**(10,319,155)**	9,365,508
Tax at applicable tax rate of 24% (2015: 25%)	**9,234,916**	6,136,840	**2,476,597**	(2,341,377)
Adjustments:				
Non-deductible expenses	**(10,556,743)**	(5,903,581)	**(2,806,245)**	(421,511)
Non-taxable income	**2,034,407**	976,024	**764,972**	2,844,624
Tax incentives-pioneer status	**5,229**	23,954	**–**	–
Origination of deferred tax assets not recognised in the financial statements	**(835,394)**	(1,140,962)	**(435,324)**	(78,467)
(Under)/Over provision of income tax expense in prior years	**(19,359)**	27,439	**–**	23,163
Utilisation of previously unrecognised tax losses	**(142,390)**	–	**–**	–
Over/(under) provision of deferred tax expense in prior years	**542,574**	(33,104)	**–**	62,100
Differences in tax rate	**–**	(43,789)	**–**	(3,269)
Income tax credit	**263,240**	42,821	**–**	85,263

24. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share are based on the loss for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2016	**2015**
Loss attributable to owners of the Company (RM)	**(38,215,575)**	(24,504,539)
Weighted average number of ordinary shares in issue (units)	**435,533,377**	435,533,377
Basic loss per ordinary share (sen)	**(8.77)**	(5.63)

(b) Diluted loss per share

The diluted loss per ordinary share is equal to the basic loss per ordinary share as the outstanding warrants are anti-dilutive as the average market price of the Company's shares are lower than the exercise price of the warrants.

NOTES TO THE FINANCIAL STATEMENTS

25. EMPLOYEE BENEFITS

Employees' Share Option Scheme ("ESOS")

At an Extraordinary General Meeting held on 18 January 2011, the directors approved the ESOS for the granting of non-transferable options to eligible senior executives and employees.

The salient features of the ESOS are as follows:

(i) The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed an amount equivalent to twenty percent (20%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time;

(ii) The new shares to be allotted upon the exercise of the options shall, upon issue and allotment, rank pari-passu in all respects with the existing issued and paid-up ordinary share capital of the Company;

(iii) An Eligible Person is any executive director or employee of the Company or the Group who at the date of offer:

- (a) has attained the age of eighteen (18) years;
- (b) in the case of an employee (including executive directors), is employed by and on the payroll of the Group and whose employment has been confirmed in writing or has been in employment of the Group for a period of at least twelve (12) full months of continuous service where the employee is employed by the Group on a contract basis; and
- (c) in the case of a non-executive director, is duly elected as a member of the Board of Directors of the companies within the Group with a director fee.

(iv) The persons to whom the options have been granted under the ESOS have no right to participate in any employees' share option scheme of any other company within the Group;

(v) Not more than 50% of the shares issued pursuant to the ESOS shall be allocated, in aggregate, to the directors and senior management of the Group. In addition, not more than 10% of the shares shall be allocated to any Eligible Person who, either singly or collectively, through persons connected to him/her, holds 20% or more in the issued and paid-up capital (excluding treasury shares) of the Company; and

(vi) The option price is the higher of:

- (a) the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer, subject to a discount of not more than ten percent (10%) which the Company may at its discretion decide to give; or

- (b) the par value of the shares.

On 7 February 2011, 30 June 2011, 28 February 2012 and 26 February 2013, the Company granted 9,790,200 share options, 1,576,500 share options, 9,967,500 shares options and 7,056,600 share options respectively, under the ESOS. These options expired on 23 January 2014 and one-third of these options are exercisable on or after every anniversary from the date of the acceptance of the offer up to the date of the options expiry.

On 26 November 2013 and 10 February 2017, pursuant to Clause 20.2 of the Bylaws of ESOS ("Bylaws"), the Board of Directors has approved the extension of the ESOS scheme for three (3) years. The latest extension is to 23 January 2020. All existing outstanding options granted shall therefore be exercisable up to the extended period.

25. EMPLOYEE BENEFITS (CONTINUED)

Fair value of share options granted

The fair value of the share options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

Movement of share options during the financial year

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	Group			
	2016		2015	
	No.	WAEP RM	No.	WAEP RM
At 1 January	**13,197,239**	**0.26**	15,832,577	0.26
Lapsed	**(2,437,369)**	**0.26**	(2,635,338)	0.35
Exercised	–	**–**	–	–
At 31 December	**10,759,870**	**0.26**	13,197,239	0.26
Exercisable at 31 December	**10,759,870**	**0.26**	13,197,239	0.26

– The weighted average remaining contractual life for these options is 3 years (2015: 1 years).

26. RELATED PARTIES

(a) Identity of related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Group and the Company or that have an interest in the Group and the Company that give it significant influence over the Group's and the Company's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

Related parties of the Group include:

(i) its subsidiaries as disclosed in Note 6 to the financial statements; and

(ii) the directors who are the key management personnel.

26. RELATED PARTIES (CONTINUED)

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Management fees				
- Cuscapi Malaysia Sdn. Bhd.	**–**	–	**3,041,606**	4,092,000
- Cuscapi Solutions Sdn. Bhd.	**–**	–	**199,403**	–
- Cuscapi Innovation Lab Sdn. Bhd.	**–**	–	**104,965**	271,000
- Cuscapi Outsourcing Sdn. Bhd.	**–**	–	**157,733**	262,000

(c) Compensation of key management personnel

The remuneration of key management personnel, which includes the directors' remuneration is disclosed as below:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Executive Directors' remuneration				
- salaries and other emoluments	**724,452**	729,990	**724,452**	729,990
Post-employment benefits:				
- defined contribution plan	**86,400**	86,400	**86,400**	86,400
	810,852	816,390	**810,852**	816,390
Key Management Personnel's remuneration				
- salaries and other emoluments	**815,231**	807,731	**373,227**	358,200
Post-employment benefits:				
- defined contribution plan	**69,717**	80,390	**44,680**	42,984
	884,948	888,121	**417,907**	401,184
	1,695,800	1,704,511	**1,228,759**	1,217,574

Interests in employees' share option scheme

At the reporting date, the total number of outstanding share options granted by the Company to the key management personnel amounted to 1,357,795 units (2015: 1,357,795 units).

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Loans and receivables ("L&R")
(ii) Financial liabilities at amortised cost ("FLAC")

	Carrying amount RM	L&R RM	FLAC RM
At 31 December 2016			
Financial assets			
Group			
Trade and other receivables (exclude GST receivable)	**12,777,782**	**12,777,782**	**–**
Cash and short-term deposits	**3,892,511**	**3,892,511**	**–**
	16,670,293	**16,670,293**	**–**
Company			
Trade and other receivables (exclude GST receivable)	**82,068,791**	**82,068,791**	**–**
Cash and short-term deposits	**650,646**	**650,646**	**–**
	82,719,437	**82,719,437**	**–**
Financial liabilities			
Group			
Trade and other payables (exclude GST payable and advance receipt)	**11,738,794**	**–**	**11,738,794**
Short-term borrowing	**389,239**	**–**	**389,239**
	12,128,033	**–**	**12,128,033**
Company			
Other payables (exclude GST payable)	**24,028,662**	**–**	**24,028,662**
Short-term borrowing	**389,239**	**–**	**389,239**
	24,417,901	**–**	**24,417,901**

27. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (continued):

	Carrying amount RM	L&R RM	FLAC RM
At 31 December 2015			
Financial assets			
Group			
Trade and other receivables (exclude GST receivable)	23,093,048	23,093,048	–
Cash and short-term deposits	8,019,414	8,019,414	–
	31,112,462	31,112,462	–
Company			
Trade and other receivables (exclude GST receivable)	85,027,753	85,027,753	–
Cash and short-term deposits	1,144,911	1,144,911	–
	86,172,664	86,172,664	–
Financial liabilities			
Group			
Trade and other payables (exclude GST payable and advance receipt)	9,110,949	–	9,110,949
Company			
Other payables (exclude GST payable)	16,769,001	–	16,769,001

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company use derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk

Trade and other receivables

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

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

The carrying amount of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 10 to the financial statements. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. A significant portion of these trade receivables are regular customers that have been transacting with the Group and the Company. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective evidence that the Group and the Company will not be able to collect all amounts due.

The Group and the Company monitor the results of the subsidiaries and related companies in determining the recoverability of these intercompany balances.

As at reporting date, there were no significant concentrations of credit risk in the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

<u>Financial assets that are neither past due nor impaired</u>
Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 10 to the financial statements.

<u>Financial assets that are either past due or impaired</u>
Information regarding financial assets that are past due or impaired is disclosed in Note 10 to the financial statements.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks for credit facilities granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM180,319/- (2015: RM445,988/-) representing the outstanding credit facilities of the subsidiaries guaranteed by the Company at reporting date. As at the reporting date, there was no indication that the subsidiary would default on repayment.

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

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Corporate guarantee

The Company has granted corporate guarantee of RM28,658,645/- (2015: RM Nil) to a supplier of a subsidiary.

(ii) Liquidity risk

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

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

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations as follows:

		I------------------ Contractual cash flows ------------------I			
Group	**Carrying Amount RM**	**On demand or within 1 year RM**	**Between 1 to 5 years RM**	**More than 5 years RM**	**Total RM**
At 31 December 2016					
Trade and other payables (exclude GST payable and advance receipt)	**11,738,794**	**10,858,548**	**880,246**	**–**	**11,738,794**
Short term borrowing	**389,239**	**422,714**	**–**	**–**	**422,714**
	12,128,033	**11,281,262**	**880,246**	**–**	**12,161,508**
At 31 December 2015					
Trade and other payables (exclude GST payable and advance receipt)	9,110,949	9,110,949	–	–	9,110,949

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations as follows (continued):

Company	Carrying Amount RM	I------------------- Contractual cash flows On demand or within 1 year RM	Between 1 to 5 years RM	More than 5 years RM	-------------------I Total RM
At 31 December 2016					
Other payables (exclude GST payable)	**24,028,662**	**24,028,662**	**–**	**–**	**24,028,662**
Short-term borrowing	**389,239**	**422,714**	**–**	**–**	**422,714**
	24,417,901	**24,451,376**	**–**	**–**	**24,451,376**
At 31 December 2015					
Other payables (exclude GST payable)	16,769,001	16,769,001	–	–	16,769,001

(iii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily Ringgit Malaysia ("RM"). The foreign currency in which these transactions are denominated are primarily United States Dollar ("USD"), China Renminbi ("RMB"), Singapore Dollar ("SGD"), Thailand Baht ("THB"), Hong Kong Dollar ("HKD"), Philippines Peso ("PHP") and Indonesian Rupiah ("IDR").

Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure to this risk is kept to an acceptable level. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign Currency Risk (continued)

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

Group	United States Dollar RM	Singapore Dollar RM	China Renminbi RM	Philippine Peso RM	Hong Kong Dollar RM	Indonesian Rupiah RM	Thailand Baht RM
2016							
Trade and other receivables	**2,070,567**	**890,985**	**1,269,880**	**2,067,835**	**–**	**–**	**729,190**
Cash and bank balances	**671,787**	**320,391**	**1,185,558**	**518,045**	**2,394**	**10,258**	**102,826**
Trade and other payables	**(2,569,946)**	**(962,921)**	**(3,198,484)**	**(1,340,653)**	**(19,610)**	**–**	**(458,281)**
	172,408	**248,455**	**(743,046)**	**1,245,227**	**(17,216)**	**10,258**	**373,735**
2015							
Trade and other receivables	5,113,585	1,117,185	1,563,555	4,384,430	–	–	1,436,439
Cash and bank balances	405,581	335,652	2,094,158	2,162,328	1,710	201,896	723,795
Trade and other payables	(648,633)	(1,349,305)	(3,291,178)	(1,071,817)	(33,989)	–	(909,899)
	4,870,533	103,532	366,535	5,474,941	(32,279)	201,896	1,250,335

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign Currency Risk (continued)

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

Company	United States Dollar RM	Singapore Dollar RM	China Renminbi RM	Philippine Peso RM	Hong Kong Dollar RM	Indonesian Rupiah RM	Thailand Baht RM
2016							
Trade and other receivables	**58,346,648**	**124,227**	**–**	**–**	**–**	**–**	**–**
Cash and bank balances	**126,725**	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**(9,229,069)**	**(273,786)**	**–**	**–**	**–**	**–**	**–**
	49,244,304	**(149,559)**	**–**	**–**	**–**	**–**	**–**
2015							
Trade and other receivables	58,701,738	90,129	–	–	–	–	–
Cash and bank balances	40,609	–	–	–	–	–	–
Trade and other payables	(5,331,094)	–	–	–	–	–	–
	53,411,253	90,129	–	–	–	–	–

The Group's and the Company's principal foreign currency exposure relates mainly United States Dollar, Philippine Peso, Singapore Dollar, China Renminbi, Thailand Baht, Hong Kong Dollar and Indonesian Rupiah.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign Currency Risk (continued)

Sensitivity analysis for foreign currency risk

A 3% strengthening of the RM against the respective foreign currencies as at the end of the financial year would have increased/(decreased) the profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	2016 Increase/ (Decrease) RM	2015 Increase/ (Decrease) RM	2016 Increase/ (Decrease) RM	2015 Increase/ (Decrease) RM
Effects on profit or loss and equity				
United States Dollar - strengthen by 3%	**5,172**	138,151	**1,477,329**	1,602,338
Singapore Dollar - strengthen by 3%	**7,454**	10,996	**(4,487)**	2,704
China Renminbi - strengthen by 3%	**(22,291)**	29,573	**–**	–
Philippine Peso - strengthen by 3%	**37,357**	164,248	**–**	–
Hong Kong Dollar - strengthen by 3%	**(516)**	(968)	**–**	–
Indonesian Rupiah - strengthen by 3%	**308**	6,057	**–**	–
Thailand Baht - strengthen by 3%	**11,212**	37,510	**–**	–

A 3% weakening of the RM against the respective foreign currencies as at the end of the financial year would have had an equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arise primarily from their deposits placed with licensed banks and loans and borrowings.

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Financial asset				
Short-term deposits placed with licensed bank	**483,142**	1,016,669	**483,142**	370,540
Floating rate instruments				
Financial liabilities				
Short-term borrowing				
- Bank overdraft	**389,239**	–	**389,239**	–

The information on maturity dates and effective interest rate of financial assets and liabilities are disclosed in their respective notes.

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

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

28. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants.

The debt-to-equity ratio of the Group and the Company as at the end of reporting period were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total liabilities	**13,843,144**	10,149,137	**24,436,333**	16,807,484
Equity attributable to owners of the Company	**27,610,896**	64,844,521	**72,806,538**	83,194,979
Debt-to-equity ratio	**50%**	16%	**34%**	20%

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

The Group is not subject to any externally imposed capital requirements.

29. SEGMENTAL REPORTING

Management determines the operating segments based on the reports reviewed and used by the Group's Executive Board for strategic decisions making and resources allocation. For management purposes, the Group is organised into strategic business units based on geography locations and business units.

The Group's reportable operating segments are as follows:

(a) Geography locations

(i) Malaysia

– Involves in software development, the provision of remedial services for Point of Sales hardware and related software implementation and support services, the provision of Point of Sales and business management solutions, the provision of project management, business and IT related consultancy services, the provision of network infrastructure and security solutions and services and system integration services, and the provision of contact centres for outsourcing services, in Malaysia.

(ii) South East Asia

– Involves in the provision of Point of Sales and business management solutions, the provision of remedial services for Point of Sales hardware and related software implementation and support services, the provision of project management, business and IT related consultancy services in the South East Asia region other than Malaysia.

29. SEGMENTAL REPORTING (CONTINUED)

The Group's reportable operating segments are as follows (continued):

(a) Geography locations (continued)

(iii) People's Republic of China

– Involves in software development, the provision of Point of Sales and business management solutions, remedial services for Point of Sales hardware and related software implementation and support services, the provision of project management, business and IT related consultancy services, and the provision of contact centres for outsourcing services in People's Republic of China.

(b) Business units

(i) Operational Cost Centre

– This segment provides the support services to all the customers for the Group.

(ii) Group Corporate

– This segment is involved in Group-level corporate services, and treasury functions.

Except as indicated above, no operating segments has been aggregated from the above reportable operating segments.

Management monitors the operating results of its units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit after tax ("PAT"). PAT is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments that operate within the Group. Inter-segment pricing is determined on negotiated basis.

Geographically, management reviews the performance of the businesses in Malaysia, South East Asia, and People's Republic of China. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Assets are based on the geographical location of the assets.

29. SEGMENTAL REPORTING (CONTINUED)

	Geographical Segment			Business Unit Segment				
	Malaysia RM	South East Asia RM	People's Republic of China RM	Operational Cost Centre RM	Group Corporate RM	Total RM	Eliminations and adjustments RM	Consolidated RM
2016								
Revenue								
Sales to external customers	18,357,144	11,853,714	9,909,433	–	–	40,120,291	–	40,120,291
Intercompany sales	1,717,651	44,217	644,161	2,558,711	3,503,707	8,468,447	(8,468,447) A	–
	20,074,795	11,897,931	10,553,594	2,558,711	3,503,707	48,588,738	(8,468,447)	40,120,291
Results								
Operating loss	(505,183)	(3,584,695)	(6,036,695)	(21,918,044)	(2,822,862)	(34,867,479)	–	(34,867,479)
Impairment loss on goodwill	–	(2,599,726)	–	(1,011,610)	–	(3,611,336)	–	(3,611,336)
Loss before tax	(505,183)	(6,184,421)	(6,036,695)	(22,929,654)	(2,822,862)	(38,478,815)	–	(38,478,815)
Taxation	(186)	415,883	–	(152,457)	–	263,240	–	263,240
Loss after tax	(505,369)	(5,768,538)	(6,036,695)	(23,082,111)	(2,822,862)	(38,215,575)	–	(38,215,575)

29. SEGMENTAL REPORTING (CONTINUED)

	Geographical Segment					
	Malaysia RM	Southeast Asia RM	People's Republic of China RM	Total RM	Adjustments RM	Consolidated RM
2016						
Assets						
Segment assets	20,122,421	10,534,398	9,633,972	40,290,791	–	40,290,791
Total assets	21,101,319	10,718,749	9,633,972	41,454,040	–	41,454,040
Liabilities						
Segment liabilities	7,015,766	3,169,841	3,198,484	13,384,091	–	13,384,091
Total liabilities	7,474,819	3,169,841	3,198,484	13,843,144	–	13,843,144
Other information						
Capital expenditure	725,869	229,589	1,372,880	2,328,338	–	2,328,338 [B]
Depreciation of property, plant and equipment	873,424	833,227	585,950	2,292,601	–	2,292,601
Amortisation of development expenditure	1,841,102	–	6,971,484	8,812,586	–	8,812,586
Other non-cash expenditure	2,747,135	4,790,201	11,848,947	19,386,283	(887,987)	18,498,296 [C]
Other non-cash income	4,602	–	95	4,697	–	4,697 [D]

29. SEGMENTAL REPORTING (CONTINUED)

	I---------- Geographical Segment ----------I			*I-- Business Unit Segment --I*				
	Malaysia RM	South East Asia RM	People's Republic of China RM	Operational Cost Centre RM	Group Corporate RM	Total RM	Eliminations and adjustments RM	Consolidated RM
2015								
Revenue								
Sales to external customers	19,323,929	13,288,009	11,191,969	–	–	43,803,907	–	43,803,907
Intercompany sales	480,000	1,789,787	248,151	3,958,899	4,625,000	11,101,837	(11,101,837) A	–
	19,803,929	15,077,796	11,440,120	3,958,899	4,625,000	54,905,744	(11,101,837)	43,803,907
Results								
Operating (loss)/profit	(2,350,469)	1,823,445	(2,374,558)	(7,666,286)	(5,450,395)	(16,018,263)	–	(16,018,263)
Impairment loss on goodwill	(1,674,752)	(257,456)	–	(6,596,889)	–	(8,529,097)	–	(8,529,097)
(Loss)/profit before tax	(4,025,221)	1,565,989	(2,374,558)	(14,263,175)	(5,450,395)	(24,547,360)	–	(24,547,360)
Taxation	4,282	106,677	–	(153,401)	85,263	42,821	–	42,821
(Loss)/profit after tax	(4,020,939)	1,672,666	(2,374,558)	(14,416,576)	(5,365,132)	(24,504,539)	–	(24,504,539)

29. SEGMENTAL REPORTING (CONTINUED)

	I---------- Geographical Segment ----------					
	Malaysia RM	Southeast Asia RM	People's Republic of China RM	Total RM	Adjustments RM	Consolidated RM
2015						
Assets						
Segment assets	31,241,447	19,534,700	23,077,696	73,853,843	–	73,853,843
Total assets	32,069,878	19,846,084	23,077,696	74,993,658	–	74,993,658
Liabilities						
Segment liabilities	3,800,233	2,665,502	3,291,178	9,756,913	–	9,756,913
Total liabilities	4,192,457	2,665,502	3,291,178	10,149,137	–	10,149,137
Other information						
Capital expenditure	2,082,835	382,985	6,628,872	9,094,692	–	9,094,692 [B]
Depreciation of property, plant and equipment	846,527	834,497	559,366	2,240,390	–	2,240,390
Amortisation of development expenditure	2,495,221	–	4,404,661	6,899,882	–	6,899,882
Other non-cash expenditure	11,463,896	2,108,752	3,110,416	16,683,064	(2,713,545)	13,969,519 [C]
Other non-cash income	13,588,486	311,657	141,473	14,041,616	(14,025,526)	16,090 [D]

29. SEGMENTAL REPORTING (CONTINUED)

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation

B Additions of capital expenditure consist of:

	2016 RM	2015 RM
Property, plant and equipment	**1,128,616**	2,026,961
Development expenditure	**1,199,722**	7,067,731
	2,328,338	9,094,692

C Other non-cash expenditure consists of:

	2016 RM	2015 RM
Deposit forfeited	**3,776**	–
Impairment loss on trade receivables	**2,416,041**	245,558
Impairment loss on goodwill	**3,611,336**	8,529,097
Impairment loss on development cost	**10,640,688**	4,602,984
Impairment loss on property, plant and equipment	**117,548**	–
Loss on disposal of property, plant and equipment	**144**	–
Loss on financial assets carried at amortised cost	**–**	39,450
Property, plant and equipment written off	**116,824**	341,701
Inventories written down	**291,471**	–
Inventories written off	**181,573**	145,280
Bad debts written off	**499,753**	65,449
Unrealised loss on foreign exchange	**619,142**	–
	18,498,296	13,969,519

D Other non-cash income consists of:

	2016 RM	2015 RM
Unrealised gain on foreign exchange	**–**	15,645
Gain on disposal of property, plant and equipment	**4,697**	445
	4,697	16,090

Major customer information

Included in the Malaysia geographical segment, there is a single customer who contribute approximately 10% (2015: 10%) of the Group's total revenue.

30. OPERATING LEASES

Leases - As Lessee

The Group and the Company lease number of equipment under operating leases for average lease term between five to ten years, with option to renew the lease at the end of the lease term.

Future minimum rentals payables under non-cancellable operating lease at the reporting date but not recognised as liabilities are as follows:

	Group	
	2016	**2015**
	RM	**RM**
- Not later than one year	**923,482**	1,249,433
- More than one year and not later than two years	**424,762**	378,818
- More than two year and not later than five years	**267,290**	969,690
	1,615,534	2,597,941

The Group leases rental equipment from Orix Rentec (Malaysia) Sdn. Bhd. and CSI Leasing Malaysia Sdn. Bhd. under operating leases. These non-cancellable leases will expire between 2016 to 2020 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The leases of equipment are used mainly for a project and server for its customers, and also the REV tablets for the customers.

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) Agreement between Cuscapi Interactive Technology (China) Pty. Ltd. and Shanghai Lead Food and Restaurant Management Co. Ltd.

On 1 August 2016, the Company's wholly-owned subsidiary, Cuscapi Interactive Technology (China) Pty. Ltd., has entered into an agreement with Shanghai Lead Food and Restaurant Management Co. Ltd., a wholly-owned subsidiary of Hong Kong listed Ajisen China Holdings Ltd. ("AJISEN") to exclusively deploy and manage REV self-ordering tablets for all of AJISEN's current and future restaurants in the People's Republic of China ("PRC") for a period of 6 years, effective from the date of the agreement. The Company expects to deploy up to 25,000 REV self-ordering tablets for the current AJISEN restaurants in PRC. The agreement is expected to contribute up to RMB 250 million in service fees over a period of 6 years.

(ii) Incorporation of new indirect wholly-owned subsidiary

On 27 December 2016, the Company has announced that Cuscapi Interactive Technology (China) Pty. Ltd., a wholly-owned subsidiary of Cuscapi Hong Kong Ltd. which is a wholly-owned subsidiary of Cuscapi International Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company had on 23 December 2016 incorporated a wholly-owned subsidiary in China known as Shanghai Cuscapi Interactive Network Technology Co., Ltd. (Company Registration No. 91310000MA1FW5EU5K) with a registered capital of USD70,000/-.

The principal activity of Shanghai Cuscapi Interactive Network Technology Co., Ltd. is software development, interactive devices solutions, point of sales, business management solutions and other related services and products.

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

On 10 February 2017, pursuant to Bylaw 20.2 of the ESOS Bylaw, the Board of Directors has approved the extension of the ESOS Scheme for three (3) years to 23 January 2020. All existing outstanding options granted shall therefore be exercisable up to the extended period.

In April 2017, a total number of 345,000 new ordinary shares has been exercised at the Option Price of RM0.21 per share.

(ii) Private placement of up to 10% of the total number of issued shares of Cuscapi (excluding treasury shares), to third party investor(s) to be identified and at an issue price to be determined later ("Proposed Private Placement")

On 14 March 2017, the Company announced the proposal to undertake a private placement of up to 10% of the total number of issued shares of Cuscapi (excluding treasury shares), to third party investor(s) to be identified and at an issue price to be determined later.

The Company announced that Bursa Malaysia Securities Berhad ("**Bursa Securities**") had, vide its letter dated 14 March 2017, resolved to approve the listing and quotation of up to 56,944,968 Placement Shares to be issued pursuant to the Proposed Private Placement.

On 23 March 2017 ("Price-fixing Date"), the Company fixed the issue price for the first tranche of the Proposed Private Placement comprising 43,500,000 Placement Shares at RM0.223 per Placement Share ("**Issue Price**").

The Issue Price represents a discount of approximately RM0.0239 or 9.68% to the five (5)-day volume weighted average market price of the Cuscapi Shares up to and including 22 March 2017, being the last market day immediately preceding the Price-fixing Date of RM0.2469 per Cuscapi Share.

On 31 March 2017, the issued and paid up share capital has increased from 435,533,377 units to 479,033,377 units.

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

(iii) Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

SUPPLEMENTARY INFORMATION
ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the accumulated losses or retained earnings as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses or retained earnings of the Group and the Company as at 31 December 2016 are as follows:

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
The (accumulated losses)/retained earnings of the Group and the Company:				
- Realised	**(86,689,420)**	(17,602,900)	**687,208**	2,524,856
- Unrealised	**(802,179)**	56,248	**2,673,826**	11,150,880
	(87,491,599)	(17,546,652)	**3,361,034**	13,675,736
Add: Consolidation adjustments	**35,572,981**	3,746,101	**–**	–
Total (accumulated losses)/retained earnings as per financial statement	**(51,918,618)**	(13,800,551)	**3,361,034**	13,675,736

The determination of realised and unrealised profits or losses is compiled based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

ANALYSIS OF SHAREHOLDINGS
AS AT 03 APRIL 2017

DISTRIBUTION OF SHAREHOLDINGS

	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	68	2.02	3,032	0.00
100 - 1,000	308	9.14	250,459	0.05
1,001 - 10,000	1,095	32.50	7,657,700	1.60
10,001 - 100,000	1,587	47.11	60,792,935	12.69
100,001 - 23,951,667 (*)	308	9.14	279,643,190	58.38
23,951,668 and above (**)	3	0.09	130,686,061	27.28
TOTAL	3,369	100.00	479,033,377	100.00

Remark:
** - less than 5% of issued holdings*
*** - 5% and above of issued holdings*

SUBSTANTIAL SHAREHOLDERS

NO.	HOLDER NAME	DIRECT INTEREST NO. OF SHARES	%	INDIRECT INTEREST NO. OF SHARES	%
1.	Transight Systems Sdn. Bhd.	66,710,000	13.93	14,000,000[1]	2.92
2.	Halley Sicav - Halley Asian Prosperity	37,434,395	7.81	–	–
3.	Her Chor Siong	26,541,666	5.54	–	–
4.	Dato' Gan Nyap Liou @ Gan Nyap Liow	26,100,000	5.45	–	–
5.	Ang Chin Joo	11,132,300	2.32	–	–
6.	Sri Hanasia Sdn. Bhd.	–	–	80,710,000[2]	16.84
7.	Tan Sri Mohd Razali Bin Abdul Rahman	8,487,500	1.77	80,710,000[3]	16.84
8.	Datuk Hassan Bin Che Abas	6,125,000	1.28	80,710,000[3]	16.84

Notes:
[1] *Deemed interested by virtue of interest in Aura Fokus Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016*
[2] *Deemed interested by virtue of interest in Transight Systems Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016*
[3] *Deemed interested by virtue of indirect interest in Transight Systems Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016*

ANALYSIS OF SHAREHOLDINGS
AS AT 03 APRIL 2017

LIST OF DIRECTORS' HOLDINGS AS AT 03 APRIL 2017

		DIRECT INTEREST		INDIRECT INTEREST	
		NO. OF SHARES	%	NO. OF SHARES	%
1.	Dato' Gan Nyap Liou @ Gan Nyap Liow	26,100,000	5.44	–	–
2.	Her Chor Siong	26,541,666	5.54	–	–
3.	Ang Chin Joo	11,132,300	2.32	–	–
4.	Lim Li Li	791,875	0.17	635,775[1]	0.13

Notes:
[1] - Deemed interested by virtue of the shareholdings of her spouse pursuant to Section 59(11)(c) of the Companies Act 2016

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 3 April 2017.

THE 30 LARGEST SECURITIES HOLDERS AS AT 03 APRIL 2017

NO.	HOLDER NAME	NO. OF HOLDINGS	%
1.	Transight Systems Sdn. Bhd.	66,710,000	13.93
2.	HSBC Nominees (Asing) Sdn. Bhd. KBL EURO PB For Halley SICAV - Halley Asian Prosperity	37,434,395	7.81
3.	Her Chor Siong	26,541,666	5.54
4.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Gan Nyap Liou @ Gan Nyap Liow	20,100,000	4.20
5.	Ong Chin Hui	20,000,000	4.18
6.	Aura Fokus Sdn. Bhd.	14,000,000	2.92
7.	Yee Yok Sen	13,500,000	2.82
8.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ang Chin Joo (Margin)	11,132,300	2.32
9.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Willie	11,052,000	2.31
10.	Chua Hong Tam	11,000,000	2.30
11.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. SSBT Fund PLD2 For Polunin Emerging Markets Small Cap Fund, LLC	10,440,100	2.18
12.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Koh Kin Lip	10,250,000	2.14

THE 30 LARGEST SECURITIES HOLDERS AS AT 03 APRIL 2017 (CONTINUED)

NO.	HOLDER NAME	NO. OF HOLDING	%
13.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Rickoh Corporation Sdn. Bhd.	9,040,000	1.89
14.	Alliancegroup Nominees (Asing) Sdn. Bhd. Pledged Securities Account For Ong Chong Te (8088650)	8,096,350	1.69
15.	Hassan Bin Che Abas	6,125,000	1.28
16.	Mohd Razali Bin Abdul Rahman	6,125,000	1.28
17.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Gan Nyap Liou @ Gan Nyap Liow (MY0747)	6,000,000	1.25
18.	CIMSEC Nominees (Asing) Sdn. Bhd. Exempt An For CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	4,618,000	0.96
19.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Sia Kie King (E-LBG)	4,450,000	0.93
20.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mak Tian Meng	4,375,000	0.91
21.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB For Chan Hiok Khiang (PB)	3,825,000	0.80
22.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Lim Willie	3,232,700	0.67
23.	Syarikat Lean Hong Chan Sdn. Bhd.	3,000,000	0.63
24.	Pinang Inovasi Sdn. Bhd.	2,625,000	0.55
25.	Mohd Razali Bin Abdul Rahman	2,362,500	0.49
26.	Wong Yoke Fong @ Wong Nyok Fing	2,355,625	0.49
27.	Pang Kee Loong C/O NEC Semiconductors (Malaysia) S/B	2,008,200	0.42
28.	Chew Jin Chew	1,900,000	0.40
29.	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Syed Hishamuddin Bin Syed Kamaruddin (472615)	1,782,900	0.37
30.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Loke Chee Yen (MY2179)	1,720,000	0.36
TOTAL		325,801,736	68.01

ANALYSIS OF WARRANTS HOLDINGS
AS AT 03 APRIL 2017

ANALYSIS OF WARRANT HOLDINGS

	NO. OF HOLDERS	%	NO. OF WARRANTS	%
1 - 99	14	1.30	654	–
100 - 1,000	77	7.14	38,433	0.03
1,001 - 10,000	266	24.68	1,862,950	1.52
10,001 - 100,000	586	54.36	25,386,550	20.61
100,001 - 6,157,820 (*)	132	12.24	62,713,013	50.92
6,157,821 and above (**)	3	0.28	33,154,833	26.92
TOTAL	1,078	100.00	123,156,433	100.00

Remark:
** - less than 5% of issued holdings*
*** - 5% and above of issued holdings*

LIST OF DIRECTORS' WARRANT HOLDINGS AS AT 03 APRIL 2017

		DIRECT INTEREST		INDIRECT INTEREST	
		NO. OF WARRANTS	%	NO. OF WARRANTS	%
NO.	NAME OF DIRECTORS				
1.	Dato' Gan Nyap Liou @ Gan Nyap Liow	6,511,500	5.29	–	–
2.	Her Chor Siong	7,583,333	6.16	–	–
3.	Lim Li Li	226,250	0.18	181,650[1]	0.15

Note:
1 - Deemed interested by virtue of the shareholdings of her spouse pursuant to Section 59(11)(c) of the Companies Act 2016

THE 30 LARGEST WARRANT HOLDERS AS AT 03 APRIL 2017

NO.	HOLDER NAME	NO. OF HOLDING	%
1.	Transight Systems Sdn. Bhd.	19,060,000	15.48
2.	Her Chor Siong	7,583,333	6.16
3.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Gan Nyap Liou @ Gan Nyap Liow	6,511,500	5.29
4.	Aura Fokus Sdn. Bhd.	4,000,000	3.25
5.	Chua Hong Tam	3,971,000	3.22
6.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Koh Kin Lip	3,030,000	2.46
7.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Siow Chock Shume	3,000,000	2.44

ANALYSIS OF WARRANTS HOLDINGS
AS AT 03 APRIL 2017

THE 30 LARGEST SECURITIES HOLDERS AS AT 03 APRIL 2017 (CONTINUED)

NO.	HOLDER NAME	NO. OF HOLDING	%
8.	Alliancegroup Nominees (Asing) Sdn. Bhd. Pledged Securities Account For Ong Chong Te (8088650)	2,481,100	2.01
9.	Hassan Bin Che Abas	1,750,000	1.42
10.	Mohd Razali Bin Abdul Rahman	1,750,000	1.42
11.	HLIB Nominees (Tempatan) Sdn. Bhd. Hong Leong Bank Bhd. For Leong See Kiam	1,572,300	1.28
12.	HSBC Nominees (Asing) Sdn. Bhd. KBL Euro PB For Halley SICAV - Halley Asian Prosperity	1,530,663	1.24
13.	Ng Keng Khong	1,500,000	1.22
14.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB For Chan Hiok Khiang (PB)	1,375,000	1.12
15.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mak Tian Meng	1,250,000	1.01
16.	Maybank Nominees (Tempatan) Sdn. Bhd. Chan Chun Loon	1,225,000	0.99
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Chun Loon	1,058,400	0.86
18.	Maybank Nominees (Tempatan) Sdn. Bhd. Yeo Yong Meng	940,400	0.76
19.	Wong Yoke Fong @ Wong Nyok Fing	820,550	0.67
20.	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Seow Hoon Hin (472187)	800,000	0.65
21.	Loi Sow Wah	764,300	0.62
22.	Pinang Inovasi Sdn. Bhd.	750,000	0.61
23.	Mohd Razali Bin Abdul Rahman	675,000	0.55
24.	Chew Jin Chew	630,000	0.51
25.	Low Kok Boon	600,000	0.49
26.	Chan Wan Fai	598,100	0.49
27.	Wan Azuan Bin Awang	550,000	0.45
28.	Chen Jui-Hung	500,000	0.41
29.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Seow Hoon Hin	500,000	0.41
30.	Lim Chow Lee	500,000	0.41
TOTAL		71,276,646	57.87

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the THIRTY-EIGHTH ANNUAL GENERAL MEETING ("AGM") of **CUSCAPI BERHAD** will be held at the Topas Room, The Saujana Hotel Kuala Lumpur, 2km, Off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Friday, 9 June 2017 at 11:00 a.m. to transact the following business:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors' and Auditors' thereon.

2. To approve the payment of Directors' fees of RM353,000 for the financial year ended 31 December 2016. **Resolution 1**

3. To approve the payment of meeting allowances to the Non-Executive Directors up to an amount of RM84,000 from 1 January 2017 until the next Annual General Meeting of the Company. **Resolution 2**

4. To re-elect the following Directors who retire pursuant to Article 91 of the Company's Articles of Association and who being eligible offer themselves for re-election:-

   i. Mr. Her Chor Siong **Resolution 3**

   ii. Ms. Lim Li Li **Resolution 4**

5. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting at such remuneration to be determined by the Directors of the Company. **Resolution 5**

As Special Business

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

6. **Ordinary Resolution** **Resolution 6**
   Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act 2016

   "**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. **Ordinary Resolution** **Resolution 7**
Proposed Renewal of Authority for the Company to purchase its own shares ("Proposed Renewal of Share Buy-Back Authority")

"**THAT**, subject always to the Companies Act 2016, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that:

(a) the aggregate number of shares purchased does not exceed 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase(s); and

(b) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest Audited Financial Statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s).

THAT the approval and authority conferred by this resolution shall commence upon the passing of this resolution and shall continue to be valid and in force until:

(a) the conclusion of the next Annual General Meeting of the Company ("AGM");

(b) the expiry of the period within which the next AGM is required by law to be held; or

(c) revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting,

whichever occurs first.

THAT approval and authority be and are given to the Directors of the Company, in their absolute discretion to deal with the shares so purchased in the following manner:

(1) to cancel such shares;
(2) to retain such shares as treasury shares;
(3) to retain part of such shares as treasury shares and cancel the remainder of such shares;
(4) to distribute all or part of such shares as dividends to shareholders;
(5) to resell all or part of such shares on Bursa Securities in accordance with the relevant rules of Bursa Securities; and/or
(6) in any other manner as may be prescribed by applicable laws and/or regulations and guidelines applied from time to time by Bursa Securities and/or any other relevant authority for the time being in force,

and such authority to deal with such shares shall continue to be valid until all such shares have been dealt with by the Directors of the Company.

AND THAT approval and authority be and are given to the Directors of the Company to take all such actions that may be necessary to give effect to this resolution and, in connection therewith, to do all such acts and things as they may deem fit and expedient in the best interest of the Company."

8. **Ordinary Resolution** **Resolution 8**
Continuation in Office as an Independent Non-Executive Director

"**THAT**, Y. Bhg. Dato' Gan Nyap Liou @ Gan Nyap Liow be retained as Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Articles of Association.

By Order of the Board

DATUK TAN LEH KIAH (MAICSA NO. 0719692)
LIM CHIEN JOO (MAICSA NO. 7063152)
Company Secretaries

Kuala Lumpur
Date: 28 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. *In regard of deposited securities, only members whose names appear in the Record of Depositors as at 1 June 2017 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the meeting.*

2. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*

3. *Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*

4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under Securities Industry (Central Depositories) Act 1991 of Malaysia, 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. *The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation under its common seal, or the hand of its attorney duly authorised.*

6. *The instrument appointing a proxy together with the power of attorney, if any, must be deposited with the Company's Registered Office at Level 1, Block B, Dataran PHB, Saujana Resort, Seksyen U2, 40150 Shah Alam, Selangor Darul Ehsan at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

7. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of this AGM will be put to vote by poll.*

Explanatory Notes:

1. *Item 1 of the Agenda*

   Audited Financial Statements for the financial year ende31 December 2016

   This item of the Agenda is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 ["CA 2016"] does not require the shareholders to formally approve the Audited Financial Statements. Hence, this item not put forward for voting.

2. *Item 3 of the Agenda - Ordinary Resolution 2*

   Payment of meeting allowances to the Non-Executive Directors

   The total estimated amount of meeting allowances payable is calculated based on the number of scheduled Board's and Board Committees' meetings from 1 January 2017 until the next AGM of the Company. The payment of meeting allowances to the Non-Executive Directors is to defray their travelling and other incidental costs for attending Board's and Board committees' meetings.

3. *Item 6 of the Agenda - Ordinary Resolution 6*

   Authority to Directors pursuant to Sections 75 and 76 of the Companies Act 2016

   The proposed Ordinary Resolution 6, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next AGM of the Company.

   The Company wishes to renew the mandate on the authority to issue shares in general pursuant to Section 132D of the Companies Act, 1965 granted to the Directors at the Thirty-Seventh AGM held on 20 May 2016 (hereinafter referred to as the "General Mandate").

   As at the date of this notice, the Company had placed out 43,500,000 new ordinary shares to investors which raised a total proceeds of RM9,700,500 for working capital. Those new ordinary shares issued were listed on the Main Market of Bursa Malaysia Securities Berhad. The Company proposes to utilise the proceeds for the day-to-day operations of the existing business of the Group. As at the date of this notice, the Company had utilised RM89,775 for expenses related to the private placement exercise.

   This general mandate, if passed, will provide flexibility to the Directors of the Company to allot and issue shares for any possible fund raising activities, including but not limited to placement of shares, for the purposes of funding future investments, working capital, acquisitions and/or such other applications as the Directors of the Company deem fit.

4. *Item 7 of the Agenda - Ordinary Resolution 7*

   Proposed Renewal of Share Buy-Back Authority

   The proposed Ordinary Resolution 7, if passed, will allow the Company to purchase its own shares up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total retained profit of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company, or the expiration of period within which the next AGM is required by law to be held, whichever is earlier.

   Please refer to the Share Buy-Back Statement dated 28 April 2017 for further information.

5. *Item 8 of the Agenda - Ordinary Resolution 8*

   Continuation in Office as an Independent Non-Executive Director

   Pursuant to the Malaysian Code on Corporate Governance 2012, the Board is making a recommendation to shareholders that Y. Bhg. Dato' Gan Nyap Liou @ Gan Nyap Liow remains as Independent Non-Executive Director of the Company. Y. Bhg. Dato' Gan Nyap Liou @ Gan Nyap Liow has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

   The Board is of the view that Y. Bhg. Dato' Gan Nyap Liou @ Gan Nyap Liow has performed his duties diligently and provided independent views in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company.

   The Board believes that with Y. Bhg. Dato' Gan Nyap Liou @ Gan Nyap Liow expertise and broad international experience together with his accumulative knowledge of the Group's business and operation provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ["MMLR"]

1. Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)

No individual is seeking election as a Director at the 38th Annual General Meeting ("AGM") of the Company.

2. General mandate for issue of securities in accordance with Paragraph 6.03(3) of MMLR

The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 3 of the Notice of 38th AGM.

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(Incorporated In Malaysia) **CUSCAPI BERHAD** (43190-H)

FORM OF PROXY

NO. OF SHARES HELD	

I/We, ____ CDS Account No. ______________

of ____

being a *member/members of **Cuscapi Berhad** hereby appoint Mr/Mrs/Madam/Miss ______________________ of

______________________________ or failing him/her, ______________________________

of ____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-Eighth Annual General Meeting of the Company to be held at the Topas Room, The Saujana Hotel Kuala Lumpur, 2km, Off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Friday, 9 June 2017 at 11:00 a.m. and at any adjournment thereof.

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

NO.	AGENDA			
		RESOLUTION	FOR	AGAINST
1	To approve the payment of Directors' fees of RM353,000 for the financial year ended 31 December 2016.	1		
2	To approve the payment of meeting allowances to the Non-Executive Directors up to an amount of RM84,000 from 1 January 2017 until the next Annual General Meeting of the Company.	2		
3	To re-elect Mr. Her Chor Siong as Director.	3		
4	To re-elect Ms. Lim Li Li as Director.	4		
5	To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting at such remuneration to be determined by the Directors of the Company.	5		
SPECIAL BUSINESS				
6	**Ordinary Resolution** To authorise the Directors to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act 2016.	6		
7	**Ordinary Resolution** To approve the proposed renewal of share buy-back authority.	7		
8	**Ordinary Resolution** Continuation in office as an Independent Non-Executive Director - Y. Bhg. Dato' Gan Nyap Liou @ Gan Nyap Liow.	8		

(Please indicate with an "X" in the space provided, how you wish your vote to be cast. In the absence of specific directions, the proxy may vote or abstain at his /her discretion)

(Where two (2) proxies are appointed, please indicate below the proportion of your shareholdings to be represented by each proxy.)

First named proxy	%
Second named proxy	%
	%

As witness my/our hand(s) this ____________ day of ____________, 2017   Signature of Member(s) ________________

Notes:

1. *In regard of deposited securities, only members whose names appear in the Record of Depositors as at 1 June 2017 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the meeting.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*
3. *Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under Securities Industry (Central Depositories) Act 1991 of Malaysia, 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. *The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation under its common seal, or the hand of its attorney duly authorised.*
6. *The instrument appointing a proxy together with the power of attorney, if any, must be deposited with the Company's Registered Office at Level 1, Block B, Dataran PHB, Saujana Resort, Seksyen U2, 40150 Shah Alam, Selangor Darul Ehsan at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of this AGM will be put to vote by poll.*

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The Company Secretaries

CUSCAPI BERHAD (43190-H)
Level 1, Block B, Dataran PHB,
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40105 Shah Alam
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