

cuscapl®



**ANNUAL REPORT 2017**  
Exceeding Expectation | Leading Innovation

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## 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.

# CORPORATE INFORMATION

## AS AT 13 APRIL 2018

### BOARD OF DIRECTORS

**Datuk Mohd Jimmy Wong Bin Abdullah**

Chairman and Executive Director  
(Appointed on 28 March 2018)

**Toe Teow Teck**

Executive Director  
(Appointed on 28 March 2018)

**Dato' Sheah Kok Fah**

Independent Non-Executive Director  
(Appointed on 12 April 2018)

**Ang Chin Joo**

Independent Non-Executive Director

**Lim Li Li**

Non-Independent Non-Executive Director

**Khoo Chuan Keat**

Independent Non-Executive Director

**Datuk Jayakumar A/L Panneer Selvam**

Alternate Director to Datuk Mohd Jimmy Wong Bin Abdullah  
(Appointed on 4 April 2018)

### COMPANY SECRETARIES

**Datuk Tan Leh Kiah**  
(MAICSA No.: 0719692)

**Lim Chien Joo**  
(MAICSA No.: 7063152)

### AUDIT COMMITTEE

**Khoo Chuan Keat**  
Chairman

**Lim Li Li**

**Ang Chin Joo**

### NOMINATION COMMITTEE

**Ang Chin Joo** (Chairman)  
(Redesignated on 1 January 2018)

**Khoo Chuan Keat**  
(Appointed on 1 January 2018)

**Dato' Sheah Kok Fah**  
(Appointed on 12 April 2018)

### REMUNERATION COMMITTEE

**Lim Li Li** (Chairman)  
(Redesignated on 1 January 2018)

**Ang Chin Joo**  
(Appointed on 1 January 2018)

**Khoo Chuan Keat**  
(Appointed on 1 January 2018)

### EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

**Ang Chin Joo** (Chairman)

**Lim Li Li**  
(Appointed on 1 January 2018)

**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

### INTERNAL AUDITORS

**Crowe Horwath Governance Sdn. Bhd.**  
Level 16 Tower C  
Megan Avenue II  
12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
**Tel** : 603 2788 9999  
**Fax** : 603 2788 9998

### PRINCIPAL BANKERS

Standard Chartered  
Bank Malaysia Berhad  
Malayan Banking Berhad  
HSBC Bank Malaysia Berhad

### SHARE REGISTRAR

**Securities Services (Holdings) 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

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : CUSCAP  
Stock Code : 0051  
Warrant Name : CUSCAP-WA  
Warrant Code : 0051-WA

## GROUP STRUCTURE

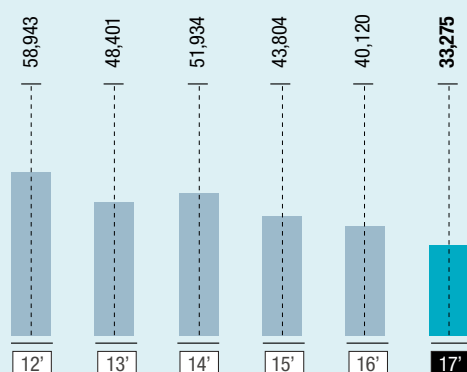




# FINANCIAL HIGHLIGHTS

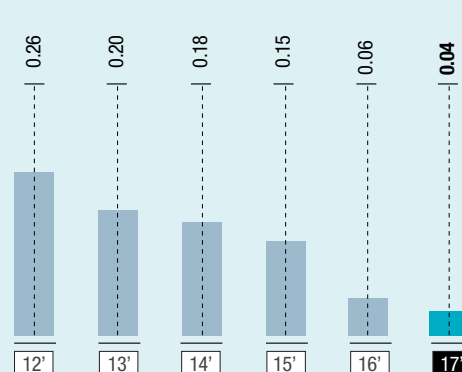
## REVENUE

(RM'000)



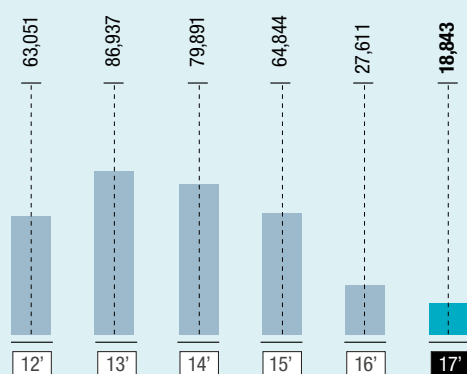
## NA/SHARE SEN

(Sen)



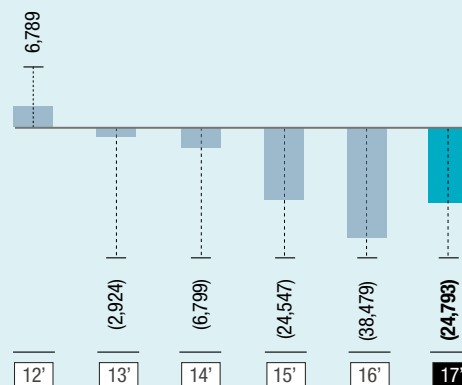
## SHAREHOLDERS' EQUITY

(RM'000)



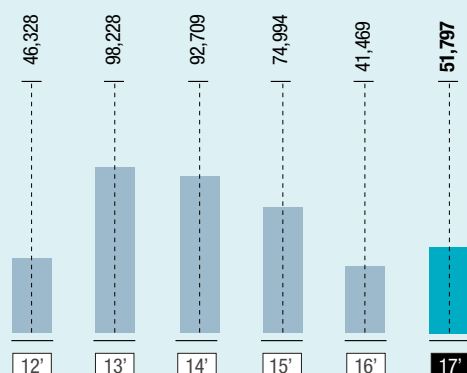
## (LOSS)/PROFIT BEFORE TAX

(RM'000)



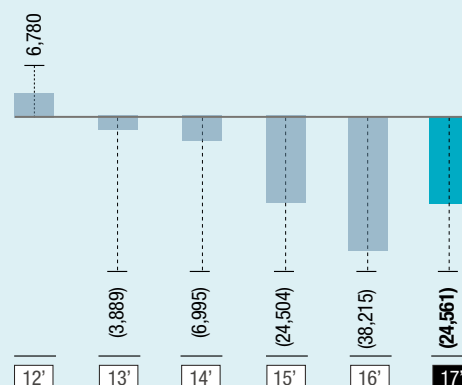
## TOTAL ASSETS

(RM'000)



## (LOSS)/PROFIT AFTER TAX

(RM'000)

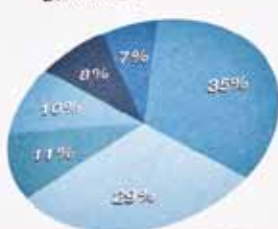


# MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE 2017

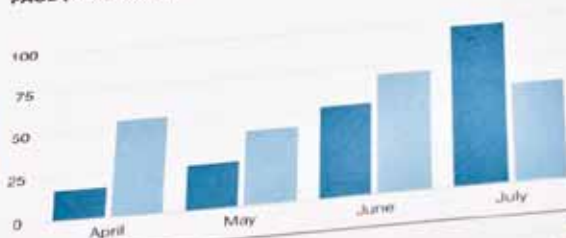
The following Management Discussion and Analysis (“MD&A”) provides an analysis of the financial performance of Cuscapri Berhad (“the Company”) and its subsidiaries (“the Group”) for the financial year ended 31 December 2017 (“FYE 31 December 2017”). The MD&A contains commentary from the Management on the performance of the Group and of the Company to give investors and shareholders a better understanding of the business, operations and financial position for the FYE 31 December 2017. The MD&A should be read in conjunction with the Company’s consolidated financial statements and the notes related thereto.

## BUSINESS REPORT

DISTANCE (MILES)



PACE (TIME / MILE)



## MANAGEMENT DISCUSSION & ANALYSIS

### 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 and automotive industries.

We were established in Malaysia on 16 November 1978 and to date have more than 40 years of combined in-depth industry experience and knowledge in implementing world-class solutions.

Currently we are headquartered in Shah Alam and we have 9 service centers nationwide and strong presence with support infrastructure in regional countries.

#### 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 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.

###### (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 contract centres for outsourcing services in People's Republic of China.

##### (b) Business units

###### (i) Operational Cost Centre

Provides the support services to all the customers for the Group.

###### (ii) Group Corporate

Involved in Group-level corporate services, and treasury functions.



**MANAGEMENT DISCUSSION & ANALYSIS****1. OVERVIEW OF OPERATIONS (CONT'D)**

**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 Berhad   | 16.11.1978<br>Malaysia          | Investment Holding  |
| Cuscapi Malaysia Sdn. Bhd.                               | 17.07.2000<br>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<br>Malaysia          | Software development  |
| Cuscapi Solutions Sdn. Bhd.                              | 24.05.2003<br>Malaysia          | Software development  |
| Cuscapi Consulting Services Sdn. Bhd.                    | 20.09.1997<br>Malaysia          | Provision of project management, business and IT related consultancy services   |
| Cuscapi Outsourcing Sdn. Bhd.                            | 30.05.2008<br>Malaysia          | Provision of a contract centre for outsourcing services   |
| Cuscapi Interactive Solutions Sdn. Bhd.                  | 03.09.2003<br>Malaysia          | Provision of software development, interactive devices solutions, Restaurant Management and business management solutions   |
| Cuscapi International Sdn. Bhd.                          | 20.02.2003<br>Malaysia          | Investment Holding  |
| Cuscapi Hong Kong Ltd.                                   | 31.10.2011<br>Hong Kong         | Investment Holding  |
| Cuscapi Interactive Technology (China) Pty. Ltd.         | 30.08.2013<br>Hong Kong         | Investment Holding  |
| Shanghai Cuscapi Interactive Network Technology Co. Ltd. | 23.12.2016<br>China             | Software development, interactive devices solutions, restaurant management, business management solutions and other related services and products                                   |
| Cuscapi Suzhou Co. Ltd.                                  | 31.10.2008<br>China             | Software development  |

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. OVERVIEW OF OPERATIONS (CONT'D)

#### 1.2 Our revenue is derived through our subsidiary companies of which the principal activities are summarised as below:- (cont'd)

| Subsidiaries                          | Date and place of incorporation | Principal activities   |
|---------------------------------------|---------------------------------|--|
| Cuscapi Guangzhou Co. Ltd.            | 14.02.2012<br>China             | Dormant  |
| Cuscapi Philippines, Inc.             | 16.05.2012<br>Philippines       | Investment Holding   |
| Tills N Labels System Marketing, Inc. | 03.11.2011<br>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<br>Singapore         | Investment Holding   |
| Cuscapi Singapore Pte. Ltd.           | 12.01.2008<br>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<br>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<br>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<br>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<br>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 31 December 2017:-

Currency in MYR

| Month    | Open | High | Low  | Close | Volume     |
|----------|------|------|------|-------|------------|
| Dec 2017 | 0.54 | 0.56 | 0.54 | 0.55  | 10,455,700 |
| Nov 2017 | 0.46 | 0.47 | 0.44 | 0.45  | 3,214,800  |
| Oct 2017 | 0.41 | 0.43 | 0.38 | 0.41  | 62,669,300 |
| Sep 2017 | 0.29 | 0.29 | 0.28 | 0.28  | 1,676,700  |
| Aug 2017 | 0.25 | 0.25 | 0.24 | 0.25  | 1,810,900  |
| Jul 2017 | 0.28 | 0.28 | 0.28 | 0.28  | 1,325,900  |
| Jun 2017 | 0.28 | 0.29 | 0.28 | 0.28  | 2,411,100  |
| May 2017 | 0.25 | 0.26 | 0.24 | 0.26  | 5,940,700  |
| Apr 2017 | 0.30 | 0.31 | 0.29 | 0.31  | 8,867,600  |
| Mar 2017 | 0.26 | 0.28 | 0.25 | 0.27  | 7,949,100  |
| Feb 2017 | 0.18 | 0.18 | 0.17 | 0.17  | 1,965,100  |
| Jan 2017 | 0.23 | 0.25 | 0.21 | 0.22  | 7,879,800  |

As at 31 December 2017, Cuscapi market capitalisation at RM273.04 million in the number of shares issued at 496,445,011.

## MANAGEMENT DISCUSSION & ANALYSIS

### 3. REVENUE AND GROSS PROFIT

#### 3.1 Revenue by Countries

For the cumulative twelve (12) months ended 31 December 2017, the Group has recorded a decrease of revenue by 17.0% as against the corresponding period for last year, with total revenue registered at RM33.3 million (FYE 31 December 2016: RM40.1 million). The reduced sales was due to the competitive business environment and continuous economic slowdown.

| Country     | FYE 31 December 2017 | FYE 31 December 2016 | Increase/ (Decrease) |
|-------------|----------------------|----------------------|----------------------|
| Malaysia    | 18,296,250           | 18,357,144           | (60,894)             |
| Singapore   | 5,256,016            | 4,905,734            | 350,282              |
| Philippines | 3,331,095            | 4,502,042            | (1,170,947)          |
| Thailand    | 1,463,243            | 1,872,298            | (409,055)            |
| Indonesia   | 616,949              | 573,640              | 43,309               |
| SEA         | 28,963,553           | 30,210,858           | (1,247,305)          |
| Beijing     | 1,673,394            | 4,851,264            | (3,177,870)          |
| Shanghai    | 2,637,795            | 5,058,169            | (2,420,374)          |
| Suzhou      | -                    | -                    | -                    |
| HK          | -                    | -                    | -                    |
| China       | 4,311,189            | 9,909,433            | (5,598,244)          |
| Total       | 33,274,742           | 40,120,291           | (6,845,549)          |

#### 3.2 Revenue by Products

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

| Product   | Audited              |      |                      |      |
|-----------|----------------------|------|----------------------|------|
|           | FYE 31 December 2017 |      | FYE 31 December 2016 |      |
|           | RM                   | %    | RM                   | %    |
| Transight | 30,698,426           | 92%  | 35,161,501           | 88%  |
| CODS      | 1,349,458            | 4%   | 3,559,467            | 9%   |
| Others    | 1,226,858            | 4%   | 1,399,323            | 3%   |
| Total     | 33,274,742           | 100% | 40,120,291           | 100% |

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## 3. REVENUE AND GROSS PROFIT (CONT'D)

## 3.3. Losses by Countries

For the cumulative twelve (12) months, the Group recorded a Loss before tax of RM24.79 million, representing a decrease of approximately RM13.69 million loss against the corresponding period for last year.

| Country     | FYE 31 December<br>2017 | FYE 31 December<br>2016 | Increase/<br>(Decrease) |
|-------------|-------------------------|-------------------------|-------------------------|
| Malaysia    | (10,500,468)            | (2,317,587)             | (8,182,881)             |
| Singapore   | 736,272                 | (610,072)               | 1,346,344               |
| Philippines | (1,354,120)             | (4,453,582)             | 3,099,462               |
| Thailand    | (69,950)                | (931,615)               | 861,665                 |
| Indonesia   | (289,293)               | (181,237)               | (108,056)               |
| SEA         | (11,477,559)            | (8,494,093)             | (2,983,466)             |
| Beijing     | (1,201,821)             | (2,467,274)             | 1,265,453               |
| Shanghai    | (4,394,473)             | (3,569,421)             | (825,052)               |
| Suzhou      | (7,658,438)             | (24,007,722)            | 16,349,284              |
| HK          | (61,172)                | 59,695                  | (120,867)               |
| China       | (13,315,904)            | (29,984,722)            | 16,668,818              |
| Total       | (24,793,463)            | (38,478,815)            | 13,685,352              |

The decreased losses of RM13.69 million is mainly attributable by lower impairment loss of RM14.25 million.

## 3.4. Assets, Liabilities and Liquidity

- (i) Trade and other receivables and prepayments was decreased by 15.13% as compared to the preceding year, recorded at RM12.30 million due to lower sales in year 2017.
- (ii) Intangible assets were decreased by 45.39% as compared to the preceding year, recorded at RM6.29 million mainly due to amortisation and impairment losses of RM4.4 million in the year 2017.
- (iii) Trade and other payable increased by 149.61% as compared to the preceding year, recorded at RM32.47 million due to purchase of tablets for contract purpose.
- (iv) Cash and bank balance decreased by 34.29% as compared to the preceding year, recorded at RM2.56 million due to additional cash used in operating activities as a result of lower sales and higher operating expenses.



## MANAGEMENT DISCUSSION & ANALYSIS

### 4. ANTICIPATION 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;
- (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; and
- (vii) Legal and regulatory changes in the countries we operate, which may adversely affect our business costs and sustainability.

#### 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, namely in USD, SGD and RMB. As such, any appreciation or depreciation of USD, SGD or RMB against RM will result in us incurring foreign exchange gains or losses.

##### (ii) Impact from commodity prices

FYE 31 December 2017, 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 2017 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 2017.



## MANAGEMENT DISCUSSION & ANALYSIS

### 5. PROSPECTS

The market environment is increasingly challenging due to new technologies trend led by innovative E-payment solutions.

The Group intends to launch its new Transight Smart POS that converges Transight Cloud POS, Mobile Ordering and Payment processes into single unified terminal. Meanwhile, the Group is also reviewing its strategies and prospects in China.

As detailed in the circular dated 8 February 2018, the Group has proposed to raise fund of RM53.2 million for the following plans:-

- (i) Develop, enhance and strengthen its existing Point of Sales and restaurant management solutions;
- (ii) The Group is also well positioned to expand our market presence to the broader retail market (beyond the food and beverage sector) with its POS system integrated with the Goods and Services Tax monitoring device ("**GSTM Device**");
- (iii) Expand presence into the regional emerging markets such as Vietnam, Cambodia, Myanmar, Laos and Bangladesh; and
- (iv) Roll out and deploy Software as a Service (SAAS) offering ("**Online SAAS Offerings**") to small and medium enterprises ("**SMEs**") in the food and beverage sector by the third quarter 2018.

During Extraordinary General Meetings held on 5 March 2018, ordinary shareholders and warrant holders have approved the above proposals and the Company has successfully completed the listing of and quotation for 200,000,000 subscription shares and 40,000,000 subscription warrants on the completed the Main Market of Bursa Malaysia Securities Berhad on 20 March 2018.

Moving forward, the Group will monitor closely its strategies for its future plans and strive to improve performance in coming years.

## DIRECTORS' PROFILE



**DATUK MOHD JIMMY WONG BIN ABDULLAH**

CHAIRMAN AND EXECUTIVE DIRECTOR  
AGE 55, MALE, MALAYSIAN

**Datuk Mohd Jimmy Wong Bin Abdullah**, was appointed to the Board as an Executive Director of the Company and the Chairman of the Board on 28 March 2018.

Upon completing his secondary education in 1981, he began his career with the Royal Malaysian Police starting off as a new recruit. In 1994, he was stationed on a 2 years Diplomatic Mission in Wisma Putra in Guangzhou, China until 1996. In that same year, he completed his Diploma in Business Studies from Jinan University, Guangzhou, China.

During his service with the Royal Malaysian Police, he was promoted several times and had risen from the ranks before retiring in 2002.

Presently, he is on the Board of MY E.G. Services Berhad as an Independent Non-Executive Director and the Chairman of its Nomination Committee as well as a member of its Audit & Risk Management and Remuneration Committees.

## DIRECTORS' PROFILES



**TOE TEOW TECK**

EXECUTIVE DIRECTOR  
AGE 47, MALE, SINGAPOREAN

**Mr. Toe Teow Teck**, was appointed to the Board as an Executive Director of the Company on 28 March 2018.

Mr. Toe graduated with a First-Class Honours degree in Electrical Engineering from the National University of Singapore ("NUS") in 1995, with a special interest in wireless engineering. He worked in 3M and the Economic Development Board of Singapore before setting up ICH Group Limited ("ICH") in 2000. ICH has advised and invested in many landmark companies that rose along with the China economy.

Under his stewardship, ICH has broadened its investment coverage to USA, North Asia and Southeast Asia, with interests in Private Equity (ICH Gemini), Direct Investments

and Fund of Funds. ICH has also set up the ICH Bursary Awards at NUS and Nanyang Technological University ("NTU"), Singapore.

He is also an active angel investor and mentor to both NTU Ventures, Singapore and Paypal Incubator Singapore.

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

**DIRECTORS' PROFILES****DATO' SHEAH KOK FAH**

INDEPENDENT NON-EXECUTIVE DIRECTOR  
AGE 53, MALE, MALAYSIAN

**Dato' Sheah Kok Fah**, was appointed to the Board as an Independent Non-Executive Director of the Company on 12 April 2018. He holds a Degree in LLB (Hons) from the University of Malaya and was admitted to the Bar in 1989. On 12 April 2018, he was appointed as a member of our Nomination Committee.

Dato' Sheah Kok Fah has an outstanding career, both as an advocate and solicitor and

corporate practitioner. He has vast experience of 28 years in legal practice since 1988. He has been the partner of Messrs Sheah, Tan and Rahman since 1996.

Presently, he is on the Board of Merge Energy Berhad as a Senior Independent Non-Executive Director and the Chairman of its Audit, Nomination and Remuneration Committees.



## DIRECTORS' PROFILES



**ANG CHIN JOO**

INDEPENDENT NON-EXECUTIVE DIRECTOR  
AGE 65, MALE, MALAYSIAN

**Mr. Ang Chin Joo** 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 presently the Chairman of our Employees' Share Option Scheme Committee and a member of our Audit Committee. On 1 January 2018, he was redesignated as Chairman of our Nomination Committee and was appointed as a member of Remuneration Committee.

Mr. Ang began his career in the Information Technology ("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 became 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 Cuscape 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.

He has attended all seven (7) Board Meetings held during the FYE 31 December 2017.

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

**DIRECTORS' PROFILES****LIM LI LI**

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR  
AGE 57, FEMALE, MALAYSIAN

**Ms. Lim Li Li**, was appointed as a Non-Independent Non-Executive Director of Cuscapi Berhad on 24 September 2013. She is presently a member of our Audit Committee. On 1 January 2018, she was redesignated as Chairman of our Remuneration Committee and was appointed as a member of our Employees' Share Option Scheme Committee.

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 and Saujana CARES Foundation.

She has attended all seven (7) Board Meetings held during the FYE 31 December 2017.

## DIRECTORS' PROFILES



**KHOO CHUAN KEAT**

INDEPENDENT NON-EXECUTIVE DIRECTOR  
AGE 63, MALE, MALAYSIAN

**Mr. Khoo Chuan Keat**, was appointed to the Board as an Independent Non-Executive Director of the Company on 1 August 2015. He is presently the Chairman of our Audit Committee and a member of our Employees' Share Option Scheme Committee. On 1 January 2018, he was appointed as a member of our Nomination and Remuneration 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 Multi-National Company ("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 2017.

## DIRECTORS' PROFILES



**DATUK JAYAKUMAR A/L PANNEER SELVAM**

ALTERNATE DIRECTOR TO DATUK MOHD JIMMY WONG BIN ABDULLAH  
AGE 51, MALE, MALAYSIAN

**Datuk Jayakumar A/L Panneer Selvam**, was appointed to the Board as Alternate Director to the Executive Chairman of the Company, Datuk Mohd Jimmy Wong Bin Abdullah, on 4 April 2018. He holds a Diploma in Computer Science.

Datuk Jayakumar started his career with Kumpulan Wang Simpanan Pekerja in 1989 and subsequently moved to Arab Malaysia Finance Bank in 1990 for about two (2) years. His career in IT began with PDX Teknologi Sdn. Bhd. as the Major Accounts Executive in 1992. He was subsequently appointed

as the Executive Director of PDX.com Sdn. Bhd. in 2004 and was instrumental in PDX.com Sdn. Bhd. securing the MSC Electronic Government Flagship Application (eServices Project) and being appointed as the official Gateway Provider of the Government in 2000. In 2009, he was appointed as a Chief Executive Officer/Executive Director of PDX.com Sdn. Bhd. He has leveraged on his long experience in the IT industry and has ventured into investing in IT related companies.

Datuk Jayakumar was appointed as the Managing Director of MY

E.G Integrated Networks Sdn. Bhd. (MINT) in 2009, was integral in the development and operation strategies of MINT. His experience includes the development of its suite of Electronic Cash Register (ECR) while working with Point of Sales solution vendors. These solutions include, among others, a comprehensive suite of online Goods and Services Tax ("GST") accounting tools, tax declaration and Electronic Information Systems (EIS).

Save for his directorship of the Company, Datuk Jayakumar does not hold any other directorship in public companies and listed issuer.

### Notes to Directors' Profiles

**1. Family Relationships**

None of the Directors have any family relationship with any other Director and/or any major shareholder of the Company.

**2. Conflict of Interest**

None of the Directors has any personal interest or conflict of interest in any business arrangement involving the Group.

**3. Conviction of Offences**

None of the Directors has been convicted of any offence within the past 5 years, other than traffic offences (if any) and no public sanctions or penalties were imposed on them by the relevant regulatory bodies during the FYE 31 December 2017.

## KEY SENIOR MANAGEMENT'S PROFILE

### LIM SZE YEAN

CHIEF FINANCIAL OFFICER  
AGE 45, 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 and internal control including overseeing the company's business growth. In September 2005, he was redesignated 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 Cuscap as Finance Director and was promoted to CFO on 1 April 2017.

### CHAN YOKE SIN

HEAD OF PEOPLE STRATEGY  
AGE 46, FEMALE, MALAYSIAN

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

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 integrated 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. behavioral interview technique, impactful communication skill, foundation of management, situational leadership and etc.

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

None of the 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 FYE 31 December 2017.

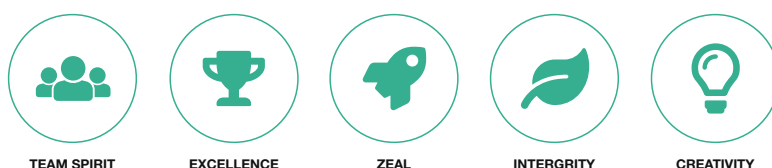


# SUSTAINABILITY STATEMENT 2017

## OUR COMMITMENT TO SUSTAINABILITY

Cuscapi is committed to developing a sustainability strategy which will be aligned to its business strategy.

### CORE VALUES



In our daily activities, our core values guide our decisions, actions and approaches to the challenges and opportunities facing our Group. Through these values, we aim to achieve sustainable development together with our employees and stakeholders.

## ABOUT THIS REPORT

We affirm our commitment to creating sustainable impact in the Economy, Environment and Society (EES) through the publication of our first sustainability statement. This report provides an overview of our sustainability strategies and practices.

Since this is our first year of conducting sustainability assessment, we propose a staged approach in implementing a stable and meaningful sustainability strategy. This statement reflects plans that will set the cornerstone for future reports.

This report covers 1 January 2017 until 31 December 2017, historical information from previous years were incorporated for comparative measurements and showed patterns signalling the need for improvement.

We prepared this report according to Main Market Requirements of Bursa Malaysia Securities Berhad's Sustainability Reporting Guideline, covering Cuscapi Berhad and its subsidiaries.

A materiality analysis was conducted to determine material topics impacting our Group and its stakeholders. From this year onwards, we will make an effort to improve sustainability commitments in our Company and report these improvements.

## MATERIALITY AND STAKEHOLDER ENGAGEMENT

### MATERIALITY ASSESSMENT

In making this report, a materiality assessment exercise involving internal and external stakeholders was held. The exercise follows the process below:



## SUSTAINABILITY STATEMENT 2017

### MATERIALITY AND STAKEHOLDER ENGAGEMENT (CONT'D)

#### MATERIALITY ASSESSMENT (CONT'D)

**Establish a List:** Stakeholders listed down possible EES issues affecting them and the Group, capturing a broad scope of relevant issues.

**Identification:** Trimmed down topics to identify real issues impacting the company.

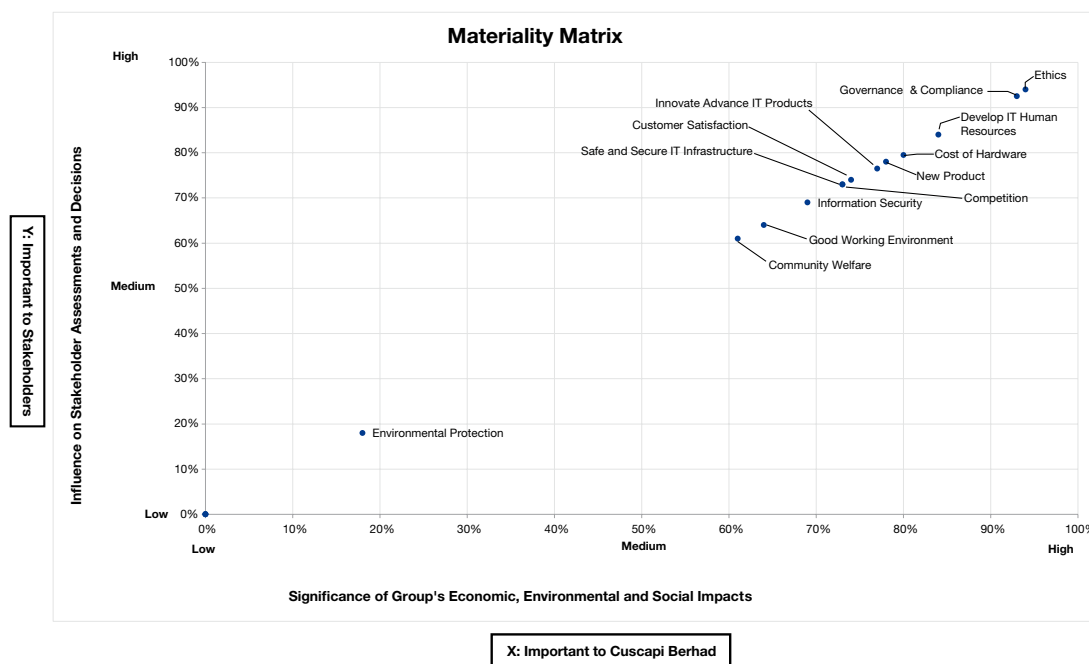
**Prioritisation:** Arranged material topics according to its importance to the company and its stakeholders.

**Evaluation:** Managers assessed the prioritised matters and submitted them to the top management.

**Validation:** The top management reviewed the submission and before giving the final approval for the assessed materiality issues.

#### MATERIALITY MATRIX

The results of the analysis were then used to develop a materiality matrix. Each issue's level of importance to Cuscapl Berhad was plotted along the X-axis while its importance to stakeholders was plotted along the Y-axis. The matrix is presented in the following diagram:



#### STAKEHOLDER ENGAGEMENT

To keep track on what concerns our stakeholders, we intend to develop ongoing regular engagement throughout the year. This gives us the opportunity to collaborate and come up with timely solutions that address issues significant to the Group and stakeholders alike. To resolve problems and set a strategic direction that develops sustainability at our Group, we believe that it is imperative to understand who to engage, what to engage about, why and how we should engage.

In making this report we gathered all information during engagements we carried out with our stakeholders such as customers, employees, suppliers, government agencies, shareholders and the community. Moving forward in our upcoming reports, we plan to review our stakeholder engagement to get the most updated concerns, thereby prioritising them and setting a strategic direction that develops sustainability in our Group.

## SUSTAINABILITY STATEMENT 2017

## MATERIALITY AND STAKEHOLDER ENGAGEMENT (CONT'D)

## STAKEHOLDER ENGAGEMENT (CONT'D)

## Overview of our Stakeholder Engagement

| Who to Engage                    | What to engage about   | How we Engage  |
|----------------------------------|------------------------|--|
| Customers                        | Software Security      | Conduct Awareness Training   |
|                                  | Downtime               | Carry out operational training<br>Devise measures to reduce downtime           |
|                                  | Hardware Quality       | Equipment Maintenance  |
|                                  | New Products           | Discuss Innovation Strategies  |
| Employees                        | Training & Development | Conduct Training Courses   |
|                                  | Working Environment    | Customer Engagement  |
|                                  | Promotion              | Yearly Performance Review  |
|                                  | Remuneration           | Bonus and Employees' Share Option Scheme ("ESOS")                              |
| Government/<br>Regulatory bodies | License renewal        | Comply to all licence related matters  |
|                                  | Standards              | Commitment to MSC Status   |
|                                  | National Agenda        | Human Development Training and IT Infrastructure Development                   |
|                                  | Compliance             | Compliance to all Bursa Malaysia Securities Berhad & other Government Agencies |
| Suppliers                        | Pricing                | Follow market Pricing Standard   |
|                                  | Transparency           | Business Ethic   |
|                                  | Quality                | Discussion with comparative products   |
| Shareholders & Investors         | Company Information    | AGM Meetings and timely and quality disclosure on our company website          |

## SUSTAINABILITY GOVERNANCE

The Board is resolute in upholding its governing responsibilities to chart the direction of the Company and enhance short-term and long-term creations of sustainable value. It takes into account interests of stakeholders; including shareholders, employees, customers, suppliers and the respective communities impacted by the Groups' business operations.

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.

The management meanwhile is accountable for the management of risks, developing, operating and monitoring the system of internal control and providing assurance to the Board that it has done so in accordance with the policies adopted by the Board. Our operating manuals are available within the Group, setting out policies and procedures for day-to-day operations. It guides employees on steps to be taken in a given set of conditions.

## INTEGRITY AND TRANSPARENCY

The Board acknowledges and stresses the importance for all Directors and employees to embrace the highest standards of corporate governance practices and ethical standards. As such, we shall continuously review the Business Conduct and Ethics Code that guide all our employees in providing professional and ethical services to our customers and the community.

## SUSTAINABILITY STATEMENT 2017

### INTEGRITY AND TRANSPARENCY (CONT'D)

We acknowledge the insufficiency of our sustainability framework, we recognise that they are not seamlessly connected. We will however start to embed EES into our corporate culture. We will set goals and targets and initiate programmes with our employees and our community. We stand together in overcoming challenges and taking advantage of opportunities to achieve sustainable development.

### SUPPLY CHAIN MANAGEMENT

The Group is in the business of providing technology-based services and therefore requires the purchase of hardware related components to facilitate production.

In line with its sustainability strategy, the Group will engage its suppliers wherever feasible to ensure that procurement remains in line with the Group's sustainability strategy.

### MEMBERSHIP OF ASSOCIATIONS

To improve standards as to how we master industry best-practices; gain knowledge and technical expertise, we joined professional associations that involve like-minded companies, including:

- Outsourcing Malaysia
- Malaysia Retail Chain Association (MRCA)
- Trend Micro
- Multimedia Super Corridor (MSC) Malaysia
- National ICT Association of Malaysia (PIKOM)
- Multimedia Development Corporation (MDEC)

### SOCIAL: EMPLOYEES

#### LOOKING AFTER OUR PEOPLE: CREATING A DRIVEN WORKFORCE

The process of servicing clients with passion and enthusiasm always begins with a highly-motivated and driven workforce. To do so, we develop our workforce in their people-skills, product knowledge and attitudes while also shaping a conducive work environment for our employees.

#### EMPLOYEE BENEFITS

We try our best to look after staff welfare, while also looking to providing the best possible workforce incentive and rewards that will boost company morale and spirits. Aside from competitive salary, and contribution to mandatory government regulations such as monthly contributions to the Employees Provident Fund ("EPF") and Social Security Organisation ("SOCSO"), employees are also accorded non-monetary and monetary benefits as described below:

#### MONETARY BENEFITS

We provide ESOS, allowing them to purchase the company's shares at a predetermined price.

We allocate special allowances for staff members who have to work after hours. We also allocate advanced allowances for work-related travelling expenses, including mileage, parking, tolls, air tickets and accommodation if an employee is assigned a task that requires him or her to be outstation or overseas.

We offer additional commissioned-based pay for employees and staff members who have worked hard to achieve their performance targets to recognise their efforts and value to the company. Furthermore, we also offer staff referral fees for any employee who successfully refers new recruits who are officially hired by the company.

## SUSTAINABILITY STATEMENT 2017

## SOCIAL: EMPLOYEES (CONT'D)

## LOOKING AFTER OUR PEOPLE: CREATING A DRIVEN WORKFORCE (CONT'D)

## NON-MONETARY BENEFITS

The non-monetary benefits are, annual leaves, sick leaves, health packages include hospitalisation leaves, maternity leaves, compassionate leaves, examination leaves and celebratory leaves. Health packages include reimbursements for medical consultation (applicable to employee and employee's spouse and children), group hospitalisation, surgical and personal accident. We also provide insurance packages for health-related emergencies.

## HUMAN CAPITAL DEVELOPMENT

Our employees are our company's assets. We want to train a team of individuals equipped with the skills, abilities and knowledge to keep up with a continually evolving industry. We offer a range of programs that seek to grow and expand the company's workforce. For the year under review, we conducted 161 hours of professional training with each objective described below:



| Program   | Training hours | Training Objective   |
|---|----------------|--|
| <b>Risk Management Training</b>   | 7 hours        | To help employees learn the ins and outs of identifying, assessing and mitigating threats to the company's capital earnings by paying specific attention to anti-fraud initiatives.              |
| <b>The Companies Act 2016</b>   | 7 hours        | To help employees understand new regulations and amendments to the law so that they can better plan development strategies for the company's growth without having bear unnecessary legal risks. |
| <b>Share Structure under the Companies Act 2016 (Income Tax) Workshop</b> | 7 hours        | To understand the new share structure enacted under amendments to the Companies Act 2016 and how it affects the company's operation.   |
| <b>Financial and Predictive Modelling with Excel</b>                      | 14 hours       | To further sharpen the employees' ability to operate Excel related tools when studying/preparing numbers, figures and other data related analyses.   |
| <b>Budget Variance Analysis Modelling for Accounts</b>                    | 14 hours       | To provide employees an insight into effective budgeting techniques by building variance models that will allow them to save time studying budget-related data rather than prepare them.         |



## SUSTAINABILITY STATEMENT 2017

## SOCIAL: EMPLOYEES (CONT'D)

## LOOKING AFTER OUR PEOPLE: CREATING A DRIVEN WORKFORCE (CONT'D)

## HUMAN CAPITAL DEVELOPMENT (CONT'D)

| Program   | Training hours | Training Objective   |
|---|----------------|--|
| <b>GST General Workshop</b>   | 7 hours        | To help employees understand GST as a multi-stage domestic consumption tax from a business point of view, along with its registration guidelines return submissions and other relevant documentation protocols.                                  |
| <b>GST Accounting on Employee Benefits &amp; Staff expenses</b>     | 7 hours        | To help employees understand the GST treatment for goods and services, provided by a GST-registered business to its employees as employee benefits.  |
| <b>Accounting Software Vendors Conference</b>                       | 7 hours        | To keep employees up to date with regards to the latest best practices and information related to accounting software.   |
| <b>Cash flow Analysis, Budgeting, Forecasting &amp; Management</b>  | 14 hours       | To improve the employees' financial literacy in areas pertaining to: <ul style="list-style-type: none"> <li>• Profit analysis</li> <li>• Cash flow management</li> <li>• Budgeting and financial forecasting</li> </ul>                          |
| <b>Leadership Skills for Supervisors</b>                            | 14 hours       | To help expose the company's employees to the art of leadership, assisting them in identifying their leadership styles while also teaching them important leadership techniques (i.e. communication in a team, motivational skills).             |
| <b>Sales 360</b>  | 14 hours       | To push employees out of their comfort zone by eliminating their complacency.  |
| <b>Sourcing Skills &amp; Cost Savings Plan for Purchaser</b>        | 14 hours       | To help employees pick up a more cost-effective approach to the company's procurement processes.   |
| <b>MIA Conference</b>   | 14 hours       | Conference program with professional accountants, providing employees the opportunity to network with other industry experts while obtaining new accounting industry insights.   |
| <b>SQL Server Analysing Data with SQL Server Reporting Services</b> | 21 hours       | <ul style="list-style-type: none"> <li>• To help employees better utilise Reporting Services software systems to create, manage and publish reports.</li> <li>• To implement self-service-based Power BI business analytic solutions.</li> </ul> |
| <b>Total Training (hours)</b>                                       | 161 hours      |  |

## SUSTAINABILITY STATEMENT 2017

### SOCIAL: EMPLOYEES (CONT'D)

#### LOOKING AFTER OUR PEOPLE: CREATING A DRIVEN WORKFORCE (CONT'D)

##### *BUILDING A CONDUCTIVE WORKPLACE ENVIRONMENT*



Annual Dinner Party



Celebrating Chinese  
New Year  
with Loh Sang



Hari Raya Decoration Contest



A conducive workplace environment with comprehensive facilities and positive work atmosphere can play a significant role in determining how productive a company's workforce becomes.

Concerning facilities, we meticulously look into how we can continuously improve workplace facilities. Spiritual development may come across as a major consideration. Hence we provide in-house *surau*'s for staff members to pray in.

To bolster and maintain staff morale, we host various activities and initiatives to keep the company together, including social gatherings, team building activities, annual dinners and festive lunch gatherings to spur team chemistry and their contributions to the company's growth.

We hold yearly performance reviews to help employees identify their strengths and weaknesses, not to pinpoint performance related inadequacies, but to assist them in overcoming challenges they may be facing at work because we realise that if the team grows, the company grows as well.

## SUSTAINABILITY STATEMENT 2017

## SOCIAL: EMPLOYEES (CONT'D)

## LOOKING AFTER OUR PEOPLE: CREATING A DRIVEN WORKFORCE (CONT'D)

## HEALTH AND SAFETY

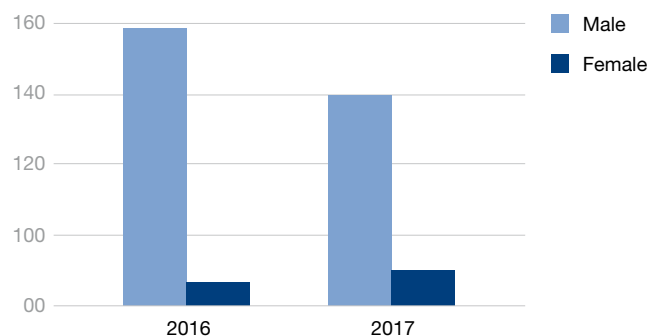
We strictly monitor safety and health aspects of the company's office environment, preparing first aid kits and fire extinguishers to prevent unwanted risks should safety emergencies arise.

Fire drills are also conducted from time to time to ensure that our employees know how to safely exit office premises when fire accidents occur without panicking.

## DIVERSITY AND EQUAL OPPORTUNITY

As the world becomes increasingly globalised and interconnected, we understand how significant it is to treat all employees or prospective staff members equally without discrimination regardless of their gender, ethnicity and religious beliefs.

## Workforce Gender Breakdown



| Year | Male | Female | Percentage of Females |
|------|------|--------|-----------------------|
| 2016 | 159  | 86     | 35%                   |
| 2017 | 140  | 90     | 39%                   |

Chart 1.0: Workforce Gender Composition Breakdown

Table 1.0: Workforce Gender Composition Breakdown

Table 1.1: Workforce (Holding Positions) Gender Composition Breakdown

| Year               | 2016 |        | 2017 |        | Female Increment Percentage |
|--------------------|------|--------|------|--------|-----------------------------|
| Position/Gender    | Male | Female | Male | Female |                             |
| Board of Directors | 4    | 1      | 4    | 1      | -                           |
| Managers           | 33   | 13     | 32   | 18     | 28% to 36%                  |
| Executives         | 126  | 73     | 108  | 72     | 37% to 40%                  |

## SUSTAINABILITY STATEMENT 2017

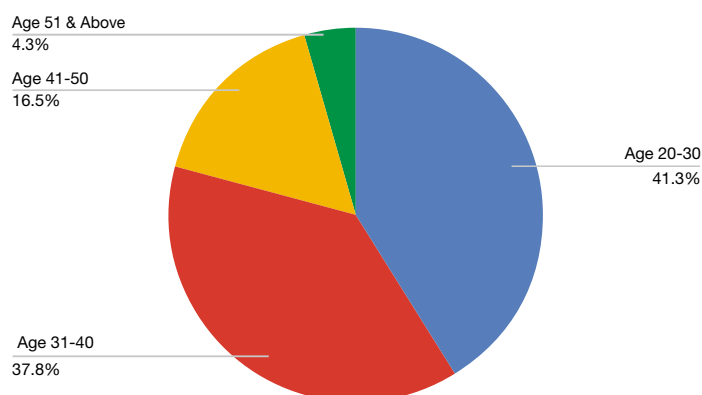
## DIVERSITY AND EQUAL OPPORTUNITY (CONT'D)

Table 2.0: Workforce Ethnic Composition Breakdown

| Ethnicity | 2016 | 2017 |
|-----------|------|------|
| Chinese   | 170  | 150  |
| Malay     | 33   | 31   |
| Indian    | 7    | 10   |
| Others    | 35   | 39   |

Chart 2.0: Workforce Age Group Composition Breakdown in Percentage

## Workforce Age Group



At Cuscapi, we strive to bridge gender inequality and remain committed to offering employment opportunities to prospective candidates purely based on merit. Last year, 39% of our total workforce comprised of female employees. That figure is up 4% from the FYE 31 December 2016.

Meanwhile, in managerial positions, 36% of our workforce comprised of female staff members for the FYE 31 December 2017 while at executive level, the percentage registered was 40%. Those numbers are up 8% and 3% respectively, compared to the FYE 31 December 2016.

While the racial demographics of the company's workforce is predominantly Chinese, for the FYE 31 December 2017, we opened job vacancies and positions for Indian candidates and other race groups to diversify the company's workforce further.

Our ratio of young workers (from age 20 to 40) to senior works (age 41 and above) stands at 183:48. Our hope in the long run is for these senior employees to impart their knowledge skills to the workers who age between 31 to 40 so that when the time comes, they will be ready to take over new leadership positions here at the company.

## SUSTAINABILITY STATEMENT 2017

### SOCIAL: OUR CLIENTS

#### LOOKING AFTER OUR CLIENTS

We will engage our clients regularly to understand their EES strategy and how we can support their sustainability strategies at the same time through our products and services.

### SOCIAL: COMMUNITY

#### HUMAN RIGHTS

We uphold fundamental human rights principles and practice non-discrimination laws. We do not tolerate prejudice and discrimination in our corporate culture. This practice not only applies to us, but also to our vendors.

We strictly abide by the Malaysian Employment Act 1955 that forbids exploitative labour practices and the Children and Young Persons (Employment) Act 1966 which prohibits the employment of children under the age of 14.

### ENVIRONMENT

#### ENERGY EFFICIENT PRACTICES

Cuscapi mainly develops IT related infrastructure and technological solutions. Hence, our carbon footprint is limited to energy we consume in the office and the commuting of our employees.

At Cuscapi, we recognise that reducing environmental impact not only lessens unnecessary operational costs, but also decreases additional carbon emissions in the environment.

Save the Environment: Please  
Print Only When Necessary

Hibernate  
computers

Switch Off When  
not in Use

Reuse, Reduce  
and Recycle

Keep at 25 °

Buy Energy Efficient Devices

**Use hibernation:** We encourage employees to use the hibernation feature on all laptops and desktops.

**Go Paperless:** Going paperless does not only reduce our paper wastage but also helps to cut energy required to run printers which in turn reduces our energy costs and extends the life span of our printers. Documents are distributed in the form of softcopies. Even our emails prime this practice via the signature slogan – “Save the Environment: Please Print Only When Necessary!”

**Switch off when not in use:** Employees are reminded to switch off all printers, scanners, microwaves and lights when they are not in use. This also applies to extra lights along corridors, stairs, pantries, reception counters, meeting rooms and other workstations.

**Eco-Friendly Purchasing:** Our procurement department implements the “Buy energy efficient devices” practice. We believe that although it incurs more costs up front, such investments can result in significant savings in the long run.

**Moderate Use of Air Conditioners:** As small changes to the cooling temperature can make a significant difference to the environment and to the cost of using an air conditioner, we restrict our air conditioning temperature to a constant 25 degrees during office hours.

## SUSTAINABILITY STATEMENT 2017

### ENVIRONMENT (CONT'D)

#### ENERGY EFFICIENT PRACTICES (CONT'D)

Moving forward, the Group intends to formally establish a standard operating protocol that monitors energy consumption in all office and production premises to avoid excessive waste of electricity and other relevant resources.

#### WASTE MANAGEMENT

##### **E-waste Solution**

Our computer related hardware is disposed in a secure and environmentally responsible manner. We ensure that our e-wastes are handled according to the Department of Environment's (DOE) hazardous waste regulation. We inspect the licence of the recycling centres we engage with to determine what disposal methods they employ.

##### **Reduce, Reuse and Recycle**

Our employees are encouraged to reuse, reduce and recycle. Our paperless office is a work environment in which the use of paper is eliminated or significantly reduced. All our emails have environmentally conscious message to remind receivers not to print unless necessary. We segregate our waste, print double sided and adopt an online systems to pay for transactions, consequently eliminating the use of cheques.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors is fully committed and supports the importance of corporate governance including accountability and transparency that are practiced by the Company and throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the performance of the Group.

To this end, the Board continues to commit to and support the principles and practices of the new Malaysian Code on Corporate Governance 2017 ("Code") towards achieving corporate excellence.

The Board is pleased to disclose below the manner in which it has applied and complied with the principles and best practices of the Code for the FYE 31 December 2017. The detailed application for each practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which is available for reference at the Company's website at [www.cuscapi.com](http://www.cuscapi.com).

## A BOARD LEADERSHIP AND EFFECTIVENESS

### Part I – Board Responsibilities

#### 1.1 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 decision making on key issues involving the Company. The overall principal roles and responsibilities of the Board are listed in the Board Charter which is available for reference at Company's website at [www.cuscapi.com](http://www.cuscapi.com).

The Board reserves certain powers for itself and delegates other matters to the Chief Executive Officer ("CEO") and Senior Management as per the 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 the matters pertaining to the Company and the Group;
- Developing and implementing strategic, 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 success of the Company and the Group.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### A BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Part I – Board Responsibilities (Cont'd)

##### 1.1 Roles and responsibilities of the board (Cont'd)

The roles and responsibilities of the Board as set out in the Board Charter are clear and distinct from that of the CEO. The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, developing and implementing investor relations and reviewing internal controls. The Board has delegated specific responsibilities to the following committees ("Committees"):-

- (i) Audit Committee
- (ii) Nomination Committee
- (iii) Remuneration Committee
- (iv) ESOS Committee

During the FYE 31 December 2017, the roles of CEO is distinct from Chairman. However, with effects from 1 January 2018, with the resignation of CEO, the Chairman took over the executive functions, pending the recruitment of a new CEO.

The powers delegated to the Committees are set out in the Terms of Reference of each of the Committees as approved by the Board and set out in the Board Charter.

##### 1.2 Role of Chairman

During the FYE 31 December 2017, the Chairman holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and the overall conduct of the Group. 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 Chairman is responsible for maintaining regular dialogue with the CEO over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him/her cause for major concern.

The Chairman is also committed to good corporate governance practices.

##### 1.3 Roles of Chairman and Chief Executive Officer

The roles and responsibilities of the Chairman and CEO are segregated and clearly defined by their individual position descriptions. The CEO is responsible for the day-to-day management of the business as well as the implementation of Board policies and decisions. The CEO is also responsible for the development of corporate goals and objectives and the setting of strategies to achieve them.

During the FYE 31 December 2017, the roles of CEO is distinct from Chairman. However, with effects from 1 January 2018, with the resignation of CEO, the Chairman took over the executive functions, pending the recruitment of a new CEO.

##### 1.4 Qualified and competent Company Secretaries

The Company Secretaries are responsible for ensuring that the Board procedures are followed, and 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### A BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Part I – Board Responsibilities (Cont'd)

##### 1.4 Qualified and competent Company Secretaries (Cont'd)

All Board members have direct access to the advice and services of the Company Secretaries for the purpose of the Board affairs and the business.

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.

Both Company Secretaries have the requisite credentials, and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016.

##### 1.5 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.

Minutes of a Directors' meeting would be distributed to all Directors on a timely basis for review and thereafter for confirmation at the next Board meeting. The signed board minutes are entered in minutes books that are kept by the Company Secretaries.

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 have unhindered access to the advice and services of the Company Secretaries, if so required.

### 2. Demarcation of Responsibilities

#### 2.1 Board Charter

The Board has adopted a Board Charter which sets out the roles, functions, compositions, operation and processes of the Board (including Executive Director / CEO and Non-Executive Directors) which is intended to ensure that all the Board members acting on behalf of the Company are fully aware of their obligations 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 to ensure they remain consistent with the Board's objectives and responsibilities, and relevant standards of corporate governance 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](http://www.cuscapi.com).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### A BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Part I – Board Responsibilities (Cont'd)

##### 3. Good Business Conduct and Corporate Culture

###### 3.1 Code of Ethics & 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, a formalised Code of Conduct is in place. These codes are aimed to emphasize the Company's commitment to ethics and compliance with applicable laws and regulations, to set forth a basic standard of ethical behaviour within the Group.

###### 3.2 Whistleblowing Policy

The Board is in the process of establishing and adopting a Whistleblowing Policy, to provide an avenue for raising concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation. The Company targets to adopt and implement the Whistleblowing Policy in FYE 31 December 2018.

#### Part II – Board Composition

##### 4.1 Composition of the Board

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

The Board consist of seven (7) members, comprising two (2) Executive Directors, three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Alternate Director. The current Board composition is in compliance with the Company's Constitution and exceeds the minimum one-third (1/3) requirement of INEDs as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Bhd ("MMLR").

The directors who have held office since the date of the last report and as at the date of this report are:-

| Name of Directors   | Designation  |
|---|--|
| Datuk Mohd Jimmy Wong Bin Abdullah<br>(Appointed on 28 March 2018)  | Chairman and Executive Director                          |
| Toe Teow Teck<br>(Appointed on 28 March 2018)   | Executive Director                                       |
| Dato' Sheah Kok Fah<br>(Appointed on 12 April 2018)   | Independent Non-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                       |
| Datuk Jayakumar A/L Panneer Selvam<br>(Appointed on 4 April 2018)   | Alternate Director to Datuk Mohd Jimmy Wong Bin Abdullah |
| Dato' Gan Nyap Liou @ Gan Nyap Liow<br>(Redesignated as Executive Chairman on 1 January 2018 and Resigned on 20 March 2018) | Executive Chairman                                       |
| Her Chor Siong<br>(Resigned on 1 January 2018)  | Chief Executive Officer and Executive Director           |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### A BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Part II – Board Composition (Cont'd)

##### 4.2 Tenure of Independent Director

The Board noted the Code provides a limit of a cumulative term of nine (9) years as the tenure for an Independent Director, after which, the said Director may either seek the shareholders' approval to continue to remain on the Board, or retire.

However, there is no independent director that require to seek shareholders approval at the forthcoming Annual General Meeting ("AGM").

##### 4.3 Policy of Independent Director's Tenure

The Board Charter provides that the tenure of the Independent Directors shall not exceed a cumulative term of nine (9) years. To date, the Company does not have a policy which limits the tenure of its Independent Directors to nine (9) years. The Company will establish the policy on the limitation of Directors' tenure in due course.

##### 4.4 Diverse Board and Senior Management Team

Appointment of Board and Senior Management are based on objective criteria of merit, appropriate range and mix of skills, experience, expertise, gender and age diversity. Please refer to the Profile of Directors and the Management Team on pages 14 to 20 respectively for further information.

##### 4.5 Gender Diversity

The Board acknowledges the recommendations of the Code on the establishment of a gender diversity policy. There is no plan by the board to implement a gender policy or target as the Board subscribes to the practise of non-discrimination of any form whether age, race, religion or gender throughout the Group.

The Board currently has one (1) female director among its seven (7) members. Nevertheless, the Group is committed to provide fair and equal opportunities and nurturing diversity at all level within the Group.

##### 4.6 New Candidates for Board Appointment

There was no new appointment in the financial year 2017.

##### 4.7 Nomination Committee

The Nomination Committee ("NC") is primarily empowered by its terms of reference in carrying out the following functions. Amongst others, is to annually review 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. The current members of the NC mainly comprise majority Independent Directors. The members of the NC during the FYE 31 December 2017 and as of the date of this Report are as follows:-

- **Ang Chin Joo - Chairman**  
(Independent Non-Executive Director)  
(Redesignated as Chairman on 1 January 2018)

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### A BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Part II – Board Composition (Cont'd)

##### 4.7 Nomination Committee (Cont'd)

- **Khoo Chuan Keat**  
*(Independent Non-Executive Director)*  
*(Appointed on 1 January 2018)*
- **Dato' Sheah Kok Fah**  
*(Appointed on 12 April 2018)*
- **Dato' Gan Nyap Liou @ Gan Nyap Liow**  
*(Executive Chairman)*  
*(Ceased on 1 January 2018)*
- **Lim Li Li (f)**  
*(Non-Independent Non-Executive Director)*  
*(Ceased on 12 April 2018)*

The terms of reference of the Nomination Committee, which is made available at the Company's website at [www.cuscapi.com](http://www.cuscapi.com), are reviewed by the Board annually and updated as appropriate.

#### **Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors.**

A summary of the activities of the NC in the discharge of its duties during the FYE 31 December 2017 are as follows:-

- Assessing the effectiveness of the Board as a whole, as well as that of the Board Committees and the contribution of each individual Director; and
- Recommending the re-election of Directors retiring at the AGM 2017

### 5. Overall Board Effectiveness

#### 5.1 Annual Assessment

The Board (via 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 was conducted internally, facilitated by the Company Secretaries and conducted on a peer and self-evaluation basis through questionnaires circulated to the Directors covering the aspects associated with the Board's and Board committees' effectiveness.

During the year, the Board assessed the independence of Independent Directors and is 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 MMLR.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### A BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Part II – Board Composition (Cont'd)

#### 5. Overall Board Effectiveness (Cont'd)

##### 5.2 Meeting and Time Commitment

The Board normally 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 meetings. The decisions and issues discussed in arriving at the decisions are minuted.

During the FYE 31 December 2017, there were seven (7) Board meetings held, of which, three (3) were Special Board meetings. A summary of attendance for each of the Board of Directors during the FYE 31 December 2017 and as of the date of this Report are as follows:-

| Name of Directors   | Status of Directorship                                   | No. of meetings attended/held<br>(During The Directors' Tenure) |
|---|--|---|
| Datuk Mohd Jimmy Wong Bin Abdullah<br>(Appointed on 28 March 2018)  | Chairman and Executive Director                          | N/A   |
| Toe Teow Teck<br>(Appointed on 28 March 2018)   | Executive Director                                       | N/A   |
| Dato' Sheah Kok Fah<br>(Appointed on 12 April 2018)   | Independent Non-Executive Director                       | N/A   |
| Ang Chin Joo  | Independent Non-Executive Director                       | 7/7   |
| Lim Li Li (f)   | Non-Independent Non-Executive Director                   | 7/7   |
| Khoo Chuan Keat   | Independent Non-Executive Director                       | 7/7   |
| Datuk Jayakumar A/L Panneer Selvam<br>(Appointed on 4 April 2018)   | Alternate Director to Datuk Mohd Jimmy Wong Bin Abdullah | N/A   |
| Dato' Gan Nyap Liou @ Gan Nyap Liow<br>(Redesignated as Executive Chairman on 1 January 2018 and Resigned on 20 March 2018) | Executive Chairman                                       | 7/7   |
| Her Chor Siong<br>(Resigned on 1 January 2018)  | Chief Executive Officer and Executive Director           | 7/7   |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### A BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Part II – Board Composition (Cont'd)

#### 5. Overall Board Effectiveness (Cont'd)

##### 5.2 Meeting and Time Commitment (Cont'd)

The Board Committees are as follows:-

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

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company during the FYE 31 December 2017. All the Directors do not hold directorships more than that prescribed under the MMLR.

All the existing Directors have attended the Mandatory Accreditation Programme (“MAP”) as required by Listing Requirements. During the current financial year, the Directors also made time to attend appropriate external training programs to equip themselves further with the knowledge to discharge their duties more effectively and to keep abreast of developments on a continuous basis in compliance with Paragraph 15.08 of the MMLR, the details of which are set out below:-

| Name of Directors | Training programmes attended   |
|-------------------|--|
| Ang Chin Joo      | MINDA Corporate Directors Advanced Programme Malaysian Code of Corporate Governance<br>Bursa - Driving Financial Integrity and Performance, Enhancing Financial Literacy, A Programme for Audit Committees<br>MINDA PowerTalk - Corporate Intelligence<br>CG Breakfas Series: Integrating An Innovation Mindset with Effective Governance<br>Bursa - Corporate Governance Breakfast Sessions |
| Lim Li Li         | Corporate Governance   |
| Khoo Chuan Keat   | Cyber Risks<br>New Companies Act<br>Anti Money Laundering<br>CRS Training for Directors<br>How to engage and enthuse Beyond Compliance with Sustainability<br>AMLA/CFT Training for Directors<br>Leading in A Volatile, Uncertain, Complex, Ambiguous (VUCA) World<br>Integrating An Innovation Mindset with Effective Governance<br>Bursa Malaysia CG and Sustainability Breakfast Series   |



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### A BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Part III – Remuneration

#### 6. Level and Composition of Remuneration

##### 6.1 Remuneration Policy

The objective of the Group's remuneration policy is to attract, retain and motivate experienced and knowledgeable Directors and Senior Management of such calibre to provide the necessary skills and experience as required to support the Company's ambitious expansion plans in line with its overall objective of delivering long-term value to its shareholders.

In the case of Executive Directors and Senior Management, the remuneration packages are linked to corporate and individual performance while for Non-Executive Directors, the level of remuneration is reflective of their experience, responsibilities and fiduciary duties and time commitment undertaken by the particular Non-Executive Directors concerned.

##### 6.2 Remuneration Committee

The members of the Remuneration Committee ("RC") during the FYE 31 December 2017 and as of the date of this Report are as follows:-

- **Lim Li Li (f) - Chairman**  
(Non-Independent Non-Executive Director)  
(Redesignated as Chairman on 1 January 2018)
- **Ang Chin Joo**  
(Independent Non-Executive Director)  
(Appointed on 1 January 2018)
- **Khoo Chuan Keat**  
(Independent Non-Executive Director)  
(Appointed on 1 January 2018)
- **Dato' Gan Nyap Liou @ Gan Nyap Liow**  
(Executive Chairman)  
(Ceased on 1 January 2018)
- **Her Chor Siong**  
(Chief Executive Officer and Executive Director)  
(Ceased on 1 January 2018)

The RC evaluates the remuneration packages of Senior Management and recommends for the Board's approval. Non-Executive Directors' fees are determined by the Board as a whole.

The RC's Term of References is available on Company's website [www.cuscapi.com](http://www.cuscapi.com).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### A BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Part III – Remuneration (Cont'd)

#### 7. Remuneration of Directors and Senior Management

##### 7.1 Details of Directors' remuneration

The remuneration of Directors of the Company for FYE 31 December 2017 is as follows:-

|  | Salaries<br>(RM) | Allowance<br>(RM) | Benefits-<br>in-kind<br>(RM) | Other<br>Emoluments<br>(RM) | Total<br>(RM)  |
|--|------------------|-------------------|------------------------------|-----------------------------|----------------|
| Her Chor Siong                         | 720,000          | –                 | 2,949                        | 86,400                      | <b>809,349</b> |
| Dato' Gan Nyap Liou<br>@ Gan Nyap Liow | –                | 5,000             | –                            | 37,395                      | <b>42,395</b>  |
| Khoo Chuan Keat                        | –                | 10,000            | –                            | –                           | <b>10,000</b>  |
| Ang Chin Joo                           | –                | 10,000            | –                            | 18,715                      | <b>28,715</b>  |
| Lim Li Li                              | –                | 10,000            | –                            | –                           | <b>10,000</b>  |
| <b>Total (RM)</b>                      | <b>720,000</b>   | <b>35,000</b>     | <b>2,949</b>                 | <b>142,510</b>              | <b>900,459</b> |

##### 7.2 Remuneration of Top Five Senior Management

The remuneration of the top five Senior Management Team of the Company is as follows:

| Range of Remuneration    | Top Five Senior Management |
|--------------------------|----------------------------|
| RM 50,000 to RM 100,000  | –                          |
| RM 100,001 to RM 200,000 | –                          |
| RM 200,001 to RM 300,000 | 1                          |
| RM 300,001 to RM 500,000 | 4                          |

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

### B EFFECTIVE AUDIT AND RISK MANAGEMENT

#### Part I – Audit Committee

#### 8. Effective and Independent Audit Committee

Messrs Baker Tilly Monteiro Heng, the External Auditors report to the Audit Committee ("AC") in respect of their audit of each year's statutory financial statements on matters that require the attention of the AC.

The AC will have a separate session with the External Auditors without the presence of the Executive Director and Senior Management of the Company.

The External Auditors are required to declare their independence annually to the AC as specified by the By-Laws issued by Malaysian Institute of Accountants. The External Auditors has provided the declaration in their annual audit plan presented to the AC of the Company.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### B EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### Part II – Risk Management and Internal Control Framework

##### 9. Effective Risk Management and Internal Control Framework

The Board recognises the importance of a sound risk management framework and internal control system in order to safeguard the Group's assets and therefore, shareholders' investment in the Group.

The Board affirms its overall responsibility for the Group's system of internal controls. This includes reviewing the adequacy and integrity of financial, operational and compliance controls and risk management procedures within an acceptable risk profile. Since certain risks and threats are externally driven, unforeseen and beyond the Group's control, the system can only provide reasonable assurance against misstatement or loss.

##### 10. Effective Governance, Risk Management and Internal Control

The Board has put in place an ongoing process for identifying, evaluating and managing significant risks faced by the Group. Such continuous review process are conducted by the Group internal audit function as well as the management team. The findings of the internal audit function is included in the Audit Committee Report on pages 51 to 53 of this Annual Report.

The key features of the Risk Management Framework are set in the Statement on Risk Management and Internal Control as presented on pages 47 to 50 of this Annual Report.

### C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### Part I – Communication with Stakeholders

##### 11. Continuous Communication between Company and Stakeholders

The Company recognises the importance of communicating with its shareholders and other stakeholders and general public, 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 and 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.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

#### Part I – Communication with Stakeholders (Cont'd)

##### 11. Continuous Communication between Company and Stakeholders (Cont'd)

The Group maintains the following website that allows all shareholders and investors access to information about the Group: [www.cuscapi.com](http://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](mailto:ir@cuscapi.com)

#### Part II – Conduct of General Meeting

##### 12. Encourage Shareholder Participation at General Meeting

The AGM represents the principal forum for interaction with shareholders. The shareholders are encouraged to participate in the subsequent Question & Answer wherein the Directors, Company Secretary, Heads of Departments as well as the Group's External Auditors are available to respond to the queries raised.

The notice of AGM are despatched to shareholders at least 28 days before the AGM, to allow shareholders additional time to go through the Annual Report and make the necessary attendance and voting arrangements.

## STATEMENT OF COMPLIANCE

The Board shall continue to strive for high standards of corporate governance throughout the Group. The Board is of the view that the Company has in all material aspects satisfactorily complied with the principles and practices as set out in the Code, except for the departures as stated in the CG report.

This Corporate Governance Overview Statement on was approved by the Board of Directors of the Company on 13 April 2018.

# ADDITIONAL COMPLIANCE INFORMATION

## AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the Company's External Auditors and firms affiliated to the External Auditors' firms by the Group and the Company for the FYE 31 December 2017 are as follows:-

| Type of Fees   | Group<br>(RM)  | Company<br>(RM) |
|----------------|----------------|-----------------|
| Audit Fees     | 342,380        | 48,000          |
| Non-audit Fees | 55,621         | 36,496          |
| <b>TOTAL</b>   | <b>398,001</b> | <b>84,496</b>   |

## 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

The Proposed Private Placement has been completed on 31 March 2017 following the listing of and quotation for 43,500,000 new ordinary shares on the Main Market of Bursa Malaysia Securities Berhad.

The details of the utilisation of the proceeds from the Private Placement are as follow:-

| Description  | Proposed<br>Utilisation<br>(RM) | Actual<br>Utilisation<br>(RM) | Balance<br>Utilisation<br>(RM) |
|--|---------------------------------|-------------------------------|--------------------------------|
| Working Capital  | 9,610,500                       | 9,610,725                     | (225)                          |
| Estimated expenses in relation to the Corporate Exercise | 90,000                          | 89,775                        | 225                            |
| <b>Total</b>   | <b>9,700,500</b>                | <b>9,700,500</b>              | <b>-</b>                       |

# STATEMENT ON DIRECTORS' RESPONSIBILITY

The financial statements of the Group and of the Company are presented by the Directors in compliance to the Companies Act 2016 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 2017 include statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows.

In preparing those financial statements, the Directors ensured that:

- They complied with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and Companies Act 2016;
- Appropriate accounting policies are used and applied consistently;
- The going concern basis used in preparation of the financial statements are appropriate; and
- Where judgements and estimates are made, they are reasonable and prudent

Directors are responsible to prepare financial statements for each financial year which gives 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.

This Statement is made in accordance with a resolution of the Board dated 13 April 2018.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 1. INTRODUCTION

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound Risk Management and Internal Control to safeguard shareholders' investments and Group's 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 and 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 Cuscapl 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 recognises 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 and Internal Control: Guidelines for Directors of Listed Issuers".

## 3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

During the FYE 31 December 2017, 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.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK (CONT'D)

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. During the financial year, in a desire to maintain total independence in the management of the internal control environment and remain in compliance with the MMLR, the Company has appointed Boardroom Business Solution Sdn. Bhd. to manage the Company's internal audit function on an outsourced basis.

Boardroom Business Solution Sdn. Bhd. reports independently and directly to the Audit Committee in respect of the internal audit function. The Audit Committee together with Boardroom Business Solution Sdn. Bhd. 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 lead 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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 5. OTHER KEY INTERNAL CONTROL ELEMENTS (CONT'D)

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

#### **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.

#### **Group Policies and Guidelines**

The documented policies and procedures form 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, authorizations 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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 5. OTHER KEY INTERNAL CONTROL ELEMENTS (CONT'D)

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

#### 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, manual controls, computer controls and management controls. These include top-level reviews of financial and operating performance, authorizations, verifications, reconciliation, physical controls over assets, segregation of duties and controls over information systems.

In addition to internal financial controls, the directors 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 conducting 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 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 assess the adequacy of the Group's system of internal control and make improvements and enhancements to the system as and when necessary.

This statement is made in accordance with the resolution of the Board of Directors dated 13 April 2018.

# 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 FYE 31 December 2017.

## OBJECTIVES

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](http://www.cuscapi.com).

## MEMBERSHIP AND MEETINGS

The members of the AC during the FYE 31 December 2017 and as of the date of this Report together with their attendance record at AC meetings held during FYE 31 December 2017 are as follows:

| Name            | Designation | Status of Directorship                 | No. of Meetings Attended/No. of Meetings Held* |
|-----------------|-------------|--|--|
| Khoo Chuan Keat | 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  |

Whilst the terms of reference require the Committee to meet at least four (4) times in a financial year, it met five (5) times during FYE 31 December 2017. 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 OF AUDIT COMMITTEE AND INTERNAL AUDIT FUNCTIONS DURING THE FYE 31 DECEMBER 2017

### 1. Audit Committee

The following activities were carried out by the Committee in the discharge of its functions and duties to meet its responsibilities during FYE 31 December 2017:-

#### (a) Financial Results

- Reviewed and recommended the quarterly financial results of the Group (including announcements) and the annual financial statements of the Group and of the Company for Board's approval.
- Deliberated on significant matters raised by the External Auditors including financial reporting issues, significant judgements made by Senior 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 or implementation of major accounting changes and compliance with accounting standards and other legal requirements.

## AUDIT COMMITTEE REPORT

### SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE AND INTERNAL AUDIT FUNCTIONS DURING THE FYE 31 DECEMBER 2017 (CONT'D)

#### 1. Audit Committee (Cont'd)

##### (b) External Audit

- 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 Senior Management to have a frank and candid dialogue, and to exchange free and honest views and opinions.

##### (c) Internal Audit

- 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 their audit.
- Reviewed the adequacy and effectiveness of corrective actions taken by Senior Management on all significant matters raised by the Internal Auditors.
- Recommended their fees to the Board for approval.
- Met the Internal Auditors to have a frank and candid dialogue, and to exchange free and honest views and opinions.

##### (d) Annual Report

- Reviewed and issued this Report for inclusion in the FYE 31 December 2017 Annual Report.
- Reviewed the Corporate Governance Overview Statement and Management Discussion and Analysis of Business Operations and Financial Performance, on behalf of the Board for inclusion in the FYE 31 December 2017 Annual Report.

##### (e) Risk Management and Internal Control

- Reviewed the Statement on Risk Management and Internal Control on behalf of the Board for inclusion in the FYE 31 December 2017 Annual Report.

#### 2. 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.
- Provide recommendations, if any, for the improvement of the control policies and procedures.



## AUDIT COMMITTEE REPORT

### SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE AND INTERNAL AUDIT FUNCTIONS DURING THE FYE 31 DECEMBER 2017 (CONT'D)

#### 2. Internal Audit Function (Cont'd)

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 an external professional firm which specialises in the internal audit services.

The Internal Auditors undertook two (2) audit routines in the year under review as follows:-

- Revenue and Licensing (Malaysia, Shanghai and Suzhou operations)
- Procurement function

The total cost incurred for internal audit functions for the financial FYE 31 December 2017 was RM28,000.

This Report is made in accordance with a resolution of the Board dated 13 April 2018.

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# DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are 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 activities during the financial year.

## RESULTS

|   | Group<br>RM  | Company<br>RM |
|---|--------------|---------------|
| Loss for the financial year, net of tax | (24,560,905) | (71,063,721)  |
| Attributable to:                        |              |               |
| Owners of the Company                   | (24,560,905) | (71,063,721)  |
| Non-controlling interests               | —            | —             |
|   | (24,560,905) | (71,063,721)  |

## 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 2017.

## 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 so to realise.

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



## DIRECTORS' REPORT

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

- (i) issued 43,500,000 new ordinary shares at a price of RM0.223 per ordinary share for working capital purposes; and
- (ii) issued 17,411,634 new ordinary shares arising from the exercise of 17,411,634 Employees' Share Options.

During the financial year, no 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 ESOS to be granted to eligible senior executives and employees has been approved.

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

## DIRECTORS' REPORT

### EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONT'D)

The salient features of the ESOS are as follows: (Cont'd)

- (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, 26 February 2013 and 15 August 2017, the Company granted 9,790,200 share options, 1,576,500 share options, 9,967,500 share options, 7,056,600 share options and 10,549,781 share options respectively, under the ESOS. These options expired on 23 January 2014, except for the options granted on 15 August 2017 which will be expired on 14 August 2018, 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 By-Laws of ESOS ("By-Laws"), 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, except for the options granted on 15 August 2017 which will be expired on 14 August 2018.

Pursuant to Clause 13.1 of the By-Laws 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 By-Laws in the following manner:

|                  | Original<br>Exercise<br>Price<br>RM | Adjusted<br>Exercise<br>Price<br>RM | Original<br>No. of ESOS<br>Option<br>Units | Adjusted<br>No. of ESOS<br>Option<br>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                                  |
| 15 August 2017   | 0.24                                | N/A                                 | 10,549,781                                 | 10,549,781                                 |

## DIRECTORS' REPORT

### EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONT'D)

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS during the financial year ended 31 December 2017 are as follows:

| Grant Date | Expiry Date | Exercise Price RM/Share (Adjusted) | Number of share options |                   |                     |                    | At 31 December 2017 |
|------------|-------------|------------------------------------|-------------------------|-------------------|---------------------|--------------------|---------------------|
|            |             |                                    | At 1 January 2017       | Granted           | Exercised           | Lapsed             |                     |
| 7.2.2011   | 23.1.2020   | 0.21                               | 2,690,641               | –                 | (2,424,826)         | (182,175)          | 83,640              |
| 30.6.2011  | 23.1.2020   | 0.32                               | –                       | –                 | –                   | –                  | –                   |
| 28.2.2012  | 23.1.2020   | 0.30                               | 4,788,316               | –                 | (2,237,102)         | (1,054,021)        | 1,497,193           |
| 26.2.2013  | 23.1.2020   | 0.23                               | 3,280,913               | –                 | (2,719,974)         | (87,184)           | 473,755             |
| 15.8.2017  | 14.8.2018   | 0.24                               | –                       | 10,363,801        | (10,029,732)        | –                  | 334,069             |
|            |             |                                    | <b>10,759,870</b>       | <b>10,363,801</b> | <b>(17,411,634)</b> | <b>(1,323,380)</b> | <b>2,388,657</b>    |

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

Subsequent to year end, a total number of 314,000 new ordinary shares, 190,714 new ordinary shares and 743,000 new ordinary shares have been exercised at the Option Price of RM0.23 per share, RM0.24 per share and RM0.30 per share respectively.

### 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 2017 are stated as below:

|          | At 1 January 2017 | Number of Warrants |         | At 31 December 2017 |
|----------|-------------------|--------------------|---------|---------------------|
|          |                   | Exercised          | Expired |                     |
| Warrants | 123,156,433       | –                  | –       | 123,156,433         |

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;

## DIRECTORS' REPORT

### WARRANTS (CONT'D)

The salient terms of the Warrants are as follows: (Cont'd)

- (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.

Subsequent to year end, a total of 77,159,551 warrants were exercised before the expiry date of the warrants on 24 April 2018 ("Expiry Date") which resulted in 77,159,551 new ordinary shares has been exercised at the Exercise Price of RM0.27 per warrant.

### 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:

|   |                                     |
|---|-------------------------------------|
| Datuk Mohd Jimmy Wong Bin Abdullah                                | <i>(Appointed on 28 March 2018)</i> |
| Toe Teow Teck   | <i>(Appointed on 28 March 2018)</i> |
| Dato' Sheah Kok Fah   | <i>(Appointed on 12 April 2018)</i> |
| Ang Chin Joo*   |                                     |
| Lim Li Li*  |                                     |
| Khoo Chuan Keat*  |                                     |
| Datuk Jayakumar A/L Panneer Selvam                                | <i>(Appointed on 4 April 2018)</i>  |
| <i>(Alternate director to Datuk Mohd Jimmy Wong Bin Abdullah)</i> |                                     |
| Her Chor Siong  | <i>(Resigned on 1 January 2018)</i> |
| Dato' Gan Nyap Liou @ Gan Nyap Liow                               | <i>(Resigned on 20 March 2018)</i>  |

\* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

|                   |                                      |
|-------------------|--------------------------------------|
| Lim Sze Yean      | <i>(Appointed on 1 January 2018)</i> |
| Chua Wei Chun     |                                      |
| Aaron Palada      |                                      |
| Jayson Badion     |                                      |
| Clarence Alcorido |                                      |

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 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

|  | At<br>1 January<br>2017 | Bought | Number of ordinary shares<br>ESOS<br>exercised |              | Sold | At<br>31 December<br>2017 |
|--|-------------------------|--------|--|--------------|------|---------------------------|
| <b>Direct interests:</b>               |                         |        |  |              |      |                           |
| Dato' Gan Nyap Liou<br>@ Gan Nyap Liow | 26,100,000              | –      | 1,737,416                                      | (6,513,900)  |      | 21,323,516                |
| Ang Chin Joo                           | 11,132,300              | –      | 734,906  | (3,500,000)  |      | 8,367,206                 |
| Lim Li Li                              | 791,875                 | –      | –  | –            |      | 791,875                   |
| Her Chor Siong                         | 26,541,666              |        | 4,560,911                                      | (18,139,000) |      | 12,963,577                |

|                            |   |         |   |   |   |         |
|----------------------------|---|---------|---|---|---|---------|
| <b>Indirect interests:</b> |   |         |   |   |   |         |
| Lim Li Li                  | # | 635,775 | – | – | – | 635,775 |

|  | At<br>1 January<br>2017 | Bought    | Number of Warrants |  | Sold | At<br>31 December<br>2017 |
|--|-------------------------|-----------|--------------------|--|------|---------------------------|
| <b>Direct interests:</b>               |                         |           |                    |  |      |                           |
| Dato' Gan Nyap Liou<br>@ Gan Nyap Liow | 6,511,500               | 1,378,000 | (3,399,000)        |  |      | 4,490,500                 |
| Lim Li Li                              | 226,250                 | –         | –                  |  |      | 226,250                   |
| Her Chor Siong                         | 7,583,333               | –         | (7,583,300)        |  |      | 33                        |

|                            |   |         |   |   |  |         |
|----------------------------|---|---------|---|---|--|---------|
| <b>Indirect interests:</b> |   |         |   |   |  |         |
| Lim Li Li                  | # | 181,650 | – | – |  | 181,650 |

|   | At<br>1 January<br>2017 | Granted | Exercised   | At<br>31 December<br>2017 |
|---|-------------------------|---------|-------------|---------------------------|
| <b>Number of options over ordinary shares</b> |                         |         |             |                           |
| Dato' Gan Nyap Liou<br>@ Gan Nyap Liow        | 1,303,061               | 434,355 | (1,737,416) | –                         |
| Ang Chin Joo                                  | 517,535                 | 217,371 | (734,906)   | –                         |
| Her Chor Siong                                | 4,560,911               | –       | (4,560,911) | –                         |

# Deemed interested in the shares held by 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' REPORT**

### **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 24 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.

### **SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Details of significant events during the financial year are disclosed in Note 33 to the financial statements.

### **SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Details of significant event subsequent to the end of the financial year are disclosed in Note 34 to the financial statements.

### **AUDITORS' REMUNERATION**

The details of the auditors' remuneration are disclosed in Note 23 to the financial statements.

### **INDEMNITY TO AUDITORS**

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.





## **DIRECTORS' REPORT**

### **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:

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**KHOO CHUAN KEAT**

Director

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**ANG CHIN JOO**

Director

Date: 13 April 2018

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **KHOO CHUAN KEAT** and **ANG CHIN JOO**, 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 72 to 159 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

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**KHOO CHUAN KEAT**  
Director

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**ANG CHIN JOO**  
Director

Date: 13 April 2018

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

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 accompanying financial statements set out on pages 72 to 159 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.

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**LIM SZE YEAN**

MIA Membership No. 14146

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

Before me,

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**ABDUL SHUKOR MD NOOR (W735)**

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 Cuscapl Berhad, which comprise the statements of financial position as at 31 December 2017 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 72 to 159.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and 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 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We 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.



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

### **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.

#### **Group**

**Goodwill on consolidation (Note 4(a) & 7 to the financial statements)  
Development costs (Note 4(b) & 8 to the financial statements)**

#### **Company**

**Investment in subsidiaries (Note 4(c) & 6 to the financial statements)  
Amount owing by subsidiaries (Note 4(c) & 10 to the financial statements)**

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

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.

#### **Our audit response:**

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

- assessing the appropriateness of the valuation methodology adopted by the Group in accordance with the requirements of MFRS136 *Impairment of Assets*;
- comparing the actual results with previous budget to assess the performance of the business and historical accuracy of the projections;
- comparing the Group's assumptions as well as our assessments in relation to key assumptions to assess their reasonableness; and
- testing the mathematical accuracy of the impairment assessment.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CUSCAPI BERHAD (INCORPORATED IN MALAYSIA)****Key Audit Matters (Cont'd)****Going concern (Note 2.7 to the financial statements)**

During the financial year ended 31 December 2017, the Group incurred loss for the financial year of RM24,560,905/-.

The Group has continued to adopt the going concern basis in preparing the financial statements after having prepared a cash flow forecast supporting the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the end of the financial year.

The Group's assessment on its ability to continue as a going concern was an area of focus as the assessment requires the exercise of significant judgement by the Group on assumptions supporting the cash flow forecast, including the revenue and profit margin, and these are fundamental to the appropriateness of the going concern basis which was adopted for the preparation of the financial statements.

Subsequent to the end of the financial year, the Company has successfully concluded an issuance of 200,000,000 new ordinary shares at RM0.25 per subscription share together with 40,000,000 new warrants at RM0.08 per subscription warrant to Ultimate Quality Success Sdn. Bhd. and its nominees.

In addition, a total amount of 77,159,551 warrants were exercised before the expiry date of the warrants on 24 April 2018 ("Expiry Date") which resulted in 77,159,551 ordinary shares being allotted, issued and quoted on Main Market of Bursa Malaysia Securities Berhad.

**Our audit response:**

Our audit procedures included, among others:

- reviewing the cash flows forecast over the next 12 months;
- reviewing the cash flows projection by comparing the Group's assumptions as well as our assessments in relation to key assumption such as revenue and profit margin;
- testing the mathematical accuracy of the cash flows projection calculation;
- agreeing sources of financing and uses of funds to supporting documents; and
- reviewing the appropriateness of related disclosures.



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

### **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 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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





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

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

### **OTHER MATTERS**

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

**Baker Tilly Monteiro Heng**  
No. AF 0117  
Chartered Accountants

Kuala Lumpur

Date: 13 April 2018

**Ng Boon Hiang**  
No. 02916/03/2020 (J)  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

|                                 |      |                   | Group             |                   | Company           |
|---------------------------------|------|-------------------|-------------------|-------------------|-------------------|
|                                 | Note | 2017<br>RM        | 2016<br>RM        | 2017<br>RM        | 2016<br>RM        |
| <b>ASSETS</b>                   |      |                   |                   |                   |                   |
| <b>Non-current assets</b>       |      |                   |                   |                   |                   |
| Property, plant and equipment   | 5    | 11,453,177        | 4,766,024         | 91,762            | 177,664           |
| Investment in subsidiaries      | 6    | –                 | –                 | 14,112,010        | 14,169,241        |
| Goodwill on consolidation       | 7    | 2,521,726         | 4,730,349         | –                 | –                 |
| Development costs               | 8    | 3,767,002         | 6,784,483         | –                 | –                 |
| Deferred tax assets             | 9    | 608,605           | 670,751           | –                 | –                 |
| Trade receivables               | 10   | –                 | 517,254           | –                 | –                 |
| <b>Total non-current assets</b> |      | <b>18,350,510</b> | <b>17,468,861</b> | <b>14,203,772</b> | <b>14,346,905</b> |
| <b>Current assets</b>           |      |                   |                   |                   |                   |
| Inventories                     | 11   | 17,812,199        | 4,965,655         | –                 | –                 |
| Trade and other receivables     | 10   | 11,285,283        | 12,322,789        | 23,186,847        | 82,068,791        |
| Prepayment                      |      | 1,017,198         | 1,656,198         | 144,037           | 102,488           |
| Tax recoverable                 |      | 773,538           | 1,163,249         | 48,750            | 72,000            |
| Cash and short-term deposits    | 12   | 2,557,910         | 3,892,511         | 806,309           | 650,646           |
| <b>Total current assets</b>     |      | <b>33,446,128</b> | <b>24,000,402</b> | <b>24,185,943</b> | <b>82,893,925</b> |
| <b>TOTAL ASSETS</b>             |      | <b>51,796,638</b> | <b>41,469,263</b> | <b>38,389,715</b> | <b>97,240,830</b> |

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

|   |      | Group               |              | Company             |            |
|---|------|---------------------|--------------|---------------------|------------|
|   | Note | 2017<br>RM          | 2016<br>RM   | 2017<br>RM          | 2016<br>RM |
| <b>EQUITY AND LIABILITIES</b>                       |      |                     |              |                     |            |
| <b>Equity attributable to owners of the Company</b> |      |                     |              |                     |            |
| Share capital                                       | 13   | <b>72,846,301</b>   | 43,553,338   | <b>72,846,301</b>   | 43,553,338 |
| Other reserves                                      | 14   | <b>22,425,627</b>   | 35,976,176   | <b>11,280,818</b>   | 25,892,166 |
| (Accumulated losses)/<br>Retained earnings          |      | <b>(76,428,556)</b> | (51,918,618) | <b>(67,702,221)</b> | 3,361,034  |
|   |      | <b>18,843,372</b>   | 27,610,896   | <b>16,424,898</b>   | 72,806,538 |
| Non-controlling interests                           |      | –                   | –            | –                   | –          |
| <b>TOTAL EQUITY</b>                                 |      | <b>18,843,372</b>   | 27,610,896   | <b>16,424,898</b>   | 72,806,538 |
| <b>Non-current liabilities</b>                      |      |                     |              |                     |            |
| Trade payables                                      | 15   | <b>8,700,813</b>    | 880,246      | –                   | –          |
| Deferred tax liabilities                            | 9    | <b>5,991</b>        | 459,053      | –                   | –          |
| <b>Total non-current liabilities</b>                |      | <b>8,706,804</b>    | 1,339,299    | –                   | –          |
| <b>Current liabilities</b>                          |      |                     |              |                     |            |
| Short-term borrowing                                | 16   | <b>473,394</b>      | 389,239      | <b>473,394</b>      | 389,239    |
| Trade and other payables                            | 15   | <b>23,773,068</b>   | 12,129,829   | <b>21,491,423</b>   | 24,045,053 |
| <b>Total current liabilities</b>                    |      | <b>24,246,462</b>   | 12,519,068   | <b>21,964,817</b>   | 24,434,292 |
| <b>TOTAL LIABILITIES</b>                            |      | <b>32,953,266</b>   | 13,858,367   | <b>21,964,817</b>   | 24,434,292 |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |      | <b>51,796,638</b>   | 41,469,263   | <b>38,389,715</b>   | 97,240,830 |

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

|  |      | Group               |                     | Company             |                     |
|--|------|---------------------|---------------------|---------------------|---------------------|
|  | Note | 2017<br>RM          | 2016<br>RM          | 2017<br>RM          | 2016<br>RM          |
| Revenue  | 17   | 33,274,742          | 40,120,291          | 3,628,238           | 3,503,707           |
| Direct cost of sales   | 18   | (34,327,567)        | (33,861,490)        | –                   | –                   |
| Amortisation of development costs  |      | (2,264,911)         | (8,812,586)         | –                   | –                   |
| <b>Gross (loss)/profit</b>   |      | <b>(3,317,736)</b>  | <b>(2,553,785)</b>  | <b>3,628,238</b>    | <b>3,503,707</b>    |
| Other income   | 19   | 318,991             | 1,046,934           | 100,046             | 3,187,386           |
| Administrative expenses  |      | (18,812,255)        | (22,767,987)        | (8,050,925)         | (5,792,746)         |
| Other operating expenses   | 20   |                     |                     |                     |                     |
| - Impairment loss on goodwill  |      | (1,558,173)         | (3,611,336)         | –                   | –                   |
| - Impairment loss on development costs                                   |      | (612,552)           | (10,640,688)        | –                   | –                   |
| - Impairment loss on amount owing by subsidiaries                        |      | –                   | –                   | (66,755,818)        | (11,238,916)        |
| <b>Operating loss</b>  |      | <b>(23,981,725)</b> | <b>(38,526,862)</b> | <b>(71,078,459)</b> | <b>(10,340,569)</b> |
| Finance income   | 21   | 52,658              | 53,886              | 47,778              | 25,827              |
| Finance costs  | 22   | (864,396)           | (5,839)             | (33,040)            | (4,413)             |
| <b>Net finance (costs)/income</b>  |      | <b>(811,738)</b>    | <b>48,047</b>       | <b>14,738</b>       | <b>21,414</b>       |
| <b>Loss before tax</b>   | 23   | <b>(24,793,463)</b> | <b>(38,478,815)</b> | <b>(71,063,721)</b> | <b>(10,319,155)</b> |
| Income tax credit  | 25   | 232,558             | 263,240             | –                   | –                   |
| <b>Loss for the financial year</b>                                       |      | <b>(24,560,905)</b> | <b>(38,215,575)</b> | <b>(71,063,721)</b> | <b>(10,319,155)</b> |
| <b>Other comprehensive income, net of tax</b>                            |      |                     |                     |                     |                     |
| <i>Item that will not be reclassified subsequently to profit or loss</i> |      |                     |                     |                     |                     |
| Remeasurement of defined benefits plans                                  |      | 12,595              | 23,769              | –                   | –                   |
| <i>Item that may be reclassified subsequently to profit or loss</i>      |      |                     |                     |                     |                     |
| Exchange differences on translation of foreign operation                 |      | 1,060,799           | 958,181             | –                   | –                   |
| <b>Other comprehensive income for the financial year</b>                 |      | <b>1,073,394</b>    | <b>981,950</b>      | <b>–</b>            | <b>–</b>            |
| <b>Total comprehensive loss for the financial year</b>                   |      | <b>(23,487,511)</b> | <b>(37,233,625)</b> | <b>(71,063,721)</b> | <b>(10,319,155)</b> |

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

|  |      | Group               |              | Company             |              |
|--|------|---------------------|--------------|---------------------|--------------|
|  | Note | 2017<br>RM          | 2016<br>RM   | 2017<br>RM          | 2016<br>RM   |
| <b>Loss attributable to:</b>                     |      |                     |              |                     |              |
| Owners of the Company                            |      | <b>(24,560,905)</b> | (38,215,575) | <b>(71,063,721)</b> | (10,319,155) |
| Non-controlling interests                        |      | –                   | –            | –                   | –            |
|  |      | <b>(24,560,905)</b> | (38,215,575) | <b>(71,063,721)</b> | (10,319,155) |
| <b>Total comprehensive loss attributable to:</b> |      |                     |              |                     |              |
| Owners of the Company                            |      | <b>(23,487,511)</b> | (37,233,625) | <b>(71,063,721)</b> | (10,319,155) |
| Non-controlling interests                        |      | –                   | –            | –                   | –            |
|  |      | <b>(23,487,511)</b> | (37,233,625) | <b>(71,063,721)</b> | (10,319,155) |
| Basic/diluted loss per share (sen):              | 26   | <b>(5.19)</b>       | (8.77)       |                     |              |

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| Group   | Attributable to owners of the Company |                     |                                    |                      |                     |                  |                       | Total Equity RM |
|---|---------------------------------------|---------------------|------------------------------------|----------------------|---------------------|------------------|-----------------------|-----------------|
|   | Share Capital RM                      | Exchange Reserve RM | Employees' Share Option Reserve RM | Statutory Reserve RM | Warrants Reserve RM | Share Premium RM | Accumulated Losses RM |                 |
| At 1 January 2017                                       | 43,553,338                            | 9,861,546           | 379,665                            | 222,464              | 11,207,235          | 14,305,266       | (51,918,618)          | 27,610,896      |
| Total comprehensive loss for the financial year         |                                       |                     |                                    |                      |                     |                  |                       |                 |
| Remeasurement of defined benefit plans                  | -                                     | -                   | -                                  | -                    | -                   | -                | 12,595                | 12,595          |
| Exchange difference on translation of foreign operation | -                                     | 1,060,799           | -                                  | -                    | -                   | -                | -                     | 1,060,799       |
| Other comprehensive income for the financial year       | -                                     | 1,060,799           | -                                  | -                    | -                   | -                | 12,595                | 1,073,394       |
| Loss for the financial year                             | -                                     | -                   | -                                  | -                    | -                   | -                | (24,560,905)          | (24,560,905)    |
| Total comprehensive loss                                | -                                     | 1,060,799           | -                                  | -                    | -                   | -                | (24,548,310)          | (23,487,511)    |
| Transactions with owners                                |                                       |                     |                                    |                      |                     |                  |                       |                 |
| Issuance of shares                                      | 15,073,605                            | -                   | (1,160,030)                        | -                    | -                   | -                | -                     | 13,913,575      |
| Transaction costs of share issuance                     | (85,908)                              | -                   | -                                  | -                    | -                   | -                | -                     | (85,908)        |
| Share option granted under ESOS                         | -                                     | -                   | 892,320                            | -                    | -                   | -                | -                     | 892,320         |
| ESOS lapsed   | -                                     | -                   | (38,372)                           | -                    | -                   | -                | 38,372                | -               |
| Total transactions with owners                          | 14,987,697                            | -                   | (306,082)                          | -                    | -                   | -                | 38,372                | 14,719,987      |
| Transition to no-par value regime <sup>^</sup>          | 14,305,266                            | -                   | -                                  | -                    | -                   | (14,305,266)     | -                     | -               |
| At 31 December 2017                                     | 72,846,301                            | 10,922,345          | 73,583                             | 222,464              | 11,207,235          | -                | (76,428,556)          | 18,843,372      |

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

|   | Attributable to owners of the Company |                        |                                       |                         |                        |                     |                          |                    |
|---|---------------------------------------|------------------------|---------------------------------------|-------------------------|------------------------|---------------------|--------------------------|--------------------|
|   | Share Capital<br>RM                   | Exchange Reserve<br>RM | Employees' Share Option Reserve<br>RM | Statutory Reserve<br>RM | Warrants Reserve<br>RM | Share Premium<br>RM | Accumulated Losses<br>RM | Total Equity<br>RM |
| Group   |                                       |                        |                                       |                         |                        |                     |                          |                    |
| 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         |

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

|   | Attributable to owners of the Company |                                       |                        |                     |  |                    |
|---|---------------------------------------|---------------------------------------|------------------------|---------------------|--|--------------------|
|   | Share Capital<br>RM                   | Employees' Share Option Reserve<br>RM | Warrants Reserve<br>RM | Share Premium<br>RM | Retained Earnings/<br>(Accumulated Loss)<br>RM | Total Equity<br>RM |
| <b>Company</b>                                  |                                       |                                       |                        |                     |  |                    |
| At 1 January 2017                               | 43,553,338                            | 379,665                               | 11,207,235             | 14,305,266          | 3,361,034                                      | 72,806,538         |
| Total comprehensive loss for the financial year | -                                     | -                                     | -                      | -                   | (71,063,721)                                   | (71,063,721)       |
| <b>Transactions with owners</b>                 |                                       |                                       |                        |                     |  |                    |
| Issue of ordinary shares                        | 15,073,605                            | (1,160,030)                           | -                      | -                   | -  | 13,913,575         |
| Transaction costs of share issue                | (85,908)                              | -                                     | -                      | -                   | -  | (85,908)           |
| Share option issued                             | -                                     | 892,320                               | -                      | -                   | -  | 892,320            |
| ESOS lapsed                                     | -                                     | (38,372)                              | -                      | -                   | 466  | (37,906)           |
| Total transactions with owners                  | 14,987,697                            | (306,082)                             | -                      | -                   | 466  | 14,682,081         |
| Transition to no-par regime <sup>^</sup>        | 14,305,266                            | -                                     | -                      | (14,305,266)        | -  | -                  |
| <b>At 31 December 2017</b>                      | <b>72,846,301</b>                     | <b>73,583</b>                         | <b>11,207,235</b>      | <b>-</b>            | <b>(67,702,221)</b>                            | <b>16,424,898</b>  |

<sup>^</sup> refer to Note 13 and 14 for details.



**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

|  | Attributable to owners of the Company |   |                           |                        |                            |                       |
|--|---------------------------------------|---|---------------------------|------------------------|----------------------------|-----------------------|
|  | Share<br>Capital<br>RM                | Employees'<br>Share Option<br>Reserve<br>RM | Warrants<br>Reserve<br>RM | Share<br>Premium<br>RM | Retained<br>Earnings<br>RM | Total<br>Equity<br>RM |
| <b>Company</b>   |                                       |   |                           |                        |                            |                       |
| <b>At 1 January 2016</b>                                   | 43,553,338                            | 453,404                                     | 11,207,235                | 14,305,266             | 13,675,736                 | 83,194,979            |
| <b>Total comprehensive loss for<br/>the financial year</b> | -                                     | -   | -                         | -                      | (10,319,155)               | (10,319,155)          |
| <b>Transactions with owners</b>                            |                                       |   |                           |                        |                            |                       |
| ESOS lapsed  | -                                     | (73,739)                                    | -                         | -                      | 4,453                      | (69,286)              |
| Total transactions with owners                             | -                                     | (73,739)                                    | -                         | -                      | 4,453                      | (69,286)              |
| <b>At 31 December 2016</b>                                 | 43,553,338                            | 379,665                                     | 11,207,235                | 14,305,266             | 3,361,034                  | 72,806,538            |

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

|  |      | Group               |                     | Company            |                    |
|--|------|---------------------|---------------------|--------------------|--------------------|
|  | Note | 2017<br>RM          | 2016<br>RM          | 2017<br>RM         | 2016<br>RM         |
| <b>Cash flows from operating activities</b>                              |      |                     |                     |                    |                    |
| Loss before tax  |      | (24,793,463)        | (38,478,815)        | (71,063,721)       | (10,319,155)       |
| Adjustments for:   |      |                     |                     |                    |                    |
| Amortisation of development costs  |      | 2,264,911           | 8,812,586           | –                  | –                  |
| Bad debts written off  |      | –                   | 499,753             | –                  | 4,046              |
| Currency realignment   |      | 1,811,035           | (1,553,690)         | –                  | –                  |
| Deposit forfeited  |      | –                   | 3,776               | –                  | –                  |
| Depreciation of property, plant and equipment                            |      | 3,033,849           | 2,292,601           | 88,092             | 178,889            |
| ESOS expenses  |      | 892,320             | –                   | 337,700            | –                  |
| Impairment loss on amount owing by subsidiaries                          |      | –                   | –                   | 66,755,818         | 11,238,916         |
| Impairment loss on development costs                                     |      | 612,552             | 10,640,688          | –                  | –                  |
| Impairment loss on goodwill on consolidation                             |      | 1,558,173           | 3,611,336           | –                  | –                  |
| Impairment loss on trade receivables                                     |      | 395,972             | 2,416,041           | –                  | –                  |
| Interest expenses  |      | 864,396             | 5,839               | 33,040             | 4,413              |
| Interest income  |      | (52,658)            | (53,886)            | (47,778)           | (25,827)           |
| Inventories written down   |      | 1,110,894           | 291,471             | –                  | –                  |
| Inventories written off  |      | 323,706             | 181,573             | –                  | –                  |
| Reversal of inventories written down                                     |      | (3,947)             | –                   | –                  | –                  |
| Reversal of impairment loss on trade receivables                         |      | (102,777)           | –                   | (100,046)          | –                  |
| Property, plant and equipment written off                                |      | –                   | 234,372             | –                  | –                  |
| Net gain on disposal of property, plant and equipment                    |      | –                   | (4,553)             | –                  | –                  |
| Unrealised loss/(gain) on foreign exchange differences                   |      | 925,630             | 619,142             | 2,174,352          | (2,673,826)        |
| <b>Operating loss before changes in working capital, carried forward</b> |      | <b>(11,159,407)</b> | <b>(10,481,766)</b> | <b>(1,822,543)</b> | <b>(1,592,544)</b> |

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

|  |      | Group               |              | Company            |             |
|--|------|---------------------|--------------|--------------------|-------------|
|  | Note | 2017<br>RM          | 2016<br>RM   | 2017<br>RM         | 2016<br>RM  |
| <b>Operating loss before changes in working capital, carried forward</b> |      | <b>(11,159,407)</b> | (10,481,766) | <b>(1,822,543)</b> | (1,592,544) |
| Changes in working capital:  |      |                     |              |                    |             |
| Inventories  |      | <b>(14,277,197)</b> | (923,289)    | –                  | –           |
| Trade and other receivables  |      | <b>2,138,787</b>    | 6,300,552    | <b>(91,833)</b>    | 342,698     |
| Trade and other payables   |      | <b>18,539,798</b>   | 3,231,965    | <b>(415,690)</b>   | 570,209     |
| Balances with subsidiaries   |      | –                   | –            | <b>(3,246,315)</b> | (3,702,476) |
| Cash flows used in operations  |      | <b>(4,758,019)</b>  | (1,872,538)  | <b>(5,576,381)</b> | (4,382,113) |
| Interest paid  |      | <b>(864,396)</b>    | (5,839)      | <b>(33,040)</b>    | (4,413)     |
| Net income tax refunded/(paid)   |      | <b>156,891</b>      | (377,743)    | <b>23,250</b>      | (36,000)    |
| Net cash used in operating activities                                    |      | <b>(5,465,524)</b>  | (2,256,120)  | <b>(5,586,171)</b> | (4,422,526) |
| <b>Cash flows from investing activities</b>                              |      |                     |              |                    |             |
| Fixed deposit held as security value                                     |      | <b>(166,999)</b>    | (12,248)     | <b>(166,999)</b>   | (12,248)    |
| Additional investment in a subsidiary company                            |      | –                   | –            | –                  | (900,000)   |
| Advances to subsidiaries   |      | –                   | –            | <b>(8,963,796)</b> | (1,839,707) |
| Development costs paid   |      | –                   | (1,199,722)  | –                  | –           |
| Purchase of property, plant and equipment                                | (a)  | <b>(9,833,557)</b>  | (1,128,616)  | <b>(2,190)</b>     | (14,256)    |
| Proceeds from disposal of property, plant and equipment                  |      | –                   | 3,488        | –                  | –           |
| Interest received  |      | <b>52,658</b>       | 53,886       | <b>47,778</b>      | 25,827      |
| Net cash flows used in investing activities                              |      | <b>(9,947,898)</b>  | (2,283,212)  | <b>(9,085,207)</b> | (2,740,384) |
| <b>Cash flows from financing activities</b>                              | (b)  |                     |              |                    |             |
| Proceeds from issuance of share capital                                  |      | <b>9,700,500</b>    | –            | <b>9,700,500</b>   | –           |
| Proceeds from exercise of ESOS   |      | <b>4,213,075</b>    | –            | <b>4,213,075</b>   | –           |
| Advances from subsidiaries   |      | –                   | –            | <b>748,220</b>     | 6,312,876   |
| Share issuance expenses  |      | <b>(85,908)</b>     | –            | <b>(85,908)</b>    | –           |
| Net cash flows generated from financing activities                       |      | <b>13,827,667</b>   | –            | <b>14,575,887</b>  | 6,312,876   |

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

|   |      | Group              |             | Company          |            |
|---|------|--------------------|-------------|------------------|------------|
|   | Note | 2017<br>RM         | 2016<br>RM  | 2017<br>RM       | 2016<br>RM |
| Net change in cash and cash equivalents                                 |      | <b>(1,585,755)</b> | (4,539,332) | <b>(95,491)</b>  | (850,034)  |
| <b>Cash and cash equivalents at the beginning of the financial year</b> |      | <b>3,120,484</b>   | 7,648,874   | <b>(121,381)</b> | 774,371    |
| Effect of exchange rate changes on cash and cash equivalents            |      | –                  | 10,942      | –                | (45,718)   |
| <b>Cash and cash equivalents at the end of the financial year</b>       |      | <b>1,534,729</b>   | 3,120,484   | <b>(216,872)</b> | (121,381)  |
| <b>Analysis of cash and cash equivalents:</b>                           |      |                    |             |                  |            |
| Short-term deposits placed with licensed banks                          |      | <b>568,514</b>     | 483,142     | <b>568,514</b>   | 483,142    |
| Cash and bank balances  |      | <b>1,989,396</b>   | 3,409,369   | <b>237,795</b>   | 167,504    |
|   |      | <b>2,557,910</b>   | 3,892,511   | <b>806,309</b>   | 650,646    |
| Less:   |      |                    |             |                  |            |
| Fixed deposit held as security value                                    | 12   | <b>(549,787)</b>   | (382,788)   | <b>(549,787)</b> | (382,788)  |
| Bank overdraft  | 16   | <b>(473,394)</b>   | (389,239)   | <b>(473,394)</b> | (389,239)  |
|   |      | <b>1,534,729</b>   | 3,120,484   | <b>(216,872)</b> | (121,381)  |

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### (a) Purchase of property, plant and equipment:

|  | <b>Group</b>       |                    | <b>Company</b>     |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | <b>2017<br/>RM</b> | <b>2016<br/>RM</b> | <b>2017<br/>RM</b> | <b>2016<br/>RM</b> |
| Cash payments on purchase of property, plant and equipment | <b>156,026</b>     | 1,128,616          | <b>2,190</b>       | 14,256             |
| Financed by deferred payment arrangement                   | <b>9,677,531</b>   | –                  | –                  | –                  |
| Purchase of property, plant and equipment                  | <b>9,833,557</b>   | 1,128,616          | <b>2,190</b>       | 14,256             |

### (b) Reconciliation of liabilities arising from financing activities:

|                              | <b>1.1.2017<br/>RM</b> | <b>Cash flows<br/>RM</b> | <b>Foreign<br/>exchange<br/>movement<br/>RM</b> | <b>31.12.2017<br/>RM</b> |
|------------------------------|------------------------|--------------------------|---|--------------------------|
| <b>Company</b>               |                        |                          |   |                          |
| Amount owing to subsidiaries | <b>22,495,219</b>      | 748,220                  | <b>(2,886,161)</b>                              | 20,357,278               |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Cuscapl Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office 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 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 13 April 2018.

## 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"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 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 12  | Disclosure of Interests in Other Entities |
| MFRS 107 | Statement of Cash Flows                   |
| MFRS 112 | Income Taxes                              |

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.

### 2.3 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 |
|------------------|---------------------------------------|---|
| <u>New MFRSs</u> |                                       |   |
| MFRS 9           | Financial Instruments                 | 1 January 2018  |
| MFRS 15          | Revenue from Contracts with Customers | 1 January 2018  |
| MFRS 16          | Leases                                | 1 January 2019  |
| MFRS 17          | Insurance Contracts                   | 1 January 2021  |

## NOTES TO THE FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (CONT'D)

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

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: (Cont'd)

|   |   | Effective for financial periods beginning on or after |
|---|---|---|
| <u>Amendments/Improvements to MFRSs</u> |   |   |
| MFRS 1                                  | First-time adoption of MFRSs                            | 1 January 2018  |
| MFRS 2                                  | Share-based Payment                                     | 1 January 2018  |
| MFRS 3                                  | Business Combinations                                   | 1 January 2019  |
| MFRS 4                                  | Insurance Contracts                                     | 1 January 2018  |
| MFRS 9                                  | Financial Instruments                                   | 1 January 2019  |
| MFRS 10                                 | Consolidated Financial Statements                       | Deferred  |
| MFRS 11                                 | Joint Arrangements                                      | 1 January 2019  |
| MFRS 112                                | Income Taxes  | 1 January 2019  |
| MFRS 119                                | Employee Benefits                                       | 1 January 2019  |
| MFRS 123                                | Borrowing Costs   | 1 January 2019  |
| MFRS 128                                | Investments in Associates and Joint Ventures            | 1 January 2018/<br>1 January 2019/<br>Deferred        |
| MFRS 140                                | Investment Property                                     | 1 January 2018  |
| <u>New IC Int</u>                       |   |   |
| IC Int 22                               | Foreign Currency Transactions and Advance Consideration | 1 January 2018  |
| IC Int 23                               | Uncertainty over Income Tax Treatments                  | 1 January 2019  |

The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (CONT'D)

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

##### ***MFRS 9 Financial Instruments (Cont'd)***

Key requirements of MFRS 9: (Cont'd)

- 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:

- identify the contracts with a customer;
- identify the performance obligation in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- 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 |



## NOTES TO THE FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (CONT'D)

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

##### ***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.

##### ***MFRS 17 Insurance Contracts***

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

##### ***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 Benefits* 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 3 Business Combinations and MFRS 11 Joint Arrangements***

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (CONT'D)

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

##### ***Amendments to MFRS 4 Insurance Contracts***

Amendments to MFRS 4 introduce two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying the Standard on Financial Instruments for entities whose activities are predominantly connected with insurance.

##### ***Amendments to MFRS 9 Financial Instruments***

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

##### ***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 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures***

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

##### ***Amendments to MFRS 112 Income Taxes***

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

##### ***Amendments to MFRS 119 Employee Benefits***

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

## NOTES TO THE FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (CONT'D)

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

##### ***Amendments to MFRS 123 Borrowing Costs***

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

##### ***Amendments to MFRS 128 Investments in Associates and Joint Ventures***

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

The amendments also clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

##### ***Amendments to MFRS 140 Investment Property***

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

##### ***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.

##### ***IC Int 23 Uncertainty over Income Tax Treatments***

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

- (i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- (ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (CONT'D)

#### 2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of 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.

#### 2.7 Fundamental accounting principle

During the financial year ended 31 December 2017, the Group incurred loss for the financial year of RM24,560,905/-.

The directors of the Company are of the opinion that the preparation of the financial statements of the Group on a going concern basis remains appropriate after considering the cash flows generated from the operation of the Group and the available financing facilities supporting the assessment of the Group's ability to continue as going concern of at least 12 month from the end of the financial year.

Subsequent to the end of the financial year, the Company has successfully concluded an issuance of 200,000,000 new ordinary shares at RM0.25 per subscription share together with 40,000,000 new warrants at RM0.08 per subscription warrant to Ultimate Quality Success Sdn. Bhd. and its nominees.

In addition, a total amount of 77,159,551 warrants were exercised before the expiry date of the warrants on 24 April 2018 ("Expiry Date") which resulted in 77,159,551 ordinary shares being allotted, issued and quoted on Main Market of Bursa Malaysia Securities Berhad.

## NOTES 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.1 Basis of consolidation (Cont'd)

##### (a) Subsidiaries and business combination (Cont'd)

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.

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 cost of investment includes transaction costs. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

##### (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.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.4 Financial instruments (Cont'd)

##### (a) Subsequent measurement (Cont'd)

The Group and the Company categorise the financial instruments as follows: (Cont'd)

##### (i) Financial assets (Cont'd)

###### 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.

###### Available-for-sale financial assets

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.

###### Unquoted equity instruments carried at cost

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. The policy for the recognition and measurement/losses is in accordance with Note 3.10(a) to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.4 Financial instruments (Cont'd)

##### (a) Subsequent measurement (Cont'd)

The Group and the Company categorise the financial instruments as follows: (Cont'd)

##### (ii) Financial liabilities

###### Financial liabilities at fair value through profit or loss

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.

###### Other financial liabilities

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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.4 Financial instruments (Cont'd)

##### (c) Derecognition (Cont'd)

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.

##### (c) Depreciation

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

|                        |           |
|------------------------|-----------|
| 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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 assets

##### (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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.10 Impairment of assets (Cont'd)

##### (a) Impairment and uncollectibility of financial assets (Cont'd)

###### Loans and receivables and held-to-maturity investments (Cont'd)

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 there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss 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.

###### Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.10 Impairment of assets (Cont'd)

##### (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 exceeds 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.11 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### 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

Certain subsidiary 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

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

**(b) Rental income**

Rental revenue comprise rental of Point of Sale ("POS") equipment recognised on straight line basis over the specific tenure of the respective leases.

**(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 Taxes

**(a) 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.

**(i) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.14 Taxes (Cont'd)

##### (a) Income tax (Cont'd)

##### (ii) 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.14 Taxes (Cont'd)

##### (b) 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 ("CEO"), and/or the person acting at his capacity 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.

#### 3.16 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 recognise transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rates to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 7 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

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: (Cont'd)

#### (b) 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.

#### (c) Impairment of investment in subsidiaries and recoverability of amount owing by subsidiaries

The Company tests investments in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. Costs of investments in subsidiaries which have ceased operations were impaired up to net assets of the subsidiaries. The impairment made on investment in subsidiaries entails an allowance for doubtful debts to be made to the amount owing by these subsidiaries.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Company's tests for impairment of investments in subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. PROPERTY, PLANT AND EQUIPMENT

| Group   | Equipment<br>RM | Furniture<br>and<br>Fittings<br>RM | Motor<br>Vehicles<br>RM | Computers<br>RM | Renovation<br>RM | Total<br>RM |
|---|-----------------|------------------------------------|-------------------------|-----------------|------------------|-------------|
| <b>2017</b>                                   |                 |                                    |                         |                 |                  |             |
| <b>Cost</b>                                   |                 |                                    |                         |                 |                  |             |
| At 1 January 2017                             | 10,170,593      | 750,485                            | 835,736                 | 4,548,467       | 2,451,066        | 18,756,347  |
| Additions                                     | 9,799,070       | –                                  | –                       | 34,487          | –                | 9,833,557   |
| Exchange differences                          | (386,890)       | (22,704)                           | (16,220)                | (66,549)        | (97,392)         | (589,755)   |
| At 31 December 2017                           | 19,582,773      | 727,781                            | 819,516                 | 4,516,405       | 2,353,674        | 28,000,149  |
| <b>Accumulated depreciation</b>               |                 |                                    |                         |                 |                  |             |
| At 1 January 2017                             | 7,289,420       | 673,731                            | 754,140                 | 3,811,967       | 1,461,065        | 13,990,323  |
| Depreciation charge<br>for the financial year | 2,428,239       | 47,084                             | 53,144                  | 409,667         | 95,715           | 3,033,849   |
| Exchange differences                          | (337,299)       | (20,322)                           | (14,629)                | (54,628)        | (50,322)         | (477,200)   |
| At 31 December 2017                           | 9,380,360       | 700,493                            | 792,655                 | 4,167,006       | 1,506,458        | 16,546,972  |
| <b>Carrying amount</b>                        |                 |                                    |                         |                 |                  |             |
| At 1 January 2017                             | 2,881,173       | 76,754                             | 81,596                  | 736,500         | 990,001          | 4,766,024   |
| At 31 December 2017                           | 10,202,413      | 27,288                             | 26,861                  | 349,399         | 847,216          | 11,453,177  |
| <b>2016</b>                                   |                 |                                    |                         |                 |                  |             |
| <b>Cost</b>                                   |                 |                                    |                         |                 |                  |             |
| 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  |
| <b>Accumulated depreciation</b>               |                 |                                    |                         |                 |                  |             |
| At 1 January 2016                             | 6,781,681       | 644,195                            | 639,873                 | 3,305,184       | 1,340,634        | 12,711,567  |
| Depreciation charge<br>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  |
| <b>Carrying amount</b>                        |                 |                                    |                         |                 |                  |             |
| 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   |

## NOTES TO THE FINANCIAL STATEMENTS

## 5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Company                                       | Equipment<br>RM | Furniture<br>and<br>Fittings<br>RM | Motor<br>Vehicles<br>RM | Computers<br>RM | Renovation<br>RM | Total<br>RM |
|---|-----------------|------------------------------------|-------------------------|-----------------|------------------|-------------|
| <b>2017</b>                                   |                 |                                    |                         |                 |                  |             |
| <b>Cost</b>                                   |                 |                                    |                         |                 |                  |             |
| At 1 January 2017                             | 209,231         | 218,738                            | 572,997                 | 1,102,881       | 17,722           | 2,121,569   |
| Additions                                     | –               | –                                  | –                       | 2,190           | –                | 2,190       |
| At 31 December 2017                           | 209,231         | 218,738                            | 572,997                 | 1,105,071       | 17,722           | 2,123,759   |
| <b>Accumulated depreciation</b>               |                 |                                    |                         |                 |                  |             |
| At 1 January 2017                             | 166,622         | 216,728                            | 555,581                 | 1,003,823       | 1,151            | 1,943,905   |
| Depreciation charge<br>for the financial year | 8,860           | 1,794                              | 17,412                  | 59,672          | 354              | 88,092      |
| At 31 December 2017                           | 175,482         | 218,522                            | 572,993                 | 1,063,495       | 1,505            | 2,031,997   |
| <b>Carrying amount</b>                        |                 |                                    |                         |                 |                  |             |
| At 1 January 2017                             | 42,609          | 2,010                              | 17,416                  | 99,058          | 16,571           | 177,664     |
| At 31 December 2017                           | 33,749          | 216                                | 4                       | 41,576          | 16,217           | 91,762      |
| <b>2016</b>                                   |                 |                                    |                         |                 |                  |             |
| <b>Cost</b>                                   |                 |                                    |                         |                 |                  |             |
| 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   |
| <b>Accumulated depreciation</b>               |                 |                                    |                         |                 |                  |             |
| At 1 January 2016                             | 156,907         | 213,962                            | 485,930                 | 907,420         | 797              | 1,765,016   |
| Depreciation charge<br>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   |
| <b>Carrying amount</b>                        |                 |                                    |                         |                 |                  |             |
| 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     |

The carrying amount of RM8,228,345/- (2016: RM Nil) included in the equipment of the Group were acquired under deferred payment terms.



## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES

|   | 2017<br>RM        | Company<br>2016<br>RM |
|---|-------------------|-----------------------|
| <b>At cost</b>                            |                   |                       |
| Unquoted shares                           | 15,442,773        | 14,542,773            |
| ESOS granted to employees of subsidiaries | 65,196            | 122,427               |
| Additional during the year                | –                 | 900,000               |
|   | <b>15,507,969</b> | <b>15,565,200</b>     |
| Less: Impairment loss                     | (1,395,959)       | (1,395,959)           |
|   | <b>14,112,010</b> | <b>14,169,241</b>     |

On 17 April 2017 and 11 July 2017, Cuscapi Beijing Co. Ltd. and Cuscapi Shanghai Co. Ltd. have been restructured to become direct subsidiaries of Cuscapi Hong Kong Ltd.

In the previous financial year, 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/-.

Details of the subsidiaries are as follows:

| Name of company                       | Principal place of business/<br>country of incorporation | Effective ownership interest /<br>Voting rights |      | Principal activities  |
|---------------------------------------|--|---|------|---|
|                                       |  | 2017  | 2016 |   |
|                                       |  | %   | %    |   |
| 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 |

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

| Name of company                               | Principal place of business/<br>country of incorporation | Effective ownership interest /<br>Voting rights |           | Principal activities  |
|---|--|---|-----------|---|
|   |  | 2017<br>%                                       | 2016<br>% |   |
| Direct subsidiaries<br>(Cont'd)               |  |   |           |   |
| 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 |
| Cuscapi Interactive Solutions Sdn. Bhd.       | Malaysia   | 100   | 100       | Provision of software development, interactive devices solutions, POS and business management solutions   |
| 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 |

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

| Name of company                                 | Principal place of business/<br>country of incorporation | Effective ownership interest /<br>Voting rights |           | Principal activities   |
|---|--|---|-----------|--|
|   |  | 2017<br>%                                       | 2016<br>% |  |
| Subsidiaries of Cuscapi International Pte. Ltd. |  |   |           |  |
| 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 |

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

| Name of company  | Principal place of business/<br>country of incorporation | Effective ownership interest /<br>Voting rights |           | Principal activities   |
|--|--|---|-----------|--|
|  |  | 2017<br>%                                       | 2016<br>% |  |
| <b>Subsidiaries of Cuscap International Pte. Ltd. (Cont'd)</b> |  |   |           |  |
| 北京客凯易科技有限公司<br>(Cuscap Beijing Co. Ltd.) *                     | China  | —   | 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 |
| 上海客凯易信息科技有限公司<br>(Cuscap Shanghai Co. Ltd.) *                  | China  | —   | 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 |
| <b>Subsidiaries of Cuscap Hong Kong Ltd.</b>                   |  |   |           |  |
| 北京客凯易科技有限公司<br>(Cuscap Beijing Co. Ltd.) *                     | China  | 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                      |

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

| Name of company                                  | Principal place of business/<br>country of incorporation | Effective ownership interest /<br>Voting rights |           | Principal activities   |
|--|--|---|-----------|--|
|  |  | 2017<br>%                                       | 2016<br>% |  |
| Subsidiaries of Cuscapi Hong Kong Ltd. (Cont'd)  |  |   |           |  |
| 上海客凯易信息科技有限公司<br>(Cuscapi Shanghai Co. Ltd.) *   | China  | 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<br>(Cuscapi Suzhou Co. Ltd.) *       | China  | 100   | 100       | Software development   |
| 广州客凯易信息科技有限公司<br>(Cuscapi Guangzhou Co. Ltd.) *  | China  | 100   | 100       | Dormant  |
| Cuscapi Philippines, Inc +                       | Philippines  | 99.99   | 99.99     | Investment holding   |
| Cuscapi Interactive Technology (China) Pty Ltd * | Hong Kong  | 100   | 100       | Investment holding   |

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

| Name of company  | Principal place of business/<br>country of incorporation | Effective ownership interest /<br>Voting rights |           | Principal activities   |
|--|--|---|-----------|--|
|  |  | 2017<br>%                                       | 2016<br>% |  |
| <b>Subsidiary of Cuscapl Philippines, Inc</b><br>Tills N Labels System Marketing, Inc +  | Philippines  | <b>99.99</b>                                    | 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 |
| <b>Subsidiary of Cuscapl Interactive Technology (China) Pty Ltd</b><br>上海客凯易互动网络技术有限公司<br>(Shanghai Cuscapl Interactive Network Technology Co. Ltd.) * | China  | <b>100</b>                                      | 100       | Software development, interactive devices solutions, Point of Sales, 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.

## (a) 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. GOODWILL ON CONSOLIDATION

|                                  | 2017<br>RM  | Group<br>2016<br>RM |
|----------------------------------|-------------|---------------------|
| At 1 January                     | 4,730,349   | 8,413,848           |
| Impairment loss                  | (1,558,173) | (3,611,336)         |
| Currency translation differences | (650,450)   | (72,163)            |
| At 31 December                   | 2,521,726   | 4,730,349           |

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

|                                       | 2017<br>RM | Group<br>2016<br>RM |
|---------------------------------------|------------|---------------------|
| Cuscapl Solutions Sdn. Bhd.           | 988,390    | 988,390             |
| Tills N Labels System Marketing, Inc. | 1,533,336  | 3,741,959           |
|                                       | 2,521,726  | 4,730,349           |

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:

|                    | 2017    | 2016    |
|--------------------|---------|---------|
| Discount rates     | 18%     | 13%     |
| Sales growth rates | 0% - 8% | 0% - 8% |

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

## (i) 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.

## (ii) Discount rates

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

## NOTES TO THE FINANCIAL STATEMENTS

## 8. DEVELOPMENT COSTS

|  | Note | 2017<br>RM  | Group<br>2016<br>RM |
|--|------|-------------|---------------------|
| <b>Development cost</b>                |      |             |                     |
| At 1 January                           |      | 52,461,984  | 51,988,683          |
| Additions                              | (a)  | –           | 1,199,722           |
| Currency translation differences       |      | (1,071,821) | (726,421)           |
| At 31 December                         |      | 51,390,163  | 52,461,984          |
| <b>Accumulated amortisation</b>        |      |             |                     |
| At 1 January                           |      | 30,433,829  | 25,056,544          |
| Amortisation for the financial year    |      | 2,264,911   | 8,812,586           |
| Currency translation differences       |      | (509,475)   | (3,435,301)         |
| At 31 December                         |      | 32,189,265  | 30,433,829          |
| <b>Accumulated impairment loss</b>     |      |             |                     |
| At 1 January                           |      | 15,243,672  | 4,602,984           |
| Impairment loss for the financial year |      | 612,552     | 10,640,688          |
| Currency translation differences       |      | (422,328)   | –                   |
| At 31 December                         |      | 15,433,896  | 15,243,672          |
| <b>Net carrying amount</b>             |      |             |                     |
| At 31 December                         |      | 3,767,002   | 6,784,483           |

The amortisation of development costs of the Group and the Company amounting to RM2,264,911/- (2016: RM8,812,586/-) is included in cost of sales.

The impairment loss amounting to RM612,552/- (2016: RM10,640,688/-) 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) years 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 (2016: 1 to 5 years).

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

|                         | 2017<br>RM | Group<br>2016<br>RM |
|-------------------------|------------|---------------------|
| Staff costs:            |            |                     |
| Salaries and allowances | –          | 1,199,722           |



## NOTES TO THE FINANCIAL STATEMENTS

## 9. DEFERRED TAX ASSETS/(LIABILITIES)

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

|                          | 2017<br>RM     | Group<br>2016<br>RM |
|--------------------------|----------------|---------------------|
| Deferred tax assets      | 608,605        | 670,751             |
| Deferred tax liabilities | (5,991)        | (459,053)           |
|                          | <b>602,614</b> | <b>211,698</b>      |

Presented after appropriate offsetting as follows:

|  | 2017<br>RM     | Group<br>2016<br>RM |
|--|----------------|---------------------|
| At 1 January                           | 211,698        | (191,638)           |
| Currency realignment                   | (74,462)       | (13,627)            |
| Recognised in profit or loss (Note 25) | 465,378        | 416,963             |
| At 31 December                         | <b>602,614</b> | <b>211,698</b>      |

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

|   | 2017<br>RM     | Group<br>2016<br>RM |
|---|----------------|---------------------|
| Unabsorbed capital allowances   | –              | (4,180)             |
| Unutilised tax losses   | 577,193        | 649,152             |
| Unearned income   | 4,551          | 13,831              |
| Unrealised losses   | 26,861         | 15,949              |
| Differences between the carrying amounts of property,<br>plant and equipments and their tax bases | (5,991)        | (463,054)           |
|   | <b>602,614</b> | <b>211,698</b>      |

## NOTES TO THE FINANCIAL STATEMENTS

## 9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Unutilised tax losses   | 22,363,899 | 19,094,209 | 3,788,688  | 2,489,393  |
| Unutilised capital allowances                                   | 235,690    | 135,079    | 166,296    | 91,116     |
|   | 22,599,589 | 19,229,288 | 3,954,984  | 2,580,509  |
| Potential deferred tax assets not recognised at 24% (2016: 24%) | 5,423,901  | 4,615,029  | 949,196    | 619,322    |

## 10. TRADE AND OTHER RECEIVABLES

|   | Note | Group       |             | Company    |            |
|---|------|-------------|-------------|------------|------------|
|   |      | 2017<br>RM  | 2016<br>RM  | 2017<br>RM | 2016<br>RM |
| <b>Non-current</b>                          |      |             |             |            |            |
| <b>Trade</b>                                |      |             |             |            |            |
| Trade receivables                           |      | –           | 517,254     | –          | –          |
| <b>Current</b>                              |      |             |             |            |            |
| <b>Trade</b>                                |      |             |             |            |            |
| Trade receivables                           | (a)  | 12,709,776  | 13,493,322  | 7,300      | 7,300      |
| Amount owing by subsidiaries                | (b)  | –           | –           | 19,432,957 | 15,612,696 |
|   |      | 12,709,776  | 13,493,322  | 19,440,257 | 15,619,996 |
| Less: Impairment for trade receivables      |      | (2,929,189) | (2,898,788) | (7,300)    | (7,300)    |
| Impairment for amount owing by subsidiaries |      | –           | –           | (518,274)  | –          |
|   |      | 9,780,587   | 10,594,534  | 18,914,683 | 15,612,696 |

## NOTES TO THE FINANCIAL STATEMENTS

## 10. TRADE AND OTHER RECEIVABLES (CONT'D)

|   |      | Group      |            | Company      |              |
|---|------|------------|------------|--------------|--------------|
|   | Note | 2017<br>RM | 2016<br>RM | 2017<br>RM   | 2016<br>RM   |
| <b>Non-trade</b>  |      |            |            |              |              |
| Other receivables   |      | 316,223    | 661,108    | 78,144       | 85,760       |
| GST refundable  |      | 113,149    | 62,261     | –            | –            |
| Amount owing by subsidiaries                                | (b)  | –          | –          | 82,012,481   | 78,109,198   |
| Sundry advances   |      | 491,073    | 452,691    | 60,495       | 4,495        |
| Deposits  |      | 925,622    | 893,986    | 341,997      | 340,097      |
|   |      | 1,846,067  | 2,070,046  | 82,493,117   | 78,539,550   |
| Less: Impairment for other receivables                      |      | (341,371)  | (341,791)  | –            | –            |
| Impairment for amount owing by subsidiaries                 |      | –          | –          | (78,220,953) | (12,083,455) |
|   |      | 1,504,696  | 1,728,255  | 4,272,164    | 66,456,095   |
| Total trade and other receivables (current)                 |      | 11,285,283 | 12,322,789 | 23,186,847   | 82,068,791   |
| Total trade and other receivables (non-current and current) |      | 11,285,283 | 12,840,043 | 23,186,847   | 82,068,791   |

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

|                      | Group      |            | Company    |            |
|----------------------|------------|------------|------------|------------|
|                      | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| United States Dollar | 195,374    | 2,070,567  | 2,591,779  | 58,346,648 |
| Singapore Dollar     | –          | –          | –          | 124,227    |

- (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 (2016: 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. TRADE AND OTHER RECEIVABLES (CONT'D)

- (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<br>years<br>RM | Two to<br>three years<br>RM | Three to<br>four years<br>RM | Total<br>RM |
|--------------------|---------------------------|-----------------------------|------------------------------|-------------|
| <b>2017</b>        |                           |                             |                              |             |
| <b>Non-current</b> |                           |                             |                              |             |
| Trade receivables  | –                         | –                           | –                            | –           |
| <b>2016</b>        |                           |                             |                              |             |
| <b>Non-current</b> |                           |                             |                              |             |
| Trade receivables  | 517,254                   | –                           | –                            | 517,254     |

- (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    |            |
|--|------------|------------|------------|------------|
|  | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Neither past due nor impaired            | 3,560,343  | 5,672,584  | 820,765    | 3,503,707  |
| Past due but not impaired                | 6,220,244  | 5,439,204  | 18,612,192 | 12,108,989 |
| 1 - 30 days past due not impaired        | 1,622,465  | 610,074    | 362,994    | –          |
| 31 - 120 days past due not impaired      | 2,293,345  | 940,992    | 1,004,243  | –          |
| More than 121 days past due not impaired | 2,304,434  | 3,888,138  | 17,244,955 | 12,108,989 |
| Impaired                                 | 2,929,189  | 2,898,788  | 7,300      | 7,300      |
|  | 12,709,776 | 14,010,576 | 19,440,257 | 15,619,996 |

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. TRADE AND OTHER RECEIVABLES (CONT'D)

## (d) Ageing analysis of trade receivables (Cont'd)

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:

|                       | Group       |             | Individually impaired Company |            |
|-----------------------|-------------|-------------|-------------------------------|------------|
|                       | 2017<br>RM  | 2016<br>RM  | 2017<br>RM                    | 2016<br>RM |
| Trade receivables     |             |             |                               |            |
| - nominal amounts     | 2,929,189   | 2,898,788   | 7,300                         | 7,300      |
| Less: Impairment loss | (2,929,189) | (2,898,788) | (7,300)                       | (7,300)    |
|                       | -           | -           | -                             | -          |

Movements in the impairment accounts:

|                                | Group      |            | Company    |            |
|--------------------------------|------------|------------|------------|------------|
|                                | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| <b>At 1 January</b>            |            |            |            |            |
| - 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    |

## NOTES TO THE FINANCIAL STATEMENTS

## 10. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Ageing analysis of trade receivables (Cont'd)

Movements in the impairment accounts: (Cont'd)

|                                       | Group      |            | Company    |            |
|---------------------------------------|------------|------------|------------|------------|
|                                       | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| <b>Movement during the year:</b>      |            |            |            |            |
| - <i>Trade receivables</i>            |            |            |            |            |
| Charge for the financial year         | 382,839    | 2,416,041  | -          | -          |
| Currency realignment                  | (227,250)  | 5,860      | -          | -          |
| Reversal of impairment losses         | (125,188)  | -          | -          | -          |
|                                       | 30,401     | 2,421,901  | -          | -          |
| - <i>Other receivables</i>            |            |            |            |            |
| Charge for the financial year         | -          | 341,791    | -          | -          |
| Currency realignment                  | (420)      | -          | -          | -          |
|                                       | (420)      | 341,791    | -          | -          |
| - <i>Amount owing by subsidiaries</i> |            |            |            |            |
| Charge for the financial year         | -          | -          | 66,755,818 | 11,238,916 |
| Written-off                           | -          | -          | -          | (4,046)    |
| Reversal of impairment losses         | -          | -          | (100,046)  | -          |
|                                       | -          | -          | 66,655,772 | 11,234,870 |
| <b>At 31 December</b>                 |            |            |            |            |
| - <i>Trade receivables</i>            | 2,929,189  | 2,898,788  | 7,300      | 7,300      |
| - <i>Other receivables</i>            | 341,371    | 341,791    | -          | -          |
| - <i>Amount owing by subsidiaries</i> | -          | -          | 78,739,227 | 12,083,455 |
|                                       | 3,270,560  | 3,240,579  | 78,746,527 | 12,090,755 |

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 11. INVENTORIES

|  | 2017<br>RM        | Group<br>2016<br>RM |
|--|-------------------|---------------------|
| <b>At cost:</b>  |                   |                     |
| Point of sales related equipment, components and parts | 17,812,199        | 4,644,679           |
| <b>At net realisable value:</b>                        |                   |                     |
| Point of sales related equipment, components and parts | –                 | 320,976             |
|  | <b>17,812,199</b> | <b>4,965,655</b>    |
| Recognised profit or loss:                             |                   |                     |
| Inventories at cost recognised as cost of sales        | 6,541,361         | 8,388,265           |
| Inventories written off                                | 323,706           | 181,573             |
| Write down of inventories to net realisable value      | 1,110,894         | 291,471             |
| Reversal of inventories written down                   | (3,947)           | –                   |

## 12. CASH AND SHORT-TERM DEPOSITS

|  | 2017<br>RM       | Group<br>2016<br>RM | 2017<br>RM     | Company<br>2016<br>RM |
|--|------------------|---------------------|----------------|-----------------------|
| Cash and bank balances                         | 1,989,396        | 3,409,369           | 237,795        | 167,504               |
| Short-term deposits placed with licensed banks | 568,514          | 483,142             | 568,514        | 483,142               |
|  | <b>2,557,910</b> | <b>3,892,511</b>    | <b>806,309</b> | <b>650,646</b>        |

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

|  | 2017<br>RM       | Group<br>2016<br>RM | 2017<br>RM       | Company<br>2016<br>RM |
|--|------------------|---------------------|------------------|-----------------------|
| Short-term deposits placed with licensed banks | 568,514          | 483,142             | 568,514          | 483,142               |
| Less: Pledged deposits                         | (549,787)        | (382,788)           | (549,787)        | (382,788)             |
|  | <b>18,727</b>    | <b>100,354</b>      | <b>18,727</b>    | <b>100,354</b>        |
| Cash and bank balances                         | 1,989,396        | 3,409,369           | 237,795          | 167,504               |
| Bank overdraft (Note 16)                       | (473,394)        | (389,239)           | (473,394)        | (389,239)             |
|  | <b>1,534,729</b> | <b>3,120,484</b>    | <b>(216,872)</b> | <b>(121,381)</b>      |

The short-term deposits of the Group and of the Company amounting to RM549,787/- and RM549,787/- respectively (2016: RM382,788/- and RM382,788/-) 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 (CONT'D)

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

|                      | Group      |            | Company    |            |
|----------------------|------------|------------|------------|------------|
|                      | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| United States Dollar | 323,155    | 671,787    | 201,420    | 126,725    |
| China Renminbi       | 1,256      | 1,329      | –          | –          |
| Hong Kong Dollar     | 77,947     | –          | –          | –          |

The short-term deposits have maturity dates of 3 months and 12 months (2016: 12 months) which bear interest rate ranging 2.85% to 3% (2016: 2.85% to 3.30%) per annum.

## 13. SHARE CAPITAL

|                                     | 2017<br>Number of<br>ordinary<br>shares | Group and Company |   | 2016<br>RM  |
|-------------------------------------|---|-------------------|---|-------------|
|                                     |   | 2017<br>RM        | 2016<br>Number of<br>ordinary<br>shares |             |
| <b>Authorised:</b>                  |   |                   |   |             |
| At 31 December                      | –                                       | –                 | 1,200,000,000                           | 120,000,000 |
| <b>Issued and fully paid:</b>       |   |                   |   |             |
| At 1 January                        | 435,533,377                             | 43,553,338        | 435,533,377                             | 43,553,338  |
| Issued during the financial year    | 43,500,000                              | 9,700,500         | –                                       | –           |
| Conversion of ESOS                  | 17,411,634                              | 5,373,105         | –                                       | –           |
| Transaction costs of share issuance | –                                       | (85,908)          | –                                       | –           |
| Transition to no-par value regime   | –                                       | 14,305,266        | –                                       | –           |
| At 31 December                      | 496,445,011                             | 72,846,301        | 435,533,377                             | 43,553,338  |

The new Companies Act 2016 (the “Act”), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM14,305,266/- becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM14,305,266/- for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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.



## NOTES TO THE FINANCIAL STATEMENTS

### 13. SHARE CAPITAL (CONT'D)

During the financial year, the Company:

- (i) issued 43,500,000 new ordinary shares at a price of RM0.233 per ordinary share for working capital purposes; and
- (ii) issued 17,411,634 new ordinary shares arising from the exercise of 17,411,634 Employees' Share Options

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

### 14. OTHER RESERVES

|                                 | Note | Group             |            | Company           |            |
|---------------------------------|------|-------------------|------------|-------------------|------------|
|                                 |      | 2017<br>RM        | 2016<br>RM | 2017<br>RM        | 2016<br>RM |
| Share premium                   | (a)  | –                 | 14,305,266 | –                 | 14,305,266 |
| Exchange reserve                | (b)  | <b>10,922,345</b> | 9,861,546  | –                 | –          |
| Employees' share option reserve | (c)  | <b>73,583</b>     | 379,665    | <b>73,583</b>     | 379,665    |
| Statutory reserve               | (d)  | <b>222,464</b>    | 222,464    | –                 | –          |
| Warrants reserve                | (e)  | <b>11,207,235</b> | 11,207,235 | <b>11,207,235</b> | 11,207,235 |
|                                 |      | <b>22,425,627</b> | 35,976,176 | <b>11,280,818</b> | 25,892,166 |

#### (a) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Act, the sum of RM14,305,266/- standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 13 to the financial statements.

#### (b) Exchange reserve

The translation 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 as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

#### (c) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees as disclosed in Note 27 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 14. OTHER RESERVES (CONT'D)

#### (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.

#### (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 2017 are stated as below:

|          | Number of Warrants      |           |         | At<br>31 December<br>2017 |
|----------|-------------------------|-----------|---------|---------------------------|
|          | At<br>1 January<br>2017 | Exercised | Expired |                           |
| Warrants | 123,156,433             | –         | –       | 123,156,433               |

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 14. OTHER RESERVES (CONT'D)

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

|  |      | Group      |            | Company    |            |
|--|------|------------|------------|------------|------------|
|  | Note | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| <b>Non-current</b>                                       |      |            |            |            |            |
| <b>Trade</b>   |      |            |            |            |            |
| Trade payables   | (a)  | 8,700,813  | 880,246    | –          | –          |
| <b>Current</b>   |      |            |            |            |            |
| <b>Trade</b>   |      |            |            |            |            |
| Trade payables   | (a)  | 15,842,990 | 4,747,448  | –          | –          |
| <b>Non-trade</b>   |      |            |            |            |            |
| Other payables   | (a)  | 3,138,478  | 3,414,589  | 526,020    | 698,884    |
| GST payable  |      | 70,158     | 111,827    | 11,951     | 16,391     |
| Amount owing to subsidiaries                             | (b)  | –          | –          | 20,357,278 | 22,495,219 |
| Accrued operating expenses                               |      | 2,376,470  | 2,348,153  | 581,803    | 834,559    |
| Refundable deposits                                      |      | 1,331,261  | 348,358    | 14,371     | –          |
| Advance receipts from customer for maintenance contract  |      | 1,013,711  | 1,159,454  | –          | –          |
|  |      | 7,930,078  | 7,382,381  | 21,491,423 | 24,045,053 |
| Total trade and other payables (current)                 |      | 23,773,068 | 12,129,829 | 21,491,423 | 24,045,053 |
| Total trade and other payables (non-current and current) |      | 32,473,881 | 13,010,075 | 21,491,423 | 24,045,053 |

## NOTES TO THE FINANCIAL STATEMENTS

### 15. TRADE AND OTHER PAYABLES (CONT'D)

- (a) Included in trade payables is an amount of RM21,211,853/- (2016: RM Nil) payable to a supplier for the acquisition of equipments by one of the subsidiaries. This amount is subject to 6% interest bearing over 3 years of deferred payment terms.

The remaining trade and other payables are non-interest bearing and are normally settled on 30 to 120 days (2016: 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.

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

|                      | Group      |            | Company    |            |
|----------------------|------------|------------|------------|------------|
|                      | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| United States Dollar | 22,143,671 | 2,569,946  | 8,012,854  | 9,229,069  |
| Singapore Dollar     | –          | –          | 268,278    | 273,786    |
| China Renminbi       | 15,374     | –          | –          | –          |

### 16. SHORT-TERM BORROWING

|                | Group      |            | Company    |            |
|----------------|------------|------------|------------|------------|
|                | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Bank overdraft | 473,394    | 389,239    | 473,394    | 389,239    |

Bank overdraft bears interest at 8.42% (2016: 8.60%) per annum.

The bank overdraft of the Company is secured by way of RM200,000/- (2016: RM200,000/-) as sinking fund via quarterly placement of time deposit of RM50,000/- (2016: RM50,000/-).

### 17. REVENUE

|                 | Group      |            | Company    |            |
|-----------------|------------|------------|------------|------------|
|                 | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Sale of goods   | 14,582,102 | 18,326,350 | –          | –          |
| Services        | 18,692,640 | 21,793,941 | –          | –          |
| Management fees | –          | –          | 3,628,238  | 3,503,707  |
|                 | 33,274,742 | 40,120,291 | 3,628,238  | 3,503,707  |

## NOTES TO THE FINANCIAL STATEMENTS

## 18. DIRECT COST OF SALES

|                    | Group             |                   | Company    |            |
|--------------------|-------------------|-------------------|------------|------------|
|                    | 2017<br>RM        | 2016<br>RM        | 2017<br>RM | 2016<br>RM |
| Cost of goods sold | 14,929,194        | 16,672,325        | –          | –          |
| Other direct costs | 19,398,373        | 17,189,165        | –          | –          |
|                    | <b>34,327,567</b> | <b>33,861,490</b> | <b>–</b>   | <b>–</b>   |

## 19. OTHER INCOME

|  | Group          |                  | Company        |                  |
|--|----------------|------------------|----------------|------------------|
|  | 2017<br>RM     | 2016<br>RM       | 2017<br>RM     | 2016<br>RM       |
| Gain on disposal of property,<br>plant and equipment | –              | 4,553            | –              | –                |
| Insurance claim                                      | –              | 71               | –              | –                |
| Realised gain on foreign<br>exchange                 | –              | 300,759          | –              | 513,560          |
| Reversal of impairment loss<br>on trade receivables  | 102,777        | –                | 100,046        | –                |
| Reversal of inventories<br>written down              | 3,947          | –                | –              | –                |
| Sundry income  | 212,267        | 741,551          | –              | –                |
| Unrealised gain on foreign<br>exchange               | –              | –                | –              | 2,673,826        |
|  | <b>318,991</b> | <b>1,046,934</b> | <b>100,046</b> | <b>3,187,386</b> |

## NOTES TO THE FINANCIAL STATEMENTS

## 20. OTHER OPERATING EXPENSES

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Impairment loss on goodwill                     | 1,558,173  | 3,611,336  | –          | –          |
| Impairment loss on development costs            | 612,552    | 10,640,688 | –          | –          |
| Impairment loss on amount owing by subsidiaries | –          | –          | 66,755,818 | 11,238,916 |
|   | 2,170,725  | 14,252,024 | 66,755,818 | 11,238,916 |

## 21. FINANCE INCOME

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Interest income on short-term deposits placed with licensed bank | 52,658     | 53,886     | 47,778     | 25,827     |

## 22. FINANCE COSTS

|                    | Group      |            | Company    |            |
|--------------------|------------|------------|------------|------------|
|                    | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Interest expenses: |            |            |            |            |
| - bank overdraft   | 33,040     | 4,413      | 33,040     | 4,413      |
| - late payment     | 2,923      | 1,426      | –          | –          |
| - deferred payment | 828,433    | –          | –          | –          |
|                    | 864,396    | 5,839      | 33,040     | 4,413      |

## NOTES TO THE FINANCIAL STATEMENTS

## 23. LOSS BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at loss before tax:

|  |      | Group             |            | Company          |            |
|--|------|-------------------|------------|------------------|------------|
|  | Note | 2017<br>RM        | 2016<br>RM | 2017<br>RM       | 2016<br>RM |
| Amortisation of development costs              |      | <b>2,264,911</b>  | 8,812,586  | –                | –          |
| Auditor's remuneration:                        |      |                   |            |                  |            |
| - Statutory:                                   |      |                   |            |                  |            |
| - current year                                 |      | <b>421,330</b>    | 354,979    | <b>48,000</b>    | 48,000     |
| - Non statutory                                |      |                   |            |                  |            |
| - current year                                 |      | <b>23,000</b>     | 12,000     | <b>23,000</b>    | 12,000     |
| - prior year                                   |      | <b>11,000</b>     | 13,000     | <b>11,000</b>    | 13,000     |
| Bad debts written off                          |      | –                 | 499,753    | –                | 4,046      |
| Depreciation of property, plant and equipment  |      | <b>3,033,849</b>  | 2,292,601  | <b>88,092</b>    | 178,889    |
| Deposit forfeited                              |      | –                 | 3,776      | –                | –          |
| Employee benefits expense                      | 24   | <b>21,701,460</b> | 20,047,426 | <b>3,445,633</b> | 3,858,572  |
| Impairment loss on trade and other receivables |      | <b>395,972</b>    | 2,757,832  | –                | –          |
| Inventories written down                       |      | <b>1,110,894</b>  | 291,471    | –                | –          |
| Inventories written off                        |      | <b>323,706</b>    | 181,573    | –                | –          |
| Operating lease rental expenses                |      | <b>919,518</b>    | 912,425    | –                | –          |
| Property, plant and equipment written off      |      | –                 | 234,372    | –                | –          |
| Rental of premises                             |      | <b>3,102,194</b>  | 2,765,890  | <b>247,748</b>   | 213,168    |
| Realised loss on foreign exchange              |      | <b>347,771</b>    | –          | <b>533,069</b>   | –          |
| Unrealised loss on foreign exchange            |      | <b>925,630</b>    | 619,142    | <b>2,174,352</b> | –          |

## NOTES TO THE FINANCIAL STATEMENTS

## 24. EMPLOYEE BENEFITS EXPENSE

|  | Group             |                   | Company          |                  |
|--|-------------------|-------------------|------------------|------------------|
|  | 2017<br>RM        | 2016<br>RM        | 2017<br>RM       | 2016<br>RM       |
| Salaries, allowances, bonuses and overtime | 17,475,923        | 15,922,531        | 2,650,018        | 2,979,273        |
| Defined contribution plans                 | 1,499,515         | 2,178,551         | 297,411          | 334,529          |
| Other staff related expenses               | 1,833,702         | 1,946,344         | 160,504          | 544,770          |
| Share options granted under ESOS           | 892,320           | –                 | 337,700          | –                |
|  | <b>21,701,460</b> | <b>20,047,426</b> | <b>3,445,633</b> | <b>3,858,572</b> |

Included in employee benefits expenses are directors' remuneration as follows:

|                                    | Group and Company |                  |
|------------------------------------|-------------------|------------------|
|                                    | 2017<br>RM        | 2016<br>RM       |
| <b>Directors of the Company</b>    |                   |                  |
| <b>Executive Directors:</b>        |                   |                  |
| - Salaries, allowances and bonus   | 720,000           | 720,000          |
| - Defined contribution plan        | 86,400            | 86,400           |
| - Benefits-in-kind                 | 2,949             | 4,452            |
|                                    | <b>809,349</b>    | <b>810,852</b>   |
| <b>Non-executive Directors:</b>    |                   |                  |
| - Directors' fees                  | –                 | 353,000          |
| - Allowances                       | 35,000            | 73,000           |
| - Share options granted under ESOS | 56,110            | –                |
|                                    | <b>91,110</b>     | <b>426,000</b>   |
| Total directors' remuneration      | <b>900,459</b>    | <b>1,236,852</b> |



## NOTES TO THE FINANCIAL STATEMENTS

## 25. INCOME TAX CREDIT

The major components of income tax credit for the financial years ended 31 December 2017 and 2016 are as follows:

|  | Group            |                  | Company    |            |
|--|------------------|------------------|------------|------------|
|  | 2017<br>RM       | 2016<br>RM       | 2017<br>RM | 2016<br>RM |
| <b>Statement of comprehensive income</b>       |                  |                  |            |            |
| <b>Current income tax:</b>                     |                  |                  |            |            |
| - Current income tax charge                    | (226,945)        | (134,364)        | –          | –          |
| - Adjustment in respect of prior years         | (5,875)          | (19,359)         | –          | –          |
|  | <b>(232,820)</b> | <b>(153,723)</b> | <b>–</b>   | <b>–</b>   |
| <b>Deferred tax:</b>                           |                  |                  |            |            |
| Origination of temporary differences           | <b>465,378</b>   | 416,963          | –          | –          |
| Income tax credit recognised in profit or loss | <b>232,558</b>   | 263,240          | –          | –          |

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) 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       | 2017<br>%    | 2016<br>% |
|-----------------|--------------|-----------|
| (a) China       | <b>25.00</b> | 25.00     |
| (b) Singapore   | <b>17.00</b> | 17.00     |
| (c) Indonesia   | <b>25.00</b> | 25.00     |
| (d) Hong Kong   | <b>16.50</b> | 16.50     |
| (e) Thailand    | <b>20.00</b> | 20.00     |
| (f) Philippines | <b>30.00</b> | 30.00     |

## NOTES TO THE FINANCIAL STATEMENTS

## 25. INCOME TAX CREDIT (CONT'D)

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             |              |
|---|---------------------|--------------|---------------------|--------------|
|   | 2017<br>RM          | 2016<br>RM   | 2017<br>RM          | 2016<br>RM   |
| Loss before tax   | <b>(24,793,463)</b> | (38,478,815) | <b>(71,063,721)</b> | (10,319,155) |
| Tax at Malaysian statutory income tax rate of 24% (2016: 24%)                 | <b>5,950,431</b>    | 9,234,916    | <b>17,055,293</b>   | 2,476,597    |
| Adjustments:  |                     |              |                     |              |
| Income not subject to tax   | <b>67,202</b>       | 2,034,407    | –                   | 764,972      |
| Non-deductible expenses   | <b>(5,436,610)</b>  | (10,556,743) | <b>(16,725,419)</b> | (2,806,245)  |
| Tax incentives-pioneer status   | –                   | 5,229        | –                   | –            |
| Origination of deferred tax assets not recognised in the financial statements | <b>(808,872)</b>    | (835,394)    | <b>(329,874)</b>    | (435,324)    |
| Adjustment in respect of current income tax of prior years                    | <b>(5,875)</b>      | (19,359)     | –                   | –            |
| Utilisation of previously unrecognised tax losses and capital allowances      | <b>12,316</b>       | (142,390)    | –                   | –            |
| Adjustment in respect of deferred tax of prior years                          | <b>453,966</b>      | 542,574      | –                   | –            |
| Income tax credit   | <b>232,558</b>      | 263,240      | –                   | –            |

## 26. LOSS PER SHARE

## Basic loss per ordinary 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               |              |
|---|---------------------|--------------|
|   | 2017                | 2016         |
| Loss attributable to owners of the Company (RM)                     | <b>(24,560,905)</b> | (38,215,575) |
| Weighted average number of ordinary shares for basic loss per share | <b>473,192,264</b>  | 435,533,377  |
| Basic loss per ordinary share (sen)                                 | <b>(5.19)</b>       | (8.77)       |

## NOTES TO THE FINANCIAL STATEMENTS

### 26. LOSS PER SHARE (CONT'D)

#### Diluted loss per share

The diluted loss per ordinary share of the current and previous financial year are equal to the basic loss per ordinary share as it is anti-dilutive.

The loss per share amount is not adjusted for the following ordinary share transactions occurred during the end of the financial year to the date of the report:

- (i) the conversion of ESOS and warrants into new ordinary shares; and
- (ii) issue of new ordinary shares and new warrants.

This is because such transactions do not affect the amount of capital used to produce profit or loss for the financial period.

### 27. EMPLOYEE BENEFITS

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

At an Extraordinary General Meeting held on 18 January 2011, the ESOS to be granted to eligible senior executives and employees has been approved.

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 for a 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 27. EMPLOYEE BENEFITS (CONT'D)

## Employees' Share Option Scheme ("ESOS") (Cont'd)

The salient features of the ESOS are as follows: (Cont'd)

On 7 February 2011, 30 June 2011, 28 February 2012, 26 February 2013 and 15 August 2017, the Company granted 9,790,200 share options, 1,576,500 share options, 9,967,500 share options, 7,056,600 share options and 10,549,781 share options respectively, under the ESOS. These options expired on 23 January 2014, except for options granted on 15 August 2017 which will be expired on 14 August 2018, 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 By-Laws of ESOS ("By-Laws"), 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, except for the share options granted on 15 August 2017 which will be expired on 14 August 2018.

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        |                    |             |                    |
|----------------------------|--------------|--------------------|-------------|--------------------|
|                            | No.          | 2017<br>WAEP<br>RM | No.         | 2016<br>WAEP<br>RM |
| At 1 January               | 10,759,870   | 0.26               | 13,197,239  | 0.26               |
| Granted                    | 10,363,801   | 0.24               | –           | –                  |
| Lapsed                     | (1,323,380)  | 0.28               | (2,437,369) | 0.26               |
| Exercised                  | (17,411,634) | 0.24               | –           | –                  |
| At 31 December             | 2,388,657    | 0.27               | 10,759,870  | 0.26               |
| Exercisable at 31 December | 2,388,657    | 0.27               | 10,759,870  | 0.26               |

The options outstanding at 31 December 2017 have exercise prices range from RM0.21/- to RM0.30/- (2016: RM0.21/- to RM0.30/-) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2017 was 2 years (2016: 3 years)

The fair values of the share options granted were determined using a binomial option pricing model, and the inputs were:

**Grant date of 15 August 2017****Fair value of share options and assumptions**

|  |        |
|--|--------|
| Weighted average fair value of share option at grant date (RM) | 0.0861 |
| Weighted average share price (RM)                              | 0.2633 |
| Option life (years)  | 1      |
| Risk-free rate (%)   | 3.552  |
| Expected dividends (%)   | 0.00   |
| Expected volatility (%)  | 74.434 |

## NOTES TO THE FINANCIAL STATEMENTS

## 28. 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) Other financial liabilities ("FL")

|   | Carrying<br>amount<br>RM | L&R<br>RM         | FL<br>RM          |
|---|--------------------------|-------------------|-------------------|
| <b>2017</b>   |                          |                   |                   |
| <b>Financial assets</b>   |                          |                   |                   |
| <b>Group</b>  |                          |                   |                   |
| Trade and other receivables<br>(exclude GST refundable)               | 11,172,134               | 11,172,134        | –                 |
| Cash and short-term deposits  | 2,557,910                | 2,557,910         | –                 |
|   | <b>13,730,044</b>        | <b>13,730,044</b> | <b>–</b>          |
| <b>Company</b>  |                          |                   |                   |
| Trade and other receivables<br>(exclude GST refundable)               | 23,186,847               | 23,186,847        | –                 |
| Cash and short-term deposits  | 806,309                  | 806,309           | –                 |
|   | <b>23,993,156</b>        | <b>23,993,156</b> | <b>–</b>          |
| <b>Financial liabilities</b>  |                          |                   |                   |
| <b>Group</b>  |                          |                   |                   |
| Trade and other payables (exclude<br>GST payable and advance receipt) | 31,390,012               | –                 | 31,390,012        |
| Short-term borrowing  | 473,394                  | –                 | 473,394           |
|   | <b>31,863,406</b>        | <b>–</b>          | <b>31,863,406</b> |
| <b>Company</b>  |                          |                   |                   |
| Other payables (exclude GST payable)                                  | 21,479,472               | –                 | 21,479,472        |
| Short-term borrowing  | 473,394                  | –                 | 473,394           |
|   | <b>21,952,866</b>        | <b>–</b>          | <b>21,952,866</b> |

## NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL INSTRUMENTS (CONT'D)

## (a) Categories of financial instruments (Cont'd)

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 28. FINANCIAL INSTRUMENTS (CONT'D)

#### (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 and interest rate 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.

#### (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.

##### Credit risk concentration profile

The Group determines the credit risk concentration of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date arising from the amount due from 1 (2016: 1) customer representing approximately 28% (2016: 19%) of the total trade receivables.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Financial risk management (Cont'd)

##### (i) Credit risk (Cont'd)

###### Other financial assets

For other financial assets cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

###### 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 RM Nil (2016: RM180,319/-) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 28(b)(ii). 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.

###### Corporate guarantee

The Company has granted corporate guarantee of RM21,890,897/- (2016: RM Nil) to a supplier of a subsidiary.

##### (ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other 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



## NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL INSTRUMENTS (CONT'D)

## (b) Financial risk management (Cont'd)

## (ii) Liquidity risk (Cont'd)

## 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:

|  | Contractual cash flows   |  |                                  |                               | Total<br>RM       |
|--|--------------------------|--|----------------------------------|-------------------------------|-------------------|
|  | Carrying<br>amount<br>RM | On demand<br>or within<br>1 year<br>RM | Between<br>1 to 5<br>years<br>RM | More<br>than<br>5 years<br>RM |                   |
| <b>Group</b>   |                          |  |                                  |                               |                   |
| <b>2017</b>  |                          |  |                                  |                               |                   |
| Trade and other payables<br>(exclude GST payable<br>and advance receipt) | 31,390,012               | 23,191,692                             | 8,877,364                        | –                             | 32,069,056        |
| Short-term borrowing   | 473,394                  | 513,254                                | –                                | –                             | 513,254           |
|  | <b>31,863,406</b>        | <b>23,704,946</b>                      | <b>8,877,364</b>                 | <b>–</b>                      | <b>32,582,310</b> |
| <b>2016</b>  |                          |  |                                  |                               |                   |
| Trade and other payables<br>(exclude GST payable<br>and advance receipt) | 11,738,794               | 10,858,548                             | 880,246                          | –                             | 11,738,794        |
| Short-term borrowing   | 389,239                  | 422,714                                | –                                | –                             | 422,714           |
|  | <b>12,128,033</b>        | <b>11,281,262</b>                      | <b>880,246</b>                   | <b>–</b>                      | <b>12,161,508</b> |
| <b>Company</b>   |                          |  |                                  |                               |                   |
| <b>2017</b>  |                          |  |                                  |                               |                   |
| Other payables<br>(exclude GST payable)                                  | 21,479,472               | 21,479,472                             | –                                | –                             | 21,479,472        |
| Short-term borrowing   | 473,394                  | 513,254                                | –                                | –                             | 513,254           |
| Corporate guarantee  | –                        | 13,013,533                             | 8,877,364                        | –                             | 21,890,897        |
|  | <b>21,952,866</b>        | <b>35,006,259</b>                      | <b>8,877,364</b>                 | <b>–</b>                      | <b>43,883,623</b> |
| <b>2016</b>  |                          |  |                                  |                               |                   |
| Other payables<br>(exclude GST payable)                                  | 24,028,662               | 24,028,662                             | –                                | –                             | 24,028,662        |
| Short-term borrowing   | 389,239                  | 422,714                                | –                                | –                             | 422,714           |
| Financial guarantee contract   | –                        | 180,319                                | –                                | –                             | 180,319           |
|  | <b>24,417,901</b>        | <b>24,631,695</b>                      | <b>–</b>                         | <b>–</b>                      | <b>24,631,695</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### 28. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Financial risk management (Cont'd)

##### (iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales and purchases that are denominated in a foreign currency) and net investments in foreign subsidiaries.

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 fluctuation. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's and the Company's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

|                             | United<br>States<br>Dollar<br>RM | Singapore<br>Dollar<br>RM | China<br>Renminbi<br>RM | Hong<br>Kong<br>Dollar<br>RM |
|-----------------------------|----------------------------------|---------------------------|-------------------------|------------------------------|
| <b>Group<br/>2017</b>       |                                  |                           |                         |                              |
| Trade and other receivables | 195,374                          | —                         | —                       | —                            |
| Cash and bank balances      | 323,155                          | —                         | 1,256                   | 77,947                       |
| Trade and other payables    | (22,143,671)                     | —                         | (15,374)                | —                            |
|                             | <b>(21,625,142)</b>              | <b>—</b>                  | <b>(14,118)</b>         | <b>77,947</b>                |
| <b>2016</b>                 |                                  |                           |                         |                              |
| Trade and other receivables | 2,070,567                        | —                         | —                       | —                            |
| Cash and bank balances      | 671,787                          | —                         | 1,329                   | —                            |
| Trade and other payables    | (2,569,946)                      | —                         | —                       | —                            |
|                             | <b>172,408</b>                   | <b>—</b>                  | <b>1,329</b>            | <b>—</b>                     |

## NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL INSTRUMENTS (CONT'D)

## (b) Financial risk management (Cont'd)

## (iii) Foreign currency risk (Cont'd)

The Group's and the Company's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows: (Cont'd)

| Company                     | United<br>States<br>Dollar<br>RM | Singapore<br>Dollar<br>RM | China<br>Renminbi<br>RM | Hong<br>Kong<br>Dollar<br>RM |
|-----------------------------|----------------------------------|---------------------------|-------------------------|------------------------------|
| <b>2017</b>                 |                                  |                           |                         |                              |
| Trade and other receivables | 2,591,779                        | –                         | –                       | –                            |
| Cash and bank balances      | 201,420                          | –                         | –                       | –                            |
| Other payables              | (8,012,854)                      | (268,278)                 | –                       | –                            |
|                             | (5,219,655)                      | (268,278)                 | –                       | –                            |
| <b>2016</b>                 |                                  |                           |                         |                              |
| Trade and other receivables | 58,346,648                       | 124,227                   | –                       | –                            |
| Cash and bank balances      | 126,725                          | –                         | –                       | –                            |
| Other payables              | (9,229,069)                      | (273,786)                 | –                       | –                            |
|                             | 49,244,304                       | (149,559)                 | –                       | –                            |

Sensitivity analysis for foreign currency risk

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL INSTRUMENTS (CONT'D)

## (b) Financial risk management (Cont'd)

## (iii) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk (Cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the respective foreign currencies, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

|   | Group                           |                                 | Company                         |                                 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | 2017<br>Increase/<br>(Decrease) | 2016<br>Increase/<br>(Decrease) | 2017<br>Increase/<br>(Decrease) | 2016<br>Increase/<br>(Decrease) |
| <b>Effects on profit or loss and equity</b> |                                 |                                 |                                 |                                 |
| United States Dollar<br>- strengthen by 3%  | (648,754)                       | 5,172                           | (156,590)                       | 1,477,329                       |
| Singapore Dollar<br>- strengthen by 3%      | –                               | –                               | (8,048)                         | (4,487)                         |
| China Renminbi<br>- strengthen by 3%        | (424)                           | 40                              | –                               | –                               |
| Hong Kong Dollar<br>- strengthen by 3%      | 2,338                           | –                               | –                               | –                               |

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.

## (iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result 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's and the Company's policy to manage their interest rate risk is 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL INSTRUMENTS (CONT'D)

## (b) Financial risk management (Cont'd)

## (iv) Interest rate risk (Cont'd)

The following table demonstrates the interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as the end of the reporting period.

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| <i>Fixed rate instruments</i>                 |            |            |            |            |
| <b>Financial asset</b>                        |            |            |            |            |
| Short-term deposits placed with licensed bank | 568,514    | 483,142    | 568,514    | 483,142    |
| <i>Floating rate instruments</i>              |            |            |            |            |
| <b>Financial liability</b>                    |            |            |            |            |
| Short-term borrowing                          |            |            |            |            |
| - Bank overdraft                              | 473,394    | 389,239    | 473,394    | 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

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.

## (c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

There have been no transfers between Level 1 and Level 2 during the financial year (2016: no transfer in either directions).

## NOTES TO THE FINANCIAL STATEMENTS

## 28. FINANCIAL INSTRUMENTS (CONT'D)

## (c) Fair value measurement (Cont'd)

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

| Group<br>2017                | Carrying<br>amount<br>Total<br>RM | Fair value of financial instruments<br>not carried at fair value |               |               | Total<br>RM |
|------------------------------|-----------------------------------|--|---------------|---------------|-------------|
|                              |                                   | Level 1<br>RM  | Level 2<br>RM | Level 3<br>RM |             |
| <b>Financial liabilities</b> |                                   |  |               |               |             |
| Trade payables               | 8,700,813                         | -  | -             | 8,700,813     | 8,700,813   |
| <b>2016</b>                  |                                   |  |               |               |             |
| <b>Financial liabilities</b> |                                   |  |               |               |             |
| Trade payables               | 880,246                           | -  | -             | 880,246       | 880,246     |

**Level 3 fair value**Fair value of financial instruments not carried at fair value

The fair value of amount owing by subsidiaries, amount owing by related companies, bank borrowings, amount owing to subsidiaries and amount owing to related companies are determined using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

## 29. CAPITAL AND OTHER COMMITMENTS

**Operating leases commitments - 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 payable under non-cancellable operating lease at the reporting date is as follows:

|  | Group          |                  |
|--|----------------|------------------|
|  | 2017<br>RM     | 2016<br>RM       |
| - Not later than one year                          | 308,288        | 923,482          |
| - More than one year and not later than two years  | 267,290        | 424,762          |
| - More than two year and not later than five years | -              | 267,290          |
|  | <b>575,578</b> | <b>1,615,534</b> |

The Group leases rental equipment from suppliers under operating leases. These non-cancellable leases will expire between 2017 to 2019 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 customer.

## NOTES TO THE FINANCIAL STATEMENTS

### 30. RELATED PARTIES

#### (a) Identity of related parties

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

Related parties of the Group include:

- (i) Subsidiaries; and
- (ii) Key management personnel of the Group's and of the Company's, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

#### (b) Significant related party transactions

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

|   | Company    |            |
|---|------------|------------|
|   | 2017<br>RM | 2016<br>RM |
| <b>Management fees</b>                  |            |            |
| - Cuscapi Malaysia Sdn. Bhd.            | 2,803,624  | 3,041,606  |
| - Cuscapi Solutions Sdn. Bhd.           | 257,546    | 199,403    |
| - Cuscapi Innovation Lab Sdn. Bhd.      | 290,226    | 104,965    |
| - Cuscapi Consulting Services Sdn. Bhd. | 276,842    | 157,733    |

#### (c) Compensation of key management personnel

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

|                                   | Group      |            | Company    |            |
|-----------------------------------|------------|------------|------------|------------|
|                                   | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Executive Directors' remuneration |            |            |            |            |
| - salaries and other emoluments   | 722,949    | 724,452    | 722,949    | 724,452    |
| Post-employment benefits:         |            |            |            |            |
| - defined contribution plan       | 86,400     | 86,400     | 86,400     | 86,400     |
|                                   | 809,349    | 810,852    | 809,349    | 810,852    |

## NOTES TO THE FINANCIAL STATEMENTS

## 30. RELATED PARTIES (CONT'D)

## (c) Compensation of key management personnel (Cont'd)

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

|   | Group            |            | Company          |            |
|---|------------------|------------|------------------|------------|
|   | 2017<br>RM       | 2016<br>RM | 2017<br>RM       | 2016<br>RM |
| Key Management Personnel's remuneration |                  |            |                  |            |
| - salaries and other emoluments         | <b>1,045,056</b> | 815,231    | <b>623,553</b>   | 373,227    |
| Post-employment benefits:               |                  |            |                  |            |
| - defined contribution plan             | <b>76,021</b>    | 69,717     | <b>76,021</b>    | 44,680     |
| - Share options granted under ESOS      | <b>156,773</b>   | –          | <b>156,773</b>   | –          |
|   | <b>1,277,850</b> | 884,948    | <b>856,347</b>   | 417,907    |
|   | <b>2,085,079</b> | 1,695,800  | <b>1,663,576</b> | 1,228,759  |

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 860,628 units (2016: 1,357,795 units).

## 31. 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 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           |            |
|--|-------------------|------------|-------------------|------------|
|  | 2017<br>RM        | 2016<br>RM | 2017<br>RM        | 2016<br>RM |
| Total liabilities                            | <b>32,953,266</b> | 13,858,367 | <b>21,964,817</b> | 24,434,292 |
| Equity attributable to owners of the Company | <b>18,843,372</b> | 27,610,896 | <b>16,424,898</b> | 72,806,538 |
| Debt-to-equity ratio                         | <b>175%</b>       | 50%        | <b>134%</b>       | 34%        |

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.



## NOTES TO THE FINANCIAL STATEMENTS

### 32. SEGMENTAL INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the Chief Executive Officer ("CEO"), and/or the person acting at his capacity for the purpose of making decisions about resource allocation and performance assessment.

For management purposes, the Group is organised into strategic business units based on geography locations and business units.

(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.

(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.

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.

**NOTES TO THE FINANCIAL STATEMENTS****32. SEGMENTAL INFORMATION (CONT'D)****(b) Business units (Cont'd)**Segment profit

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.

Segment asset

The total of segment asset is measured based on all assets of a segment, as included in the internal reports that are reviewed by the Board of Directors.

Segment liabilities

The total segment liabilities are measured based on all liabilities (excluding deferred tax liabilities and current tax liabilities) of a segment as included in the internal reports that are reviewed by the Board of Directors.

## NOTES TO THE FINANCIAL STATEMENTS

## 32. SEGMENTAL INFORMATION (CONT'D)

| 2017   | Note | Geographical Segment |                 |                            | Business Unit Segment   |                 |             | Eliminations and adjustments | Consolidated |
|--|------|----------------------|-----------------|----------------------------|-------------------------|-----------------|-------------|------------------------------|--------------|
|  |      | Malaysia             | South East Asia | People's Republic of China | Operational Cost Centre | Group Corporate | Total       |                              |              |
|  |      | RM                   | RM              | RM                         | RM                      | RM              | RM          | RM                           | RM           |
| <b>Revenue</b>   |      |                      |                 |                            |                         |                 |             |                              |              |
| Revenue from external customers                              |      | 18,296,303           | 10,667,303      | 4,311,136                  | -                       | -               | 33,274,742  | -                            | 33,274,742   |
| Inter-company revenue  | A    | 2,090,690            | 45,113          | 234,549                    | 2,639,104               | 3,628,238       | 8,637,694   | (8,637,694)                  | -            |
|  |      | 20,386,993           | 10,712,416      | 4,545,685                  | 2,639,104               | 3,628,238       | 41,912,436  | (8,637,694)                  | 33,274,742   |
| <b>Results</b>   |      |                      |                 |                            |                         |                 |             |                              |              |
| <i>Included in the measure of segment profit/(loss) are:</i> |      |                      |                 |                            |                         |                 |             |                              |              |
| Interest income  |      | 2,029                | 1,414           | 883                        | 555                     | 47,778          | 52,659      | -                            | 52,659       |
| Interest expenses  |      | (829,120)            | (31)            | (2,204)                    | -                       | (33,040)        | (864,395)   | -                            | (864,395)    |
| Reversal of impairment loss on trade receivables             |      | 102,777              | -               | -                          | -                       | -               | 102,777     | -                            | 102,777      |
| Reversal of inventories written down                         |      | 3,947                | -               | -                          | -                       | -               | 3,947       | -                            | 3,947        |
| Amortisation of development costs                            |      | (979,183)            | -               | -                          | (1,285,728)             | -               | (2,264,911) | -                            | (2,264,911)  |
| Depreciation of property, plant and equipment                |      | (2,030,350)          | (414,697)       | (316,326)                  | (184,383)               | (88,093)        | (3,033,849) | -                            | (3,033,849)  |
| Impairment loss on development costs                         |      | -                    | -               | -                          | (612,552)               | -               | (612,552)   | -                            | (612,552)    |
| Impairment loss on goodwill                                  |      | -                    | -               | -                          | (1,558,173)             | -               | (1,558,173) | -                            | (1,558,173)  |
| Inventories written down                                     |      | -                    | -               | (1,110,894)                | -                       | -               | (1,110,894) | -                            | (1,110,894)  |
| Inventories written off                                      |      | (303,210)            | (20,496)        | -                          | -                       | -               | (323,706)   | -                            | (323,706)    |

## NOTES TO THE FINANCIAL STATEMENTS

## 32. SEGMENTAL INFORMATION (CONT'D)

| 2017                                       | Note     | Geographical Segment |                   |                            | Business Unit Segment   |                     |                      | Eliminations and adjustments |    | Consolidated        |
|--|----------|----------------------|-------------------|----------------------------|-------------------------|---------------------|----------------------|------------------------------|----|---------------------|
|  |          | Malaysia             | South East Asia   | People's Republic of China | Operational Cost Centre | Group Corporate     | Total                | RM                           | RM | RM                  |
| <b>Results (Cont'd)</b>                    |          |                      |                   |                            |                         |                     |                      |                              |    |                     |
| Impairment loss on trade receivables       |          | (299,875)            | (96,097)          | -                          | -                       | -                   | (395,972)            | -                            | -  | (395,972)           |
| Rental of premises                         |          | (467,256)            | (806,949)         | (1,116,251)                | (463,990)               | (247,748)           | (3,102,194)          | -                            | -  | (3,102,194)         |
| Operating lease rental expenses            |          | (919,518)            | -                 | -                          | -                       | -                   | (919,518)            | -                            | -  | (919,518)           |
| Realised gain/(loss) on foreign exchange   |          | 184,936              | -                 | -                          | 362                     | (533,069)           | (347,771)            | -                            | -  | (347,771)           |
| Unrealised (loss)/gain on foreign exchange |          | (965,415)            | 39,785            | -                          | -                       | -                   | (925,630)            | -                            | -  | (925,630)           |
| <b>Segment (loss)/profit</b>               | <b>B</b> | <b>(14,630,815)</b>  | <b>1,200,365</b>  | <b>(2,973,576)</b>         | <b>(15,588,357)</b>     | <b>(71,063,721)</b> | <b>(103,056,104)</b> | <b>78,262,641</b>            |    | <b>(24,793,463)</b> |
| Income tax credit/(expense)                |          | 96                   | (164,832)         | -                          | 397,294                 | -                   | 232,558              | -                            | -  | 232,558             |
| (Loss)/Profit for the financial year       |          | (14,630,719)         | 1,035,533         | (2,973,576)                | (15,191,065)            | (71,063,721)        | (102,823,546)        | 78,262,641                   |    | (24,560,905)        |
| <b>Assets</b>                              |          |                      |                   |                            |                         |                     |                      |                              |    |                     |
| Segment assets                             |          | 30,846,669           | 38,788,086        | 32,493,772                 | 42,507,325              | 38,387,525          | 183,023,377          | (141,064,086)                |    | 41,959,291          |
| Addition to non-current assets             |          | 9,767,147            | 29,522            | 14,097                     | 24,391                  | 2,190               | 9,837,347            | -                            |    | 9,837,347           |
| <b>Total Asset</b>                         | <b>C</b> | <b>40,613,816</b>    | <b>38,817,608</b> | <b>32,507,869</b>          | <b>42,531,716</b>       | <b>38,389,715</b>   | <b>192,860,724</b>   | <b>(141,064,086)</b>         |    | <b>51,796,638</b>   |
| <b>Liabilities</b>                         |          |                      |                   |                            |                         |                     |                      |                              |    |                     |
| Segment liabilities                        |          | 61,124,409           | 38,634,932        | 50,021,090                 | 38,966,582              | 21,964,817          | 210,711,830          | (177,758,564)                |    | 32,953,266          |

## NOTES TO THE FINANCIAL STATEMENTS

## 32. SEGMENTAL INFORMATION (CONT'D)

|  | 2016 | Note | Geographical Segment |                 |                            | Business Unit Segment   |                 |              | Eliminations and adjustments | Consolidated |
|--|------|------|----------------------|-----------------|----------------------------|-------------------------|-----------------|--------------|------------------------------|--------------|
|  |      |      | Malaysia             | South East Asia | People's Republic of China | Operational Cost Centre | Group Corporate | Total        |                              |              |
|  |      |      | RM                   | RM              | RM                         | RM                      | RM              | RM           | RM                           | RM           |
| <b>Revenue</b>   |      |      |                      |                 |                            |                         |                 |              |                              |              |
| Revenue from external customers                              |      |      | 18,357,144           | 11,853,714      | 9,909,433                  | -                       | -               | 40,120,291   | -                            | 40,120,291   |
| Inter-company revenue  | A    |      | 1,717,651            | 44,217          | 644,161                    | 2,558,711               | 3,503,707       | 8,468,447    | (8,468,447)                  | -            |
|  |      |      | 20,074,795           | 11,897,931      | 10,553,594                 | 2,558,711               | 3,503,707       | 48,588,738   | (8,468,447)                  | 40,120,291   |
| <b>Results</b>   |      |      |                      |                 |                            |                         |                 |              |                              |              |
| <i>Included in the measure of segment profit/(loss) are:</i> |      |      |                      |                 |                            |                         |                 |              |                              |              |
| Interest income  |      |      | 21,418               | 2,651           | 3,460                      | 530                     | 25,827          | 53,886       | -                            | 53,886       |
| Interest expense   |      |      | -                    | -               | (1,192)                    | (234)                   | (4,413)         | (5,839)      | -                            | (5,839)      |
| Gain on disposal of property, plant and equipment            |      |      | 4,458                | -               | 95                         | -                       | -               | 4,553        | -                            | 4,553        |
| Amortisation of development costs                            |      |      | (1,841,102)          | -               | (6,971,484)                | -                       | -               | (8,812,586)  | -                            | (8,812,586)  |
| Bad debts written off  |      |      | (366,729)            | (128,978)       | -                          | -                       | (4,046)         | (499,753)    | -                            | (499,753)    |
| Deposit forfeited  |      |      | (3,776)              | -               | -                          | -                       | -               | (3,776)      | -                            | (3,776)      |
| Depreciation of property, plant and equipment                |      |      | (873,424)            | (833,227)       | (585,950)                  | -                       | -               | (2,292,601)  | -                            | (2,292,601)  |
| Impairment loss on development costs                         |      |      | -                    | -               | -                          | (10,640,688)            | -               | (10,640,688) | -                            | (10,640,688) |
| Impairment loss on goodwill                                  |      |      | -                    | (2,599,726)     | -                          | (1,011,610)             | -               | (3,611,336)  | -                            | (3,611,336)  |
| Impairment loss on trade and other receivables               |      |      | (427,007)            | (2,330,825)     | -                          | -                       | -               | (2,757,832)  | -                            | (2,757,832)  |

## NOTES TO THE FINANCIAL STATEMENTS

## 32. SEGMENTAL INFORMATION (CONT'D)

|   | Note | Geographical Segment |                 |                            | Business Unit Segment   |                 |              | Eliminations and adjustments | Consolidated |
|---|------|----------------------|-----------------|----------------------------|-------------------------|-----------------|--------------|------------------------------|--------------|
|   |      | Malaysia             | South East Asia | People's Republic of China | Operational Cost Centre | Group Corporate | Total        |                              |              |
| 2016  |      | RM                   | RM              | RM                         | RM                      | RM              | RM           | RM                           | RM           |
| <b>Results (Cont'd)</b>                     |      |                      |                 |                            |                         |                 |              |                              |              |
| Inventories written down                    |      | (291,471)            | -               | -                          | -                       | -               | (291,471)    | -                            | (291,471)    |
| Inventories written off                     |      | (169,190)            | (8,984)         | (3,399)                    | -                       | -               | (181,573)    | -                            | (181,573)    |
| Property, plant and equipment written off   |      | -                    | (116,824)       | (117,548)                  | -                       | -               | (234,372)    | -                            | (234,372)    |
| Rental of premises                          |      | (506,145)            | (865,656)       | (1,085,955)                | (94,966)                | (213,168)       | (2,765,890)  | -                            | (2,765,890)  |
| Operating lease rental expenses             |      | -                    | (912,425)       | -                          | -                       | -               | (912,425)    | -                            | (912,425)    |
| Realised (loss)/gain on foreign exchange    |      | (7,916)              | (201,305)       | (3,768)                    | 188                     | 513,560         | 300,759      | -                            | 300,759      |
| Unrealised (loss)/gain on foreign exchange  |      | (27,665)             | (594,306)       | -                          | 2,829                   | -               | (619,142)    | -                            | (619,142)    |
| <b>Segment profit/(loss)</b>                | B    | 48,334               | (6,244,115)     | 414,650                    | (3,630,246)             | (10,319,155)    | (19,730,532) | (18,748,283)                 | (38,478,815) |
| Income tax (expense)/credit                 |      | (186)                | 415,883         | -                          | (152,457)               | -               | 263,240      | -                            | 263,240      |
| <b>Profit/(Loss) for the financial year</b> |      | 48,148               | (5,828,232)     | 414,650                    | (3,782,703)             | (10,319,155)    | (19,467,292) | (18,748,283)                 | (38,215,575) |
| <b>Assets</b>                               |      |                      |                 |                            |                         |                 |              |                              |              |
| Segment assets                              |      | 34,428,086           | 41,987,841      | 34,199,505                 | 50,362,528              | 97,228,615      | 258,206,575  | (217,865,928)                | 40,340,647   |
| Addition to non-current assets              |      | 528,669              | 229,589         | 287,141                    | 68,961                  | 14,256          | 1,128,616    | -                            | 1,128,616    |
| <b>Total Assets</b>                         | C    | 34,956,755           | 42,217,430      | 34,486,646                 | 50,431,489              | 97,242,871      | 259,335,191  | (217,865,928)                | 41,469,263   |
| <b>Liabilities</b>                          |      |                      |                 |                            |                         |                 |              |                              |              |
| Segment liabilities                         |      | 41,824,350           | 42,416,335      | 49,713,425                 | 31,279,592              | 24,436,333      | 189,670,035  | (175,811,668)                | 13,858,367   |

## NOTES TO THE FINANCIAL STATEMENTS

## 32. SEGMENTAL INFORMATION (CONT'D)

Reconciliation of reportable segment revenue, profit or loss, assets, liabilities and other material items are as follows:

**A Inter-company revenue**

Inter-company revenue are eliminated on consolidation.

**B Reconciliation of profit or loss**

|   | 2017<br>RM  | 2016<br>RM   |
|---|-------------|--------------|
| Inter-segment income                              | 80,296,322  | 11,238,916   |
| Unallocated amount:<br>- Other corporate expenses | (2,033,681) | (29,987,199) |
|   | 78,262,641  | (18,748,283) |

**C Reconciliation of assets**

|                      | 2017<br>RM  | 2016<br>RM  |
|----------------------|-------------|-------------|
| Inter-segment assets | 141,064,086 | 217,865,928 |

Geographical information

Revenue and non-current assets information based on the geographical location of customers are as follows:

|                            | Revenue<br>RM | Non-current<br>assets<br>RM |
|----------------------------|---------------|-----------------------------|
| <b>2017</b>                |               |                             |
| Malaysia                   | 18,296,303    | 12,656,175                  |
| South East Asia            | 10,667,303    | 2,831,356                   |
| People's Republic of China | 4,311,136     | 2,862,978                   |
|                            | 33,274,742    | 18,350,509                  |
| <b>2016</b>                |               |                             |
| Malaysia                   | 18,357,144    | 6,004,758                   |
| South East Asia            | 11,853,714    | 6,077,731                   |
| People's Republic of China | 9,909,433     | 5,386,372                   |
|                            | 40,120,291    | 17,468,861                  |

Information about major customers

For Malaysia segment, revenue from two customers represented approximately RM10,394,481/- (2016: RM8,456,808/-) for the Group's total revenue.

## NOTES TO THE FINANCIAL STATEMENTS

### 33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

#### (a) Employees' Share Option Scheme ("ESOS")

On 10 February 2017, pursuant to By-Laws 20.2 of the ESOS By-Laws, 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.

On 15 August 2017, the Company offered the following options to its eligible Directors and employees in accordance with the share issuance scheme's By-Laws:

|  |  |
|--|--|
| Date of offer:   | 15 August 2017                                       |
| Exercise price of option offered:                      | RM0.24   |
| Number of options offered:                             | 10,549,781   |
| Market price of Cuscapi's shares on the date of offer: | RM0.26   |
| Vesting period of the options offered:                 |  |
| (i)  | Shall be exercisable immediately from date of offer. |
| (ii)   | Fully exercisable within 1 year from date of offer.  |

#### (b) 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.





## NOTES TO THE FINANCIAL STATEMENTS

### 34. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

#### Status of corporate proposals

During and after the financial year end, the Company had proposed to the issuance of an aggregate of 200,000,000 new ordinary shares together with 40,000,000 new warrants in accordance with the terms and conditions of the subscription agreement.

Bursa Malaysia Securities Berhad ("Bursa Securities") had via letter dated 6 February 2018 approved the listing of and quotation for the following:

- (i) Subscription Shares and Subscription Warrants to be issued pursuant to the Proposed Issuance on the Main Market of Bursa Securities; and
- (ii) up to 40,000,000 new ordinary shares to be issued pursuant to the exercise of the Subscription Warrants on the Main Market of Bursa Securities,

subject to the conditions as set out in Section 9 of the Circular dated 8 February 2018.

During Extraordinary General Meetings held on 5 March 2018, ordinary shareholders and warrant holders have approved the above proposals and the Company has successfully completed the listing of and quotation for 200,000,000 subscription shares and 40,000,000 subscription warrants on the Main Market of Bursa Securities on 20 March 2018.

With these listing, the issued and paid up share capital has increased to 758,222,495 units.

# ANALYSIS OF SHAREHOLDINGS

AS AT 06 APRIL 2018

## DISTRIBUTION OF SHAREHOLDINGS

|                           | NO. OF HOLDERS | %             | NO. OF HOLDINGS    | %             |
|---------------------------|----------------|---------------|--------------------|---------------|
| 1-99                      | 89             | 2.35          | 3,678              | 0.00          |
| 100-1,000                 | 376            | 9.91          | 270,355            | 0.04          |
| 1,001-10,000              | 1,193          | 31.44         | 7,994,523          | 1.04          |
| 10,001-100,000            | 1,559          | 41.09         | 62,814,920         | 8.14          |
| 100,001-38,599,975 (*)    | 574            | 15.13         | 428,140,249        | 55.46         |
| 38,599,976 and above (**) | 3              | 0.08          | 272,775,800        | 35.32         |
| <b>TOTAL</b>              | <b>3,794</b>   | <b>100.00</b> | <b>771,999,525</b> | <b>100.00</b> |

Remark:

\* - less than 5% of issued holdings

\*\* - 5% and above of issued holdings

## SUBSTANTIAL SHAREHOLDERS

| NO. | HOLDER NAME                          | DIRECT INTEREST |       | INDIRECT INTEREST        |       |
|-----|--------------------------------------|-----------------|-------|--------------------------|-------|
|     |                                      | NO. OF SHARES   | %     | NO. OF SHARES            | %     |
| 1   | Ultimate Quality Success Sdn. Bhd.   | 121,000,000     | 15.67 | —                        | —     |
| 2   | Transight Systems Sdn. Bhd.          | 84,775,800      | 10.98 | 18,000,000 <sup>1</sup>  | 2.33  |
| 3   | Rose Vision Sdn. Bhd.                | 67,000,000      | 8.68  | —                        | —     |
| 4   | Datuk Jayakumar A/L Panneer Selvam   | —               | —     | 200,000,000 <sup>2</sup> | 25.91 |
| 5   | Sri Hanasia Sdn. Bhd.                | —               | —     | 102,775,800 <sup>3</sup> | 13.31 |
| 6   | Tan Sri Mohd Razali Bin Abdul Rahman | —               | —     | 102,775,800 <sup>4</sup> | 13.31 |
| 7   | Datuk Hassan Bin Che Abas            | —               | —     | 102,775,800 <sup>4</sup> | 13.31 |

### Notes:

<sup>1</sup> Deemed interested by virtue of interest in Aura Fokus Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 ("Act")

<sup>2</sup> Deemed interested by virtue of interest in Ultimate Quality Success Sdn. Bhd., Rose Vision Sdn. Bhd. and Rosetta Partners Sdn. Bhd. pursuant to Section 8 of the Act

<sup>3</sup> Deemed interested by virtue of interest in Transight Systems Sdn. Bhd. pursuant to Section 8 of the Act

<sup>4</sup> Deemed interested by virtue of indirect interest in Transight Systems Sdn. Bhd. pursuant to Section 8 of the Act

## ANALYSIS OF SHAREHOLDINGS AS AT 06 APRIL 2018

### LIST OF DIRECTORS' HOLDINGS AS AT 06 APRIL 2018

| NO. | NAME OF DIRECTORS<br>SHARES   | DIRECT INTEREST |      | INDIRECT INTEREST        |       |
|-----|---|-----------------|------|--------------------------|-------|
|     |   | NO. OF SHARES   | %    | NO. OF SHARES            | %     |
| 1   | Datuk Mohd Jimmy Wong<br>Bin Abdullah   | —               | —    | —                        | —     |
| 2   | Toe Teow Teck   | —               | —    | —                        | —     |
| 3   | Ang Chin Joo  | 8,367,206       | 1.08 | —                        | —     |
| 4   | Lim Li Li   | 1,018,125       | 0.13 | 817,425 <sup>1</sup>     | 0.11  |
| 5   | Khoo Chuan Keat   | —               | —    | —                        | —     |
| 6   | Datuk Jayakumar<br>A/L Panneer Kumar<br>(Aternate Director to<br>Datuk Mohd Jimmy Wong<br>Bin Abdullah) | —               | —    | 200,000,000 <sup>2</sup> | 25.91 |

**Notes:**

- 1 Deemed interested by virtue of the shareholdings of her spouse pursuant to Section 59 (11) (c) of the Act  
 2 Deemed interested by virtue of interest in Ultimate Quality Success Sdn. Bhd., Rose Vision Sdn. Bhd. and Rosetta Partners Sdn. Bhd. pursuant to Section 8 of the Act

### THE 30 LARGEST SECURITIES HOLDERS AS AT 06 APRIL 2018

| NO. | HOLDER NAME  | NO. OF HOLDINGS | %     |
|-----|--|-----------------|-------|
| 1   | Ultimate Quality Success Sdn. Bhd.   | 121,000,000     | 15.67 |
| 2   | Transight Systems Sdn. Bhd.  | 84,775,800      | 10.98 |
| 3   | Rose Vision Sdn. Bhd.  | 67,000,000      | 8.68  |
| 4   | HSBC Nominees (Asing) Sdn. Bhd.<br>Exempt An For Credit Suisse (SG BR-TST-Asing)                             | 24,532,000      | 3.18  |
| 5   | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Gan Nyap Liou @ Gan Nyap Liow | 19,723,516      | 2.55  |
| 6   | Aura Fokus Sdn. Bhd.   | 18,000,000      | 2.33  |
| 7   | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>CIMB Bank For Tan Kim Heung (MY1989)                                 | 16,000,000      | 2.07  |
| 8   | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Koh Kin Lip                          | 13,280,000      | 1.72  |
| 9   | Dato' Lim Kok Han  | 12,933,800      | 1.68  |
| 10  | Rosetta Partners Sdn. Bhd.   | 12,000,000      | 1.55  |

**ANALYSIS OF SHAREHOLDINGS  
AS AT 06 APRIL 2018**
**THE 30 LARGEST SECURITIES HOLDERS AS AT 06 APRIL 2018 (CONT'D)**

| <b>NO.</b>   | <b>HOLDER NAME</b>  | <b>NO. OF HOLDINGS</b> | <b>%</b>     |
|--------------|---|------------------------|--------------|
| 11           | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Rickoh Corporation Sdn. Bhd.     | 9,040,000              | 1.17         |
| 12           | Her Chor Siong  | 9,000,077              | 1.17         |
| 13           | Maybank Securities Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Ang Chin Joo (Margin) | 8,367,206              | 1.08         |
| 14           | Lee Lan Moi   | 6,270,000              | 0.81         |
| 15           | CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank<br>For Son Tong Leong (MY1225)                               | 5,000,000              | 0.65         |
| 16           | UOB Kay Hian Nominees (Asing) Sdn. Bhd.<br>Exempt An For UOB Kay Hian Pte Ltd ( A/C Clients )               | 4,655,000              | 0.60         |
| 17           | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>CIMB Bank For<br>Rickoh Corporation Sdn. Bhd. (MY0507)              | 4,500,000              | 0.58         |
| 18           | Kuttimani A/L Ramasamy  | 4,280,000              | 0.55         |
| 19           | HLIB Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Edisi Firma Sdn. Bhd. (MG0065-195)  | 4,150,000              | 0.54         |
| 20           | Yee Yok Sen   | 4,065,400              | 0.53         |
| 21           | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Terence Wong @ Huang Thar-Rearn   | 4,000,000              | 0.52         |
| 22           | Son Chen Chuan C/O Oriental<br>Food Industries Sdn. Bhd.  | 3,500,000              | 0.45         |
| 23           | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Mak Tian Meng                       | 3,375,000              | 0.44         |
| 24           | Affin Hwang Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Goh Cheng Hoe (M01)          | 3,250,000              | 0.42         |
| 25           | Son Tong Leong  | 3,200,000              | 0.42         |
| 26           | Sri Paranthaman A/L Ayarpadde   | 3,140,000              | 0.41         |
| 27           | Chiang Kai Loon   | 3,050,000              | 0.40         |
| 28           | Poh Lin Tze   | 3,050,000              | 0.40         |
| 29           | RHB Nominees (Tempatan) Sdn. Bhd.<br>Tan Ah Loy @ Tan May Ling  | 3,000,000              | 0.39         |
| 30           | Ng Kweng Hooi   | 2,888,800              | 0.37         |
| <b>TOTAL</b> |   | <b>481,026,599</b>     | <b>62.31</b> |

# ANALYSIS OF WARRANTS HOLDINGS

AS AT 06 APRIL 2018

## ANALYSIS OF WARRANT HOLDINGS

|                          | NO. OF HOLDERS | %             | NO. OF WARRANTS   | %             |
|--------------------------|----------------|---------------|-------------------|---------------|
| 1-99                     | 17             | 4.27          | 787               | 0.00          |
| 100-1,000                | 62             | 15.58         | 29,846            | 0.03          |
| 1,001-10,000             | 81             | 20.35         | 495,700           | 0.56          |
| 10,001-100,000           | 159            | 39.95         | 7,071,300         | 7.96          |
| 100,001-4,442,480 (*)    | 78             | 19.60         | 41,252,000        | 46.43         |
| 4,442,481 and above (**) | 1              | 0.25          | 40,000,000        | 45.02         |
| <b>TOTAL</b>             | <b>398</b>     | <b>100.00</b> | <b>88,849,633</b> | <b>100.00</b> |

Remark:

\* - less than 5% of issued holdings

\*\* - 5% and above of issued holdings

## LIST OF DIRECTORS' WARRANT HOLDINGS AS AT 06 APRIL 2018

| NO. | NAME OF DIRECTORS  | DIRECT INTEREST |   | INDIRECT INTEREST |   |
|-----|--|-----------------|---|-------------------|---|
|     |  | NO. OF WARRANTS | % | NO. OF WARRANTS   | % |
| 1   | Datuk Mohd Jimmy Wong<br>Bin Abdullah  | —               | — | —                 | — |
| 2   | Toe Teow Teck  | —               | — | —                 | — |
| 3   | Ang Chin Joo   | —               | — | —                 | — |
| 4   | Lim Li Li  | —               | — | —                 | — |
| 5   | Khoo Chuan Keat  | —               | — | —                 | — |
| 6   | Datuk Jayakumar A/L<br>Panneer Kumar<br>(Alternate Director to<br>Datuk Mohd Jimmy Wong<br>Bin Abdullah) | —               | — | —                 | — |

## ANALYSIS OF WARRANTS HOLDINGS AS AT 06 APRIL 2018

### THE 30 LARGEST WARRANTS HOLDERS AS AT 06 APRIL 2018

| NO. | HOLDER NAME   | NO. OF HOLDINGS | %     |
|-----|---|-----------------|-------|
| 1   | Edisi Firma Sdn. Bhd.   | 40,000,000      | 45.02 |
| 2   | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Gan Nyap Liou @ Gan Nyap Liow    | 3,439,900       | 3.87  |
| 3   | Dato' Lim Kok Han   | 3,157,100       | 3.55  |
| 4   | Dato' Lim Kok Han   | 2,380,900       | 2.68  |
| 5   | Nasir Bin Baki  | 1,700,000       | 1.91  |
| 6   | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Tan Chuen Loong                      | 1,600,000       | 1.80  |
| 7   | HLIB Nominees (Tempatan) Sdn. Bhd.<br>Hong Leong Bank Bhd For Wong Tzh Shin                                     | 1,400,000       | 1.58  |
| 8   | Lim Siew Heong  | 1,050,000       | 1.18  |
| 9   | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Sheikh Abdul Rahim Bin Sheikhmohamad | 1,027,100       | 1.16  |
| 10  | Public Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Eng Chew Ong (E-KLG/BTG)              | 1,011,600       | 1.14  |
| 11  | Alliancegroup Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Chiang Soak Hoong (7001002)    | 1,003,100       | 1.13  |
| 12  | UOB Kay Hian Nominees (Asing) Sdn. Bhd.<br>Exempt An For UOB Kay Hian Pte Ltd ( A/C Clients )                   | 988,000         | 1.11  |
| 13  | Alliancegroup Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Lim Hung Thiam (7000997)       | 936,000         | 1.06  |
| 14  | Teh Siok Keng   | 900,000         | 1.01  |
| 15  | Maybank Nominees (Tempatan) Sdn. Bhd. Chan Chun Loon  | 800,000         | 0.90  |
| 16  | UOB Kay Hian Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Teo Kwee Hock                   | 768,000         | 0.86  |
| 17  | Pinang Inovasi Sdn. Bhd.  | 750,000         | 0.84  |
| 18  | Ban Boon Chai   | 700,000         | 0.79  |
| 19  | Ooi Cheng Kooi  | 700,000         | 0.79  |
| 20  | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Fabian Foo                           | 650,000         | 0.73  |

## ANALYSIS OF WARRANTS HOLDINGS AS AT 06 APRIL 2018

### THE 30 LARGEST WARRANTS HOLDERS AS AT 06 APRIL 2018 (CONT'D)

| NO.          | HOLDER NAME  | NO. OF HOLDINGS   | %            |
|--------------|--|-------------------|--------------|
| 21           | Prestasi Cergas Sdn. Bhd.  | 650,000           | 0.73         |
| 22           | Lim Lee Cheng  | 585,700           | 0.67         |
| 23           | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>CIMB For Goh Eu Jim (PB)   | 500,200           | 0.57         |
| 24           | Andy Law Yee Poh   | 500,000           | 0.56         |
| 25           | B.L Shorna Latha A/P Bala Sundrum  | 500,000           | 0.56         |
| 26           | Brahmal A/L Vasudevan  | 500,000           | 0.56         |
| 27           | Phuah Lay Cheng  | 500,000           | 0.56         |
| 28           | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account<br>For Lee Wat Yen @ Lui Wat Yen | 500,000           | 0.56         |
| 29           | Wong Tzh Shin  | 500,000           | 0.56         |
| 30           | AMSEC Nominees (Tempatan) Sdn. Bhd.<br>Ambank (M) Berhad<br>For Ranjit Singh A/L Mit Singh (8188-1501)   | 485,000           | 0.55         |
| <b>TOTAL</b> |  | <b>70,182,600</b> | <b>78.99</b> |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT the THIRTY-NINTH ANNUAL GENERAL MEETING (“39th AGM”) of CUSCAPI BERHAD (“Cuscapi” or “the Company”) 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, 22 June 2018 at 11:00 a.m. to transact the following business:-**

## AS ORDINARY BUSINESS

- |    |   |   |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors’ and Auditors’ thereon.  | <i>(Please refer to Explanatory Note i)</i> |
| 2. | To approve the payment of attendance allowances to the Non-Executive Directors up to an amount of RM66,000 from the 39th AGM until the conclusion of the next Annual General Meeting.                                       | <b>Resolution 1</b>                         |
| 3. | To re-elect the following Directors of the Company who retire pursuant to Article 96 of the Company’s Constitution and who have offered themselves for re-election: -   |   |
|    | (i) Datuk Mohd Jimmy Wong Bin Abdullah  | <b>Resolution 2</b>                         |
|    | (ii) Mr Toe Teow Teck   | <b>Resolution 3</b>                         |
|    | (iii) Dato’ Sheah Kok Fah   | <b>Resolution 4</b>                         |
| 4. | 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. | <b>Resolution 5</b>                         |

## AS SPECIAL BUSINESS

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

- |    |   |                     |
|----|---|---------------------|
| 5. | <b>Ordinary Resolution</b><br><b><u>Authority to Directors pursuant to Sections 75 and 76 of the Companies Act 2016</u></b> | <b>Resolution 6</b> |
|----|---|---------------------|

“**THAT** subject always to the Companies Act 2016 (“Act”), the Company’s Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and the approvals of any relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered pursuant to Sections 75 and 76 of the Act, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to the authority granted pursuant to this resolution, when aggregated with all shares issued pursuant to Sections 75 and 76 of the Act in the preceding 12 months (calculated in accordance with the MMLR) does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company at the time of issuance of shares and such authority under this resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or when it is required by law to be held, whichever is earlier, and that the Directors of the Company be and are empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad.”



**NOTICE OF ANNUAL GENERAL MEETING (CONT'D)****6. Ordinary Resolution****Resolution 7****Proposed Granting of the Employees' Share Option Scheme ("ESOS or Scheme")  
Options to Datuk Mohd Jimmy Wong Bin Abdullah**

**"THAT** the Directors of the Company be and are hereby authorised at any time, from time to time during the duration of the Scheme, to offer and/or grant to Datuk Mohd Jimmy Wong Bin Abdullah, being the Executive Chairman of the Company, options to subscribe for such number of ordinary shares in the Company to be issued pursuant to the Scheme, provided that: -

- (i) the number of new ordinary shares in the Company ("Cuscapl Shares") allotted, in aggregate, to eligible persons who are employees of the Company or Directors of the Company and senior management of Cuscapl and its subsidiaries, save for companies which are dormant, shall not exceed fifty percent (50%) of the total new Cuscapl Shares available under the Scheme; and
- (ii) the number of new Cuscapl Shares allocated to any eligible person who, either singly or collectively through persons connected to him, holds twenty percent (20%) or more of the issued share capital (excluding treasury shares) of the Company, shall not exceed ten percent (10%) of the new Cuscapl shares available under the Scheme;

and subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bylaws of the ESOS, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing guidelines issued by Bursa Securities or any other relevant authorities.

**And THAT** approval be and is hereby given to the Directors of the Company to allot and issue such number of ESOS shares credited as fully paid-up to Datuk Mohd Jimmy Wong Bin Abdullah pursuant to the exercise of such options."

**NOTICE OF ANNUAL GENERAL MEETING (CONT'D)****7. Ordinary Resolution****Resolution 8****Proposed Granting of the Employees' Share Option Scheme ("ESOS or Scheme")  
Options to Mr Toe Teow Teck**

**"THAT** the Directors of the Company be and are hereby authorised at any time, from time to time during the duration of the Scheme, to offer and/or grant to Mr Toe Teow Teck, being the Executive Director of the Company, options to subscribe for such number of ordinary shares in the Company to be issued pursuant to the Scheme, provided that: -

- (i) the number of new ordinary shares in the Company ("Cuscapi Shares") allotted, in aggregate, to eligible persons who are employees of the Company or Directors of the Company and senior management of Cuscapi and its subsidiaries, save for companies which are dormant, shall not exceed fifty percent (50%) of the total new Cuscapi Shares available under the Scheme; and
- (ii) the number of new Cuscapi Shares allocated to any eligible person who, either singly or collectively through persons connected to him, holds twenty percent (20%) or more of the issued share capital (excluding treasury shares) of the Company, shall not exceed ten percent (10%) of the new Cuscapi shares available under the Scheme;

and subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bylaws of the ESOS, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing guidelines issued by Bursa Securities or any other relevant authorities.

**And THAT** approval be and is hereby given to the Directors of the Company to allot and issue such number of ESOS shares credited as fully paid-up to Mr Toe Teow Teck pursuant to the exercise of such options."

**NOTICE OF ANNUAL GENERAL MEETING (CONT'D)****8. Ordinary Resolution****Resolution 9****Proposed Granting of the Employees' Share Option Scheme ("ESOS or Scheme")  
Options to Dato' Sheah Kok Fah**

"THAT the Directors of the Company be and are hereby authorised at any time, from time to time during the duration of the Scheme, to offer and/or grant to Dato' Sheah Kok Fah, being the Independent and Non-Executive Director of the Company, options to subscribe for such number of ordinary shares in the Company to be issued pursuant to the Scheme, provided that: -

- (i) the number of new ordinary shares in the Company ("Cuscapi Shares") allotted, in aggregate, to eligible persons who are employees of the Company or Directors of the Company and senior management of Cuscapi and its subsidiaries, save for companies which are dormant, shall not exceed fifty percent (50%) of the total new Cuscapi Shares available under the Scheme; and
- (ii) the number of new Cuscapi Shares allocated to any eligible person who, either singly or collectively through persons connected to him, holds twenty percent (20%) or more of the issued share capital (excluding treasury shares) of the Company, shall not exceed ten percent (10%) of the new Cuscapi shares available under the Scheme;

and subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bylaws of the ESOS, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing guidelines issued by Bursa Securities or any other relevant authorities.

**And THAT** approval be and is hereby given to the Directors of the Company to allot and issue such number of ESOS shares credited as fully paid-up to Dato' Sheah Kok Fah pursuant to the exercise of such options."

- 9. To transact any other ordinary business of which due notice shall have been given in accordance with the Company's Constitution or the Companies Act 2016.

By Order of the Board

**Datuk Tan Leh Kiah (MAICSA 0719692)**

**Lim Chien Joo (MAICSA 7063152)**

Company Secretaries

Selangor Darul Ehsan  
30 April 2018

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Notes:

1. *In regard of deposited securities, only members whose names appear in the Record of Depositors as at 13 June 2018 ("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 Annual General Meeting will be put to vote by poll.*

### Explanatory Notes

**i. Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 December 2017**

*This item of the Agenda is for discussion purposes only, as Section 340(1)(a) of the Companies Act 2016 ("Act") does not require the shareholders to formally approve the Audited Financial Statements. Hence, this item will not put forward for voting.*

**ii. Resolution 1 – Payment of attendance allowances to the Non-Executive Directors from the 39th AGM until the conclusion of the next Annual General Meeting**

*The total estimated amount of meeting allowances payable is calculated based on the number of scheduled Board's and Board Committees' meetings from the 39th AGM until the conclusion of the next Annual General Meeting. 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.*

**NOTICE OF ANNUAL GENERAL MEETING (CONT'D)****iii. Resolution 6 – Authority to Directors pursuant to Sections 75 and 76 of the Companies Act 2016**

*The Company has not issued any new shares under the general mandate pursuant to Sections 75 and 76 of the Act for the issuance and allotment of shares up to 10% of the total number of issued shares (excluding treasury shares) of the Company at the time of issuance of the shares, which was approved at the 38th Annual General Meeting held on 9 June 2017 and which will lapse at the conclusion of this Annual General Meeting. A renewal of this mandate is sought at this Annual General Meeting as Resolution 6.*

*This proposed Resolution 6, if passed, will give the Directors of the Company, from the date of this Annual General Meeting, the authority to issue and allot shares from the unissued shares of the Company of up to 10% of the total number of shares (excluding treasury shares) of the Company at the time of issuance and for such purposes as the Directors of the Company may consider to be in the best interest of the Company. This authority, unless revoked or varied by the Company in general meeting will expire at the conclusion of the next Annual General Meeting.*

*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.*

**iv. Resolution 7 – Proposed Granting of the Employees' Share Option Scheme ["ESOS"] options to Datuk Mohd Jimmy Wong Bin Abdullah ("Proposed Grant")**

*The proposed Resolution 7, if passed, will give authority to the Directors of the Company to offer and/or grant to Datuk Mohd Jimmy Wong Bin Abdullah, who was appointed as Executive Chairman of the Company on 28 March 2018, options to subscribe for such number of ordinary shares in the Company subject always to such term and conditions as set out in the Bylaws of the ESOS which have been approved by the shareholders at the Extraordinary General Meeting held on 18 January 2011. The ESOS scheme will be expired on 23 January 2020.*

*Datuk Mohd Jimmy Wong is deemed interested in the Proposed Grant. Accordingly, he will abstain from voting, in respect of his direct and/or indirect shareholdings in the Company, if any, on the proposed ordinary resolution in relation to the Proposed Grant at the 39th AGM of the Company. Datuk Mohd Jimmy Wong will also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the proposed ordinary resolution in relation to the Proposed Grant. Save as disclosed, none of the Directors and/or major shareholders and/or persons connected with them, has any interest, direct or indirect, in the Proposed Grant.*

**NOTICE OF ANNUAL GENERAL MEETING (CONT'D)****v. Resolution 8 – Proposed Granting of the Employees’ Share Option Scheme [“ESOS”] Options to Mr Toe Teow Teck (“Proposed Grant”)**

*The proposed Resolution 8, if passed, will give authority to the Directors of the Company to offer and/or grant to Mr Toe Teow Teck, who was appointed as Executive Director of the Company on 28 March 2018, options to subscribe for such number of ordinary shares in the Company subject always to such term and conditions as set out in the Bylaws of the ESOS which have been approved by the shareholders at the Extraordinary General Meeting held on 18 January 2011. The ESOS scheme will be expired on 23 January 2020.*

*Mr Toe is deemed interested in the Proposed Grant. Accordingly, he will abstain from voting, in respect of his direct and/or indirect shareholdings in the Company, if any, on the proposed ordinary resolution in relation to the Proposed Grant at the 39th AGM of the Company. Mr Toe will also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the proposed ordinary resolution in relation to the Proposed Grant. Save as disclosed, none of the Directors and/or major shareholders and/or persons connected with them, has any interest, direct or indirect, in the Proposed Grant.*

**vi. Resolution 9 – Proposed Granting of the Employees’ Share Option Scheme [“ESOS”] Options to Dato’ Sheah Kok Fah (“Proposed Grant”)**

*The proposed Resolution 9, if passed, will give authority to the Directors of the Company to offer and/or grant to Dato’ Sheah Kok Fah, who was appointed as Independent and Non-Executive Director of the Company on 12 April 2018, options to subscribe for such number of ordinary shares in the Company subject always to such term and conditions as set out in the Bylaws of the ESOS which have been approved by the shareholders at the Extraordinary General Meeting held on 18 January 2011. The ESOS scheme will be expired on 23 January 2020.*

*Dato’ Sheah is deemed interested in the Proposed Grant. Accordingly, he will abstain from voting, in respect of his direct and/or indirect shareholdings in the Company, if any, on the proposed ordinary resolution in relation to the Proposed Grant at the 39th AGM of the Company. Dato’ Sheah will also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the proposed ordinary resolution in relation to the Proposed Grant. Save as disclosed, none of the Directors and/or major shareholders and/or persons connected with them, has any interest, direct or indirect, in the Proposed Grant.*



# 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 39th 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 iii of the Notice of 39th AGM.

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## FORM OF PROXY

I/We, \_\_\_\_\_ CDS Account No. \_\_\_\_\_

of \_\_\_\_\_

being a \*member/members of **Cusapi 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-Ninth 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, 22 June 2018 at 11:00 a.m. and at any adjournment thereof.

My/Our proxy(ies) is/are to vote as indicated below:-

| NO.               | AGENDA  |     |         |
|-------------------|---|-----|---------|
| ORDINARY BUSINESS |   | FOR | AGAINST |
| 1                 | To approve the payment of attendee allowances to the Non-Executive Directors up to an amount of RM66,000 from the 39th AGM until the conclusion of the next Annual General Meeting. |     |         |
| 2                 | To re-elect Datuk Mohd Jimmy Wong Bin Abdullah as Director.   |     |         |
| 3                 | To re-elect Mr Toe Teow Teck as Director.   |     |         |
| 4                 | To re-elect Dato' Sheah Kok Fah as Director.  |     |         |
| 5                 | To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company.  |     |         |
| SPECIAL BUSINESS  |   |     |         |
| 6                 | To authorise the Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.  |     |         |
| 7                 | To approve the proposed granting of the Employees' Share Option Scheme Options to Datuk Mohd Jimmy Wong Bin Abdullah  |     |         |
| 8                 | To approve the proposed granting of the Employees' Share Option Scheme Options to Mr Toe Teow Teck  |     |         |
| 9                 | To approve the proposed granting of the Employees' Share Option Scheme Options to Dato' Sheah Kok Fah   |     |         |

(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 \_\_\_\_\_, 2018

Signature of Member(s)

NO. OF SHARES HELD

### Notes:

- In regard of deposited securities, only members whose names appear in the Record of Depositors as at 13 June 2018 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the meeting.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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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AFFIX  
STAMP

The Company Secretaries

**CUSCAPI BERHAD** (43190-H)  
Level 1, Block B,  
Dataran PHB, Saujana Resort,  
Seksyen U2,  
40105 Shah Alam  
Selangor Darul Ehsan, Malaysia

*Please fold here*

# CUSCAPI BERHAD (43190-H)

LEVEL 1, BLOCK B, DATARAN PHB  
SAUJANA RESORT, SEKSYEN U2  
40150 SHAH ALAM, SELANGOR, MALAYSIA.  
**TEL :** 603 7623 7777  
**FAX :** 603 7622 1999

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