cuscapi®

Omni channel innovations, transforming lifestyle digitally

2018
annual
report

cuscapi®

CONTENTS

VISION

To transform and empower businesses to develop deeper and more meaningful customer relationships.

MISSION

To propel our clients to 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 deliver excellence to create true business value to our clients.

CREATIVITY

We see innovation as a means to contribute for client success. We thrive on creative thinking, constant 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.

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

BOARD OF DIRECTORS

Datuk Jayakumar A/L Panneer Selvam
Executive Chairman

Toe Teow Teck
Executive Director

Dato' Sri Khazali Bin Haji Ahmad
Alternate Director to Toe Teow Teck

Datuk Mat Noor Bin Nawi
Independent Non-Executive Director

Dato' Sheah Kok Fah
Independent Non-Executive Director

Puan Mohaini Bt Mohd Yusof
Independent Non-Executive Director

AUDIT COMMITTEE

Datuk Mat Noor Bin Nawi, Chairman
Dato' Sheah Kok Fah, Member
Puan Mohaini Bt Mohd Yusof, Member

NOMINATION AND REMUNERATION COMMITTEE

Puan Mohaini Bt Mohd Yusof, Chairman
Dato' Sheah Kok Fah, Member

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

Datuk Jayakumar A/L Panneer Selvam, Chairman
Lim Sze Yean, Member

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)
Vimalraj A/L Shanmugam (MAICSA 7068140)

REGISTERED OFFICE

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603 2298 0263
Fax : +603 2298 0268

CORPORATE OFFICE

Level 27 & 28, Block N
Empire City Damansara, No. 8, Jalan Damansara
PJU 8, 47820 Petaling Jaya, Selangor Darul Ehsan
Tel : +603 7623 7777
Fax : +603 7622 1999
Website : www.cuscapi.com
Email : information@cuscapi.com

EXTERNAL AUDITORS

Baker Tilly Monteiro Heng PLT
(LLP0019411-LCA)(AF 0117)
Baker Tilly 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

SHARE REGISTRAR

Boardroom.com Sdn Bhd
(Company No. 820910-X)
Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603 2298 0263
Fax : +603 2298 0268

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : CUSCAPI
Stock Code : 0051

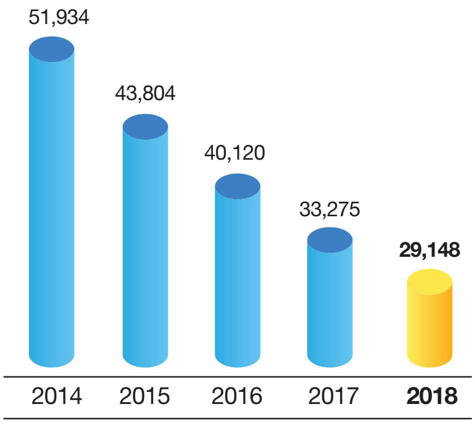
GROUP STRUCTURE

CUSCAPI BERHAD

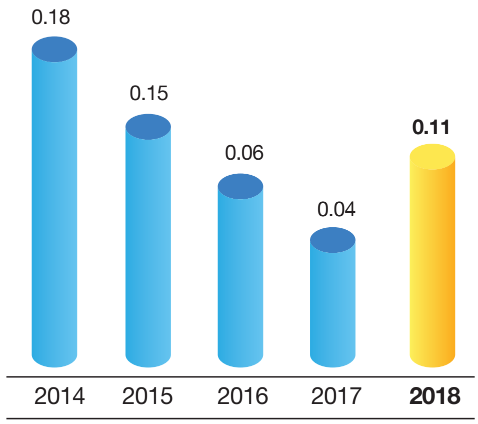
- 100% **CUSCAPI MALAYSIA SDN. BHD.**
- 100% **CUSCAPI INNOVATION LAB SDN. BHD.**
- 100% **CUSCAPI SOLUTIONS SDN. BHD.**
- 100% **CUSCAPI CONSULTING SERVICES SDN. BHD.**
- 100% **CUSCAPI OUTSOURCING SDN. BHD.**
- 100% **CUSCAPI INTERACTIVE SOLUTIONS SDN. BHD.**
- 100% **CUSCAPI BLOCKCHAIN SDN. BHD.**
- 100% **CUSCAPI (BD) LTD**
- 100% **LITAR PASIFIKA SDN. BHD.**
- 100% **CUSCAPI INTERNATIONAL SDN. BHD.**
  - **100%** CUSCAPI HONG KONG LIMITED
    - **100%** CUSCAPI SUZHOU CO. LTD.
    - **100%** CUSCAPI GUANGZHOU CO. LTD.
    - **100%** CUSCAPI BEIJING CO. LTD.
    - **100%** CUSCAPI SHANGHAI CO. LTD.
    - **99.99%** CUSCAPI PHILIPPINES, INC.
      - **99.99%** TILLS N LABELS SYSTEM MARKETING, INC.
    - **100%** CUSCAPI INTERACTIVE TECHNOLOGY (CHINA) PTY. LTD.
      - **100%** SHANGHAI CUSCAPI INTERACTIVE NETWORK TECHNOLOGY CO. LTD.
- 100% **CUSCAPI INTERNATIONAL PTE. LTD.**
  - **100%** CUSCAPI (THAILAND) CO. LTD.
  - **100%** CUSCAPI SINGAPORE PTE. LTD.
  - **100%** PT CUSCAPI INDONESIA

FINANCIAL HIGHLIGHTS

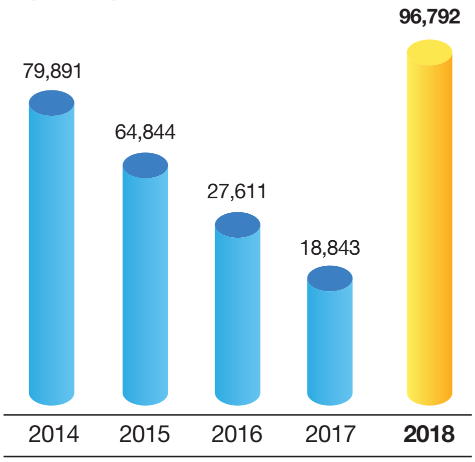
REVENUE
(RM'000)



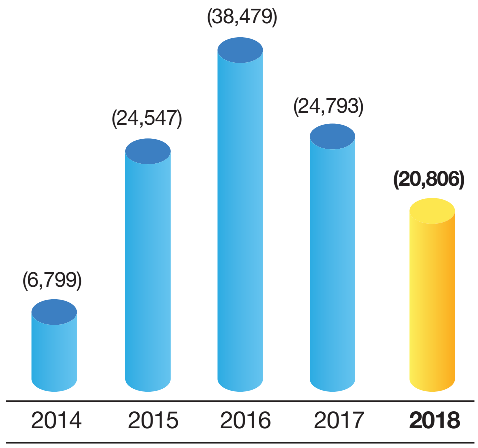
NET ASSETS PER SHARE
(RM)



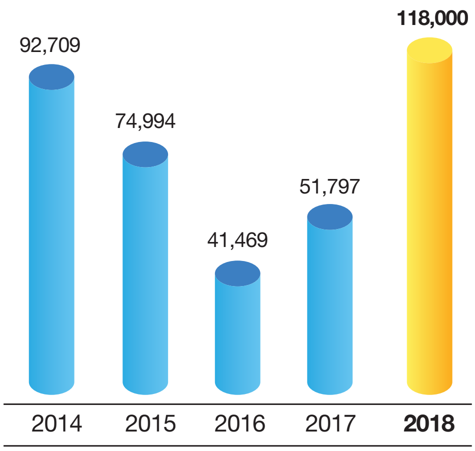
SHAREHOLDERS' EQUITY
(RM'000)



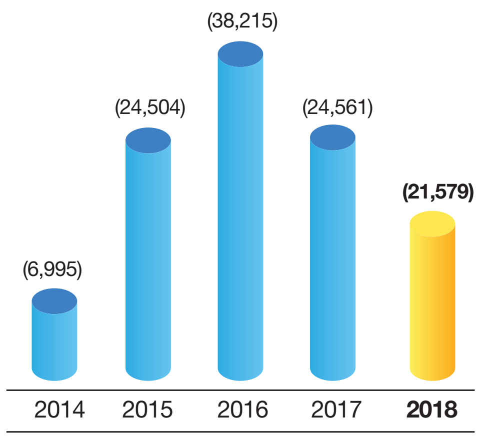
LOSS BEFORE TAX
(RM'000)



TOTAL ASSETS
(RM'000)



LOSS AFTER TAX
(RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATION AND FINANCIAL PERFORMANCE

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of the Group and the Company FYE 31 December 2018.

Anthony Gerald A/L R.Victor
Chief Executive Officer

The following Management Discussion and Analysis ("**MD&A**") provides an analysis of the financial performance of Cuscapi Berhad ("**the Company**") and its subsidiaries ("**the Group**") for the financial year ended 31 December 2018 ("**FYE 31 December 2018**"). 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 2018. The MD&A should be read in conjunction with the Company's consolidated financial statements and the notes related thereto.

1. Overview of Operations

Cuscapi Group is involved primarily in the provision of restaurant management solutions and offers a comprehensive range of integrated solutions for the industry, including but not limited to point of sales solution, outlet management solutions, information technology security solutions, IT consulting services and contact center outsourcing services. Cuscapi Group 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 Petaling Jaya and we have several service centers nationwide and strong presence with support infrastructure and customer care in regional countries.

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATION AND FINANCIAL PERFORMANCE

1. Overview of Operations (continued)

1.1 Our operating segments are as follow:-

(a) Geographical 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, across various industries, including retail, hospitality and automotive industries.

(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

Involve in Group-level corporate services and treasury functions.

FROM **SEA** REGION TO THE **WORLD**

1. Overview of Operations (continued)

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

Subsidiaries	Date and place of incorporation	Principal activities
Cuscapi Berhad	16 November 1978 Malaysia	Investment holding
Cuscapi Consulting Services Sdn. Bhd.	20 September 1997 Malaysia	Provision of project management, business and IT related consultancy services
Cuscapi Malaysia Sdn. Bhd.	17 July 2000 Malaysia	Provision of restaurant management and business management solutions, remedial services for restaurant management hardware and related software implementation and support services
Cuscapi Innovation Lab Sdn. Bhd.	11 April 2002 Malaysia	Software development
Cuscapi International Sdn. Bhd.	20 February 2003 Malaysia	Investment holding
Cuscapi Solutions Sdn. Bhd.	24 May 2003 Malaysia	Software development
Cuscapi Interactive Solutions Sdn. Bhd.	3 September 2003 Malaysia	Provision of software development, interactive devices solutions, restaurant management and business management solutions
Cuscapi International Pte. Ltd.	18 October 2007 Singapore	Investment holding
Cuscapi Beijing Co. Ltd.	18 October 2007 China	Provision of restaurant management and business management solutions, remedial services for restaurant management hardware and related software implementation and support services, project management business and IT related consultancy services
Cuscapi Singapore Pte. Ltd.	12 January 2008 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 Outsourcing Sdn. Bhd.	30 May 2008 Malaysia	Provision of a contract centre for outsourcing services
Cuscapi Suzhou Co. Ltd.	31 October 2008 China	Software development

1. Overview of Operations (continued)

1.2 Our revenue is derived through our subsidiary companies of which the principal activities are summarized as below (continued):-

Subsidiaries	Date and place of incorporation	Principal activities
Cuscapi (Thailand) Co. Ltd.	12 March 2011 Thailand	Provision of restaurant management and business management solutions, remedial services for restaurant management hardware and related software implementation and support services, project management business and IT related consultancy services
PT Cuscapi Indonesia	13 April 2011 Indonesia	Provision of restaurant management and business management solutions, remedial services for restaurant management hardware and related software implementation and support services
Cuscapi Shanghai Co. Ltd.	1 August 2011 China	Provision of restaurant management and business management solutions, remedial services for restaurant management hardware and related software implementation and support services, project management business and IT related consultancy services
Cuscapi Hong Kong Ltd.	31 October 2011 Hong Kong	Investment holding
Tills N Labels System Marketing, Inc.	3 November 2011 Philippines	Provision of restaurant management and business management solutions, remedial services for restaurant management hardware and related software implementation and support services, project management business and IT related consultancy services
Cuscapi Guangzhou Co. Ltd.	14 February 2012 China	Dormant
Cuscapi Philippines, Inc.	16 May 2012 Philippines	Investment holding
Cuscapi Interactive Technology (China) Pty. Ltd.	30 August 2013 Hong Kong	Investment holding
Shanghai Cuscapi Interactive Network Technology Co. Ltd.	23 December 2016 China	Software development, interactive devices solutions, restaurant management, business management solutions and other related services and products
Cuscapi Blockchain Sdn Bhd	25 July 2018 Malaysia	To operate a cryptocurrency exchange in Philippines and other IT related business
Litar Pasifika Sdn Bhd	15 August 2018 Malaysia	Investment holding

2. Share Performance

The following table sets out the summary of share performance for the FYE 31 December 2018:-

Date	Open	High	Low	Close	Volume
Dec-18	0.20	0.215	0.16	0.175	42,990,000
Nov-18	0.235	0.265	0.195	0.20	123,740,000
Oct-18	0.295	0.30	0.19	0.23	173,760,000
Sep-18	0.29	0.33	0.27	0.29	171,310,000
Aug-18	0.32	0.345	0.265	0.29	351,120,000
Jul-18	0.23	0.33	0.205	0.315	532,560,000
Jun-18	0.165	0.28	0.15	0.225	617,350,000
May-18	0.375	0.375	0.13	0.16	245,890,000
Apr-18	0.41	0.47	0.345	0.375	121,580,000
Mar-18	0.54	0.575	0.375	0.405	160,380,000
Feb-18	0.54	0.60	0.455	0.545	182,820,000
Jan-18	0.55	0.665	0.53	0.54	259,530,000

As at 31 December 2018, Cuscapi market capitalisation at RM150.37 million in the number of shares issued at 859,269,076.

3. Financial Performance and Position

3.1 Revenue by Countries

For the cumulative twelve (12) months ended 31 December 2018 , the Group has recorded a decrease of revenue by 12.4% as compared to the preceding year, with total revenue registered at RM29.1 million (FYE 31 December 2017: RM33.3 million). Decreased in sales was due to the competitive business environment and continuous economic slowdown.

Country	FYE 31 December 2018 RM	FYE 31 December 2017 RM	Increase/(Decrease) RM
Malaysia	17,547,329	18,296,250	(748,921)
Singapore	4,470,388	5,256,016	(785,628)
Philippines	1,660,984	3,331,095	(1,670,111)
Thailand	623,758	1,463,243	(839,485)
Indonesia	1,017,358	616,949	400,409
SEA	25,319,817	28,963,553	(3,643,736)
Beijing	926,800	1,673,394	(746,594)
Shanghai	2,901,695	2,637,795	263,900
China	3,828,495	4,311,189	(482,694)
Total	**29,148,312**	**33,274,742**	**(4,126,430)**

3. Financial Performance and Position (continued)

3.2 Revenue by Products

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

Product	Audited			
	FYE 31 DECEMBER 2018		FYE 31 DECEMBER 2017	
	RM	%	RM	%
Transight	23,607,312	81%	29,290,814	88%
CODS	1,500,841	5%	1,349,458	4%
EDMS	3,008,918	10%	1,407,612	4%
Others	1,031,241	4%	1,226,858	4%
Total	**29,148,312**	**100%**	**33,274,742**	**100%**

3.3 Losses by Countries

For the cumulative 12 months, the Group recorded a loss before taxation of RM20.8 million, representing a decrease of approximately RM4.0 million loss as compared to the preceding year. The decrease in losses were mainly due to higher gross profit margin as a result from lower direct staff expenses, higher sundry interest income and gain on foreign exchanges.

Country	FYE 31 December 2018	FYE 31 December 2017	Variance
Malaysia	(6,216,481)	(10,500,468)	4,283,987
Singapore	156,388	736,272	(579,884)
Philippines	(1,869,241)	(1,354,120)	(515,121)
Thailand	(619,353)	(69,950)	(549,403)
Indonesia	(197,346)	(289,293)	91,947
SEA	(8,746,033)	(11,477,559)	2,731,526
Beijing	(2,912,544)	(1,201,821)	(1,710,723)
Shanghai	(1,726,622)	(4,394,473)	2,682,299
Suzhou + Guangzhou	(7,397,747)	(7,658,438)	260,691
HK	(23,497)	(61,172)	23,227
China	(12,060,410)	(13,315,904)	1,255,494
Total	**(20,806,443)**	**(24,793,463)**	**3,987,020**

3.4 Assets, Liabilities and Liquidity

i. The Group's bank deposits and cash and bank balances increased significantly by RM42.6 million as compared to the preceding year, primarily due to proceeds from the completion of placement exercise and conversion of warrant during the FYE 31 December 2018.

ii. There is an investment in property during the FYE 31 December 2018 recorded at RM11.0 million was due to the acquisition of a commercial space within the podium level below MYEG Tower with approximately 33,340 square feet for a total cash consideration of RM20.0 million.

iii. Trade and other payable decreased by 35.0% mainly due to lower purchase of hardware as compared to preceding year.

iv. The Group's other investment increased significantly during the FYE 31 December 2018 mainly due to acquisition of a company at RM16 million, Litar Pasifika Sdn. Bhd., which held a 20% equity interest in Konsortium Multimedia Swasta Sdn. Bhd.

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

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

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

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

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

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

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

vi) Foreign exchange fluctuations and translation losses which may result in our Group incurring foreign exchange losses or gains due to the fluctuations in the exchange rates; 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 2018, 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 2018 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 2018.

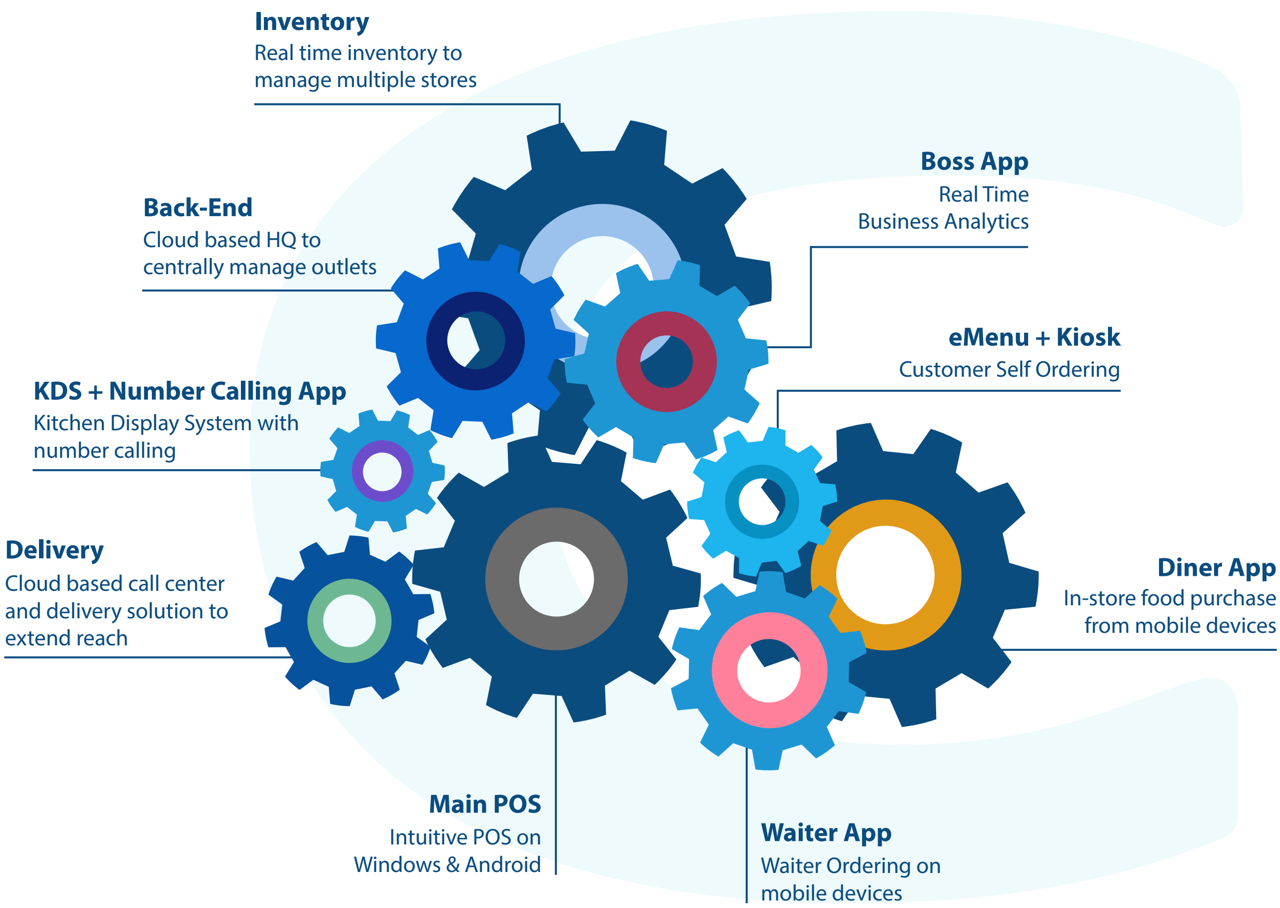
5. Prospects

During the financial year 2018, other than exploring to new potential market and customers, the Board of Directors has implemented various measures to reduce losses, improve operational efficiency and launch new POS software, named C360Engage, to remain competitive in this challenging market.

C360Engage is an integrated suite of cloud based products designed with the omni-channel approach and covers the complete engagements between the F&B operator and its customers. C360Engage is designed to be hardware agnostic with a preference towards the Android platform for mobility with a lower cost of ownership.

The Group is well positioned with country offices in SEA to capitalize on the F&B market trend spearheaded by C360Engage. The Group also have business plans to penetrate into emerging markets such as Laos, Cambodia, Vietnam and Bangladesh.

Despite the prevailing challenges and competition faced by the Group and barring unforeseen circumstances, the Board and Management remain positive in assessing the long term outlook for the Group and confident to achieve satisfactory results in next financial year.



BOARD OF DIRECTORS

Datuk Mat Noor Bin Nawi

Datuk Jayakumar A/L Panneer Selvam

Dato' Sheah Kok Fah

Puan Mohaini Bt Mohd Yusof

Toe Teow Teck

Dato' Sri Khazali Bin Haji Ahmad

DIRECTORS' PROFILES

Datuk Jayakumar A/L Panneer Selvam

Malaysian, Aged 52, Male
Executive Chairman

Datuk Jayakumar A/L Panneer Selvam, was appointed to the Board as Alternate Director on 4 April 2018. Subsequently, he was re-designated to Executive Chairman on 4 June 2018. He is also the Chairman of Employees' Share Option Scheme Committee.

Datuk Jayakumar holds a Diploma in Computer Science and he 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 MYEG 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 Cuscapi Berhad, Datuk Jayakumar does not hold directorship in any other public companies or public listed companies.

He does not have any conflict of interest with the Company and no conviction of any offence within the past five years, other than traffic offences (if any). He does not have any family relationship with any other Director and/or any major shareholder of the Company.

There is no sanction or penalty imposed on him by relevant regulatory bodies.

Toe Teow Teck

Singaporean, Aged 48, Male
Executive Director

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 Cuscapi Berhad, Mr Toe does not hold directorship in any other public companies or public listed companies.

He does not have any conflict of interest with the Company and no conviction of any offence within the past five years, other than traffic offences (if any). He does not have any family relationship with any other Director and/or any major shareholder of the Company.

There is no sanction or penalty imposed on him by relevant regulatory bodies.

Dato' Sheah Kok Fah

Malaysian, Aged 54, Male
Independent Non-Executive Director

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. Dato' Sheah is a member of Audit Committee & Nomination & Remuneration Committee.

Dato' Sheah Kok Fah has an outstanding career, both as an advocate and solicitor and corporate practitioner. He has vast experience for more than 30 years in legal practice since 1988. He has been the partner of Messrs Sheah, Tan and Rahman since 1996.

He has resigned as a Senior Independent Non-Executive Director of Merge Energy Berhad on 30 January 2019. Following the resignation, he has ipso facto ceased from all Board Committees memberships in Merge Energy Berhad. Subsequently to his resignation from Merge Energy Berhad, Datuk' Sheah does not hold directorship in any other public companies or public listed companies, except Cuscapi Berhad.

He does not have any conflict of interest with the Company and no conviction of any offence within the past five years, other than traffic offences (if any). He does not have any family relationship with any other Director and/or any major shareholder of the Company.

There is no sanction or penalty imposed on him by relevant regulatory bodies.

Datuk Mat Noor Bin Nawi

Malaysian, Aged 64, Male
Independent Non-Executive Director

Datuk Mat Noor Bin Nawi ("Datuk Mat Noor") was appointed to the Board of the Company on 24 May 2018. He is also the Chairman of Audit Committee.

Datuk Mat Noor holds a Master of Science (Policy Economics) from University of Illinois at Urbana-Champaign, USA. He also holds a Bachelor of Science (Resource Economics) from the Universiti Putra Malaysia.

Datuk Mat Noor had served with the Government of Malaysia for over 30 years where he started his career in the Malaysian civil service in 1981 as an Agriculture Economist at the Federal Agriculture Marketing Authority (FAMA) before joining Economic Planning Unit (EPU) in 1983. He had since continued to serve the EPU in various capacities and his last position was the Deputy Director General, EPU, Prime Ministers Department prior to joining Ministry of Finance (MOF) in October 2011.

He was the Deputy Secretary General, Treasury (Investment) in MOF and later became the Deputy Secretary General, Treasury (Policy) at the MOF, a position he held since 16 November 2012. He then retired from the Malaysian civil service on 6 June 2015.

On 1 October 2015, Datuk Mat Noor was appointed as Chairman of Export -Import Bank of Malaysia Berhad (EXIM Bank) and served the Bank until 30 September 2018. Currently, he is the Chairman of of Carrier International Sdn Bhd, GETS Global Berhad (formerly known as KBES Berhad) and Mirmas Holding. He also sits on the Board of University Tun Hussien Onn Malaysia and PDX.com Sdn Bhd.

He does not have any conflict of interest with the Company and no conviction of any offence within the past five years, other than traffic offences (if any). He does not have any family relationship with any other Director and/or any major shareholder of the Company.

There is no sanction or penalty imposed on him by relevant regulatory bodies.

Puan Mohaini Bt Mohd Yusof

Malaysian, Aged 53, Female
Independent Non-Executive Director

Puan Mohaini Bt Mohd Yusof ("Pn. Mohaini") was appointed to the Board of the Company on 3 September 2018. She is the Chairman of Nomination and Remuneration Committee and a member of Audit Committee.

Puan Mohaini graduated from University of Technology MARA with Degree in Mass Communications in 1989. She started her career as an Executive in The Lion Group from 1989 to 1990. She was a Manager in Malaysian Resources Corporation Berhad ("MRCB") in 1996 and later became General Manager, Head of Corporate Communications at MRCB since 2006.

She has more than 28 years of experience in strategic communications, branding, event management, crisis management, media relations, advertising, publications, CSR/Foundation, Government relations, corporate sponsorship, awards submissions and social media management. She also created several brands for MRCB Group and Media Prima Berhad. She has been actively involved in Yayasan MRCB, PINTAR Foundation and GLC Disaster Response Network (GDRN).

Save for Cuscapi Berhad, Puan Mohaini does not hold directorship in any other public companies or public listed companies.

She does not have any conflict of interest with the Company and no conviction of any offence within the past five years, other than traffic offences (if any). She does not have any family relationship with any other Director and/or any major shareholder of the Company.

There is no sanction or penalty imposed on her by relevant regulatory bodies.

Dato' Sri Khazali Bin Haji Ahmad

Malaysian, Aged 63, Male
Alternate Director to Toe Teow Teck

Dato' Sri Khazali Bin Haji Ahmad ("Dato' Sri Khazali") was appointed to the Board of the Company on 19 June 2018. He holds a Master's Degree in Economics from the University of Central Oklahoma, USA and a Bachelor's Degree in Agricultural Economics from Universiti Kebangsaan Malaysia. He was granted Excellence Service Awards in 2003 and 2006 by the Ministry of Finance and was recognised as Asia Tax Commissioner of the Year in 2015 for his leadership of the Royal Malaysian Customs.

Dato Sri Khazali had a distinguished career in the Malaysian Civil Service, culminating in his role as Director General of Customs from 2012 until his retirement from the post in 2017. Previous to that, he served in various capacities including as Federal Secretary of the State of Sabah and as Special Functions Officer to the Chief Secretary to the Government in the Prime Minister's Department. Dato' Sri Khazali is a Director of Malaysia Venture Capital Management Berhad, Bank Islam Malaysia Berhad, Shangri-La Hotels (Malaysia) Berhad, Favelle Favco Berhad and Muhibbah Engineering (M) Berhad.

He does not have any conflict of interest with the Company and no conviction of any offence within the past five years. He does not have any family relationship with any other Director and/or any major shareholder of the Company.

There is no sanction or penalty imposed on him by relevant regulatory bodies.

KEY SENIOR MANAGEMENT'S PROFILE

Anthony Gerald A/L R.Victor
Malaysian, Aged 49, Male
Chief Executive Officer

Mr. Anthony Gerald was appointed as Chief Executive Officer of Cuscapi Berhad on the 18 of September 2018. He holds a Master of Business Administration as well as a Diploma in IT and Diploma in Business Management.

Anthony Gerald started his career with Shakeys Pizza in 1988 and rose rapidly through the ranks in becoming the youngest Store Manager of the company from 1992 to 1996. He was then hired by Delifrance as a Senior Area Manager for one year.

In 1997, he was appointed as F&B Director by the Mines Resort where he was instrumental in driving the workforce towards delivering record revenue growth for the company. Subsequently, he was hired as a Business Unit Manager by Wincor Nixdorf to expand the Malaysia Retail Division into becoming the No.1 solutions provider in the country. In 2007, he was recruited by SAP Malaysia as the Regional Senior Territory Sales Manager where he played an immense role in securing numerous multimillion Euro deals across the Retail, CPG, Chemical and Wholesale sectors. From 2011 to 2018, he was appointed the Sales Director of Wincor Nixdorf Malaysia where he was instrumental in positioning the Malaysian operations as the No. 1 market install base.

Anthony Gerald has more than 20 years experience in the application of information technology and business solutions across retail, hospitality, automotive, telecommunications, financial as well as public services sectors. In addition to that, he also possesses vast regional experiences covering Malaysia, Indonesia, Vietnam, Singapore, Thailand and Philippines.

Lim Sze Yean
Malaysian, Aged 46, Male
Chief Financial Officer

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

In 1993, he started his career as a senior auditor in KH Ng & Co and thereafter proceeded to joined GEP Associates in 1996. In year 1999, Mr. Lim joined a public listed company, Malaysian AE Models Holdings Bhd for 16 years. He was promoted as Group Finance General Manager in July 2003 and was responsible for handling the group financial costing, internal control including overseeing the company's business growth. In September 2005, he was re-designated as Group Finance Director and assisted in the planning of bond and equity raising for the Group. He has more than 15 years of experience in various areas of finance including corporate finance, internal controls and risk management. In 2015 he joined Benalec Holding Bhd as Chief Financial Officer (CFO) and overall in charge for the Group overall Financial, Corporate, Internal Control and Investment operations.

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

He is also a member of ESOS committee.

Tan Mudzaffar
Malaysian, Aged 46, Male
Chief Technical Officer

Mr Tan Mudzaffar was appointed as Chief Technical Officer of the Group on 1 April 2019. His role is to strategy, develop future growth and build enhancement in technology to enable the company to gain competitive advantage towards the competitors in the same space.

He holds a Degree in Computer Science from Oklahoma State University. He has more than 20 years of work experience as Regional General Manager, Project/Programme Director, Delivery Manager, in System Integrator and Product Vendor across telecommunication, mobility in automotive and recently in F&B space.

Before joining the Group, he developed and invested on crowd sourced on-demand mobile applications in the automotive sector to help solve mobility issues in the student space.

Soon Rong Haur
Malaysian, Aged 41, Male
General Manager

Mr. Soon Rong Haur graduated with a Diploma of Computer Science from FTMS-ICL in 1999.

In 2000, he started his career as a Technical Support in Lim Kok Wing Institute and later he joined Mindshare/GroupM as a Senior Network Engineer. In 2011, he joined Ekuinas Berhad as MIS Manager, he is tasked to evaluate and manage any given IT projects, in companies that Ekuinas interested in. He is also responsible to set up the IT system and infrastructure for Icon Offshore & Integrated Food Group new offices, as part of a Project under Ekuinas. In 2013, he joined Integrated Food Group as Head of Information Technology to lead the F&B brand of Manhattan Fish Market, Tony Romas, New York Steak Shack, Burger King & San Francisco Coffee for consolidated system, shared services and resources.

In year 2014, he joined the Group as Head of Service Delivery Management, and later promoted to Head of Delivery And Support overseeing the Group's F&B and Automotive, Support & Delivery services and was promoted to General Manager in 2019.

KEY SENIOR MANAGEMENT'S PROFILE

Nelly Foo Yen Yen

Malaysian, Aged 44, Female
Human Resource Manager

In year 2013, Ms. Nelly Foo Yen Yen was appointed as Senior Human Resource Executive and later promoted as Human Resource Manager in 2016 to oversee the SEA countries human resource operations.

She holds an Advanced Diploma in Business Administration from Association of Business Executive, UK (ABE, UK). She also obtained the IAOP Certified Outsourcing Specialist in Human Resource.

Prior to joining Cuscapi, she was attached to a few large and medium corporations, including trading, manufacturing and hospitality. In 1994, she started her career as a Secretary in a public listed company, Malayan Flour Mills Bhd. In 1995, she joined YHI (Malaysia) Sdn Bhd as Secretary and thereafter she is promoted as Senior Human Resource & Admin Executive to manage the human resource & admin operations in the company. She has more than 15 years of experience in human resource and administration functions in payroll management, 5S & Kaizen, compensation & benefits and recruitment.

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.

OUR COMMITMENT TO SUSTAINABILITY

Cuscapi Berhad is strongly committed towards developing a sustainability strategy which is consistent with our business goals.

CORE VALUES

- TEAM SPIRIT
- EXCELLENCE
- ZEAL
- INTERGRITY
- CREATIVITY

In our daily activities, our core values guide the decisions, actions and approaches that are applied by our Group in addressing challenges and recognising opportunities. Imbibed with these values, we aim to accomplish sustainable development alongside our stakeholders.

ABOUT THIS REPORT

The Company is dedicated in creating a sustainable impacts in the Economy, Environment and Society (EES). Through the annual publication of our sustainability statement, we disclose to our stakeholders the Group's strategies and practices as well as progress and development in our efforts to drive sustainability in our business activities and operations.

Reporting Cycle: This is our second year of reporting, and as promised last year, we are implementing a staggered approach to achieve a stable and meaningful sustainability strategy. In the first year of our reporting, we presented our cornerstone. This year, we established policies to commence our scaling up, as we strive to fill our previous gaps and promote sustainability as an integral part of our growth.

Scope and Boundary: This report covers all domestic operations of Cuscapi Berhad, including subsidiaries over which the Company has direct control and holds a majority stake.

Reporting Period: This report coincides with our financial year-end reporting from 1 January 2018 to 31 December 2018. Historical information from previous years were incorporated for comparative assessments.

Reporting Guideline: Main Market Requirements of Bursa Malaysia Sustainability Reporting Guideline.

MATERIALITY

We conduct materiality assessments to identify the material topics that affect our Group and our stakeholders.

This process ensures that the content contained our sustainability statement indicates the EES issues that are most significant to our Company and our stakeholders.

We update our materiality matrix biennially, provided that no significant change is applied to the scope of our business. In the beginning of January 2018, we carried out a materiality analysis, and the material issues that we identified are a reflection of the type of business that we are today. Thus, we are confident that it is unnecessary to revisit our materiality matrix in the current report.

MATERIALITY (CONTINUED)

Materiality Assessment

Our materiality assessment follows the process below:

Review: A matrix reaffirmation process was undertaken to confirm the validity of the preceding year's themes and allow for any necessary changes. The reassessment of last year's themes and stakeholder groups confirmed that no changes were required because our priority sustainability issues have remained the same.

Prioritisation & Mapping: All of the identified material issues and stakeholder groups were ranked according to their importance. Thereafter, the stakeholders prioritised the material issues on the basis of the topics that they found most relevant and those that impacted them the most.

Evaluation: The managers reassessed the prioritised themes and submitted them to the top management.

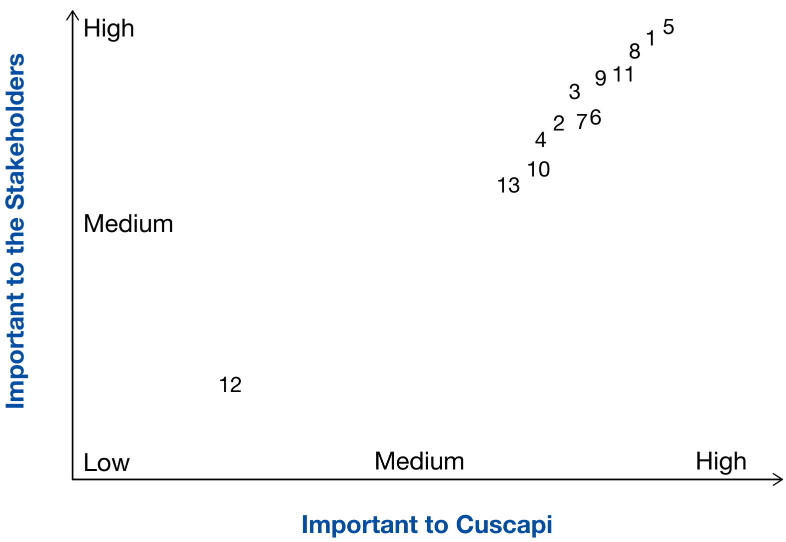
Validation & Approval: The Board validated and approved the assessed materiality issues.

Materiality Matrix

The results of the analysis were used to develop a materiality matrix. Each issue's level of importance to Cuscapi Berhad was plotted along the X-axis, whereas its level of importance to our stakeholders was plotted along the Y-axis.

The sustainable aspects that were determined to be the most important to our stakeholders and the Company are Ethics, Governance and Compliance as well as Development of IT Human Resources and Innovation. The least significant aspect is environmental protection, since our operations exert minimum impact on the eco-system. Our waste and energy consumption are not extensive as we do not manufacture hardware. Nevertheless, we adopted initiatives for reducing our energy usage and disposed of our waste in accordance with the prescribed laws and regulations.

The Materiality Matrix is presented in the following diagram:



Economic
3. Innovate Advanced IT Products
7. Competition
8. Develop IT Human Resources
9. New Products
11. Cost of Hardware

Social
1. Governance and Compliance
2. Safe and Secure IT Infrastructure
4. Information Security
5. Ethics
6. Customer Satisfaction
10. Good Working Environment
13. Community Welfare

Environment
12. Environmental Protection

STAKEHOLDER ENGAGEMENT

We conduct regular engagements to keep track of the concerns of our stakeholders. This endeavour provides us with the opportunity to collaborate, create timely solutions to address the issues that are significant to both our Group and stakeholders. To resolve problems and put forward a strategic direction that promotes sustainability in our Group, we believe that it is imperative to understand who we should engage with, what we should engage about, and why and how we should engage.

In drafting this report, we gathered all of the information collected during our engagements with our stakeholders, namely, customers, employees, suppliers, government agencies, shareholders and the community.

We reviewed our stakeholder engagements to understand their most urgent concerns. By doing so, we can prioritise them and devise a strategic direction that encourages sustainability in our Group.

Who to Engage	What to engage about	How we Engage
Customer	Downtime	Carry out Operational Training Devise Measures for Reducing Downtime
	Hardware Quality	Equipment Maintenance
	Software Quality	Quality Monitoring, On-site and Off-site Support
	New Solutions	Discuss & Demonstrate New Innovative Solutions
Employees	Training & Development	Conduct Training Courses
	Working Environment	Flexible Working Hours Sports Club Activities
	Promotion	Yearly Performance Review
	Remuneration	Bonus and Employees' Share Option Scheme (ESOS)
Government/ Regulatory bodies	License Renewal	Comply with All Licence-related Matters
	Standards	Commitment to MSC Status
	National Agenda	Human Development Training and IT Infrastructure Development
	Compliance	Compliance with All Bursa Malaysia & Other Government Agencies
Suppliers	Pricing	Practice Fair Market Pricing Standard
	Transparency	Transparent Purchasing Practices
	Quality	Product and Pricing Comparison
Shareholders & Investors	Company Information	AGM Meetings and Timely and Accurate Disclosure of Financial on Our Company Website

SUSTAINABILITY GOVERNANCE

The Board remains resolute in upholding its governing responsibilities to chart the direction of the Company and enhance the short-term and long-term creation of sustainable value. It is tasked with overall responsibility and accountability in driving a sustainable system that encompasses effective, and efficient operations as well as compliance with the law, relevant regulations and risk management. The Board considers the interests of all stakeholders, including shareholders, employees, customers, suppliers and the respective communities impacted by our Group's business operations.

Assisted by the Department Heads, our CEO leads the management of risks; takes charge in the development, operation and monitoring of the internal control system; and assures the Board that everything is accomplished in accordance with the rules adopted by the Board. Our operating manuals, which state policies and procedures for routine operations, are available within the Group. These manuals guide our employees as regards the steps to be taken under a given set of conditions.

Integrity and Transparency

In the previous financial year, we acknowledged the limitations of our sustainability framework. To kick-start our EES corporate culture, we thoroughly reviewed our Code of Conduct (COC) during the financial year ended 31 December 2018. Then, we updated our COC by reflecting and espousing the best sustainability best practices as well as incorporating current legal regulations and ethical conduct, all of which can guide our employees and preserve the reputation of Cuscapi Berhad as we perform our daily activities.

Moving forward, as we stand together with our stakeholders in overcoming challenges and maximising opportunities for achieving sustainable development, we will begin setting goals and targets and initiating appropriate programmes.

ECONOMIC

We contribute to the structural and technological changes in the economy through work organisation, worker productivity and value supply chain.

Our Impact

Our contribution can be measured in terms of the value added that is generated by the use of Information Technology. By designing innovative IT solutions, we change and organise human activities, which produce more systematic and efficient operations, ultimately resulting in sustainable business, social, cultural and administrative practices.

Supply Chain Management

In line with our sustainability strategy, our Group engages in ethical and transparent transactions with our suppliers to ensure that the procurement process remains consistent with the Group's Code of Conduct.

Our Group is involved in the business of providing technology-based services and must therefore purchase hardware-related components to facilitate production. In purchasing hardware, we consider the environmental concerns with particular regard to the disposal and reduced energy consumption during operations.

Given that we outsource our IT service, we ensure that the social and economic needs of our outsourced employees are duly addressed. We abide by the Children and Young Persons (Employment) (Amendment) Act 2010 and ensure that the outsourced company provides measures for the health and safety as well as the general wellbeing of all employees.

SOCIAL: OUR PEOPLE

Looking After Our People and Creating a Driven Force

"The process of providing passionate and enthusiastic service to clients always begins with a highly motivated and driven workforce."

Employee Benefits

We aspire to protect staff welfare whilst intending to provide the best possible workforce incentives and rewards which would boost company morale. In addition to a competitive salary and government-mandated contributions, such as monthly contributions to the Employees Provident Fund (EPF) and Social Security Organisation (SOCSO), our employees also receive non-monetary and monetary benefits, which are described as follows:

Monetary Benefits

Through the ESOS initiative, employees can purchase the Company's shares at a predetermined price. We allocate special allowances for staff members who work beyond regular hours. In addition, we appropriate advanced allowances for the work-related travelling expenses, including mileage, parking, tolls, airline tickets and accommodations, of employees assigned with outstation or overseas tasks. Moreover, to recognise their efforts and value to the Company, we offer additional commissioned-based pay to employees and staff members who work diligently to achieve their performance targets.

Non-Monetary Benefits

The non-monetary benefits include annual leaves, sick leaves, hospitalisation leaves, maternity leaves, compassionate leaves, examination leaves and celebratory leaves. The health packages consist of reimbursements for medical consultations (applicable to employees and their spouse and children), group hospitalisation, surgical procedures and personal accidents. We also provide insurance packages for health-related emergencies.

Human Capital Development

Our employees are our most important assets. We aim to offer our employees with unparalleled opportunities so that they can build rewarding careers in this constantly evolving industry. It is vital that we support their careers and personal development by providing various training programs that will enhance their skills, abilities and knowledge, thereby resulting in their effective personal growth and ultimately leading to the Company's success.

In addition, our HR Department conducts general orientation and induction training to all newly hired employees. The training includes awareness and understanding on the importance of Company policies. To further enhance our employees' development, the Department Heads conducts performance appraisal and provide role-specific training to our workforce.

For this reporting period, financial year ended 31 December 2018, a total of 133 hours of professional training programmes were organised, as shown in the table below.

SOCIAL: OUR PEOPLE (CONTINUED)

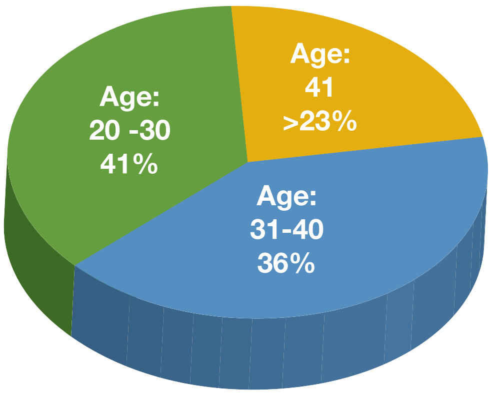
Human Capital Development (continued)

Programmes	Training Hours	Number of Attendees	Training Objectives
Understanding Import, Export, Shipping & Custom Clearance Process & Procedures	14	2	To understand the details, rules and formalities of shipping, import, export and customs procedures
Bursa's Corporate Governance Guide 3rd Edition: Moving from Aspiration to Actualisation	7	2	To understand the rationale of the new Corporate Governance Guide and its key elements as well as the application of its Code in Corporate Reporting
Detailed Analysis & Application of the Three New Standards MRFS9, MFRS15 & MFRS16	14	1	To gain a comprehensive practical guide on applying MFRS15 and obtain a technical brief on MFRS9 and MFRS16.
Microsoft Excel - Essential Excel Skills (Int & Advance Levels)	14	11	To obtain advanced knowledge of Microsoft Excel
Detailed Analysis & Application of the Three New Standards MRFS9, MFRS15 & MFRS16	14	1	To gain a comprehensive practical guide on applying MFRS15 and obtain a technical brief on MFRS9 and MFRS16
Latest Developments on MFRS 15 & MFRS 16	7	2	To understand the concepts and apply the standards accordingly
Introduction to Procurement & Purchasing Management	7	2	To further discover the best procurement process and practices and how they affect organisation performance and profitability
Practical Administrative Management Skills for Administrative Professionals	14	2	To learn how to problem solve, manage key responsibilities, plan, organise and schedule effectively.
Sales Tax Act 2018 & Service Tax Act 2018 - Impact on Your Company & Business Operations	7	2	To obtain the necessary insight and understanding to ensure a smooth implementation of the new Sales & Service Tax.
Basic Accounting Principles, Practices & Procedures	14	1	To introduce basic accounting rules and principles
MIA Conference 2018	14	1	To stage a conference for accountants and professional
Termination & Retrenchment of Employees - Understanding Your Obligations as Employers & Doing It Right	7	2	To understand the differences between dismissal & termination procedures and the consequences of retrenchment
Total Training Hours	133 hours		

SOCIAL: OUR PEOPLE (CONTINUED)

Diversity and Equal Opportunity

We are committed in establishing a coherent process that ensures that our hiring mechanism is conducted in a fair, effective and consistent manner. We recognise the significance of treating all employees and prospective staff members equally without discrimination regardless of their gender, ethnicity and religious beliefs.



Age Group

Our workforce is primarily composed of young individuals whose ages range from 20 to 40 years old, comprising approximately 77% of the total workforce. Ultimately, we aspire for the transfer of knowledge from our senior employees to our workers aged between 31 and 40 years old, so that at the right time, they will be prepared to take over new leadership positions in the Company.

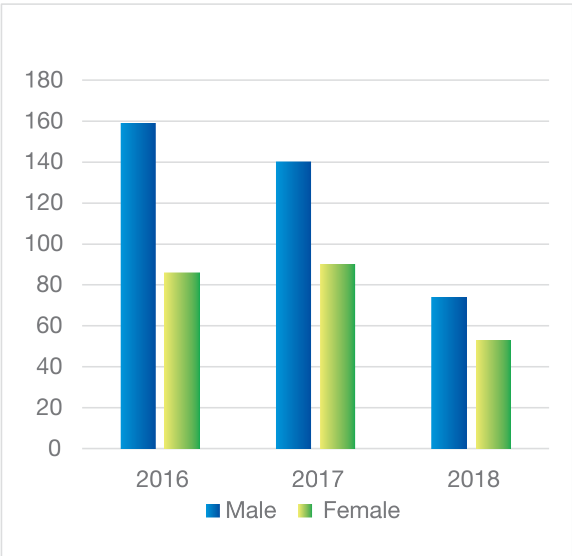
Gender Breakdown

Female Employees in the Workforce

Year	Male	Female	% of Females in the Workforce
2016	159	86	35%
2017	140	90	39%
2018	74	53	42%

Ethic Composition Breakdown

Ethnicity	2016	2017	2018
Chinese	170	150	49
Malay	33	31	31
Indian	7	10	11
Others	35	39	36
Total	**245**	**230**	**127**



SOCIAL: OUR PEOPLE (CONTINUED)

Gender Breakdown (continued)

Employee Gender Breakdown by Role

Year	2016		2017		2018		Female Increment Percentage
Position	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
Board of Directors	4	1	4	1	4	1	–
Managers	33	13	32	18	17	8	28% to 32%
Executives	126	73	108	72	57	45	37% to 44%

Although the total number of our employees has decreased to 45%, we have maintained the employment of a notable number of women in our operation. Women currently comprise 42% of our total workforce, which marks an increase by 3% from that in the FY2017 statistics.

Furthermore, women currently hold 32% and 44% of managerial and executive positions, respectively, marking an increase by 4% and 7% in FY2018 compared with the figures recorded in FY2016.

Employee Engagement

Work–Life Harmony

We believe that a healthy work–life balance is essential for experiencing a fully lived life.

For this reason, we formed a sports club committee, which promotes the physical wellbeing of our employees through sports-related activities and recreation.

To bolster and maintain staff morale, we organise various activities and initiatives that stimulate team chemistry.

Performance Review and Satisfactory Survey

Working environment

SOCIAL: OUR PEOPLE (CONTINUED)

Employee Engagement (continued)

Work–Life Harmony (continued)

Office Relocation Celebration Luncheon

We hold yearly performance reviews to help employees identify their strengths and weaknesses. The objective of this process is not to highlight performance-related inadequacies but to assist them in overcoming challenges that they may be encountering at work. Using the Key Performance Indicator (KPI) method, our Department Heads set the individual goals that must be reached by our employees in the beginning of every year. Then, yearly reviews are conducted based on the set targets.

In addition, satisfactory surveys are gathered by our Company during the exit interviews of our employees. The purpose of which is to obtain information on any necessary improvements that the Company must undertake for the advancement of our operations.

Town Hall Meetings

To keep employees informed of company updates, we conduct quarterly Town Hall meetings, during which the top management communicates directly with the employees. Fundamentally, these meetings are conducted to provide updates on the latest developments of the Company in terms of products, human resources and sports club activities for the coming months. Moreover, the assembly serves as an opportunity for the employees to directly interact and raise questions to the management.

Flexible Working Hours

8 AM–5 PM / 9 AM–6 PM / 10 AM–7 PM

The Group is committed in enabling our staff to achieve appropriate work-life balance. Our flexible working hours policy was introduced to allow our employees more freedom to organise their employment schedule to fit with their family life and commuting needs.

SOCIAL: OUR CLIENTS

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

The pursuit of our existence is to maximise CUStomer CAPItal (represents Cuscapi), and we are dedicated to attaining this by delivering services that are in line with our core customer care values, namely, Excellence, Creativity and Zeal.

Serving with Excellence raises the calibre of the company we serve.

Our Quality Assurance (QA) Head is responsible for the crucial role of ensuring that our products and services meet or even exceed the standard of acceptability demanded by our clients. We have formulated rigorous quality control policies at all stages of our operations: from design and conceptualisation to production and testing. All of our features and releases are subjected to strict User Acceptance Tests (UAT) prior to their delivery, and our internal control system monitors our daily activities to produce excellent quality service.

Serving with Creativity transforms our customers' experience into something exceptional.

We regularly communicate with our clients to understand their strategies and support their customers. These discussions help us to assess and create helpful resources that would satisfy the demands of our clients' customers.

Serving with Zeal delights and empowers our customers.

We undertake proactive measures to find areas where we can provide services to customers in the approach that works most effectively for them. We devote time to review and analyse data as well as identify patterns and processes to achieve better results.

SOCIAL: COMMUNITY

Our operation imposes no direct social and environmental impact to the community, and this finding was confirmed during our materiality assessment. Thus, our Group and stakeholders do not believe that our operation should focus on the direct community impacts.

We are confident that by integrating Socially Responsible Sourcing (SRO), Human Rights compliance and IT-related national agenda, we can effectively drive community sustainability in our business operations.

Socially Responsible Outsourcing (SRO)

We acknowledge that our outsourcing strategy plays a significant role in opening opportunities, knowledge transfer and skill improvement. In addition, outsourcing improves the economic outlook of the individual employees of the communities where we outsource.

Mechanisms are enforced to ensure that our selected partners possess a good track record and adhere to the legal requirements and best practices in equal employment opportunity as well as health and safety.

Human Rights

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

Aligned with the National Agenda

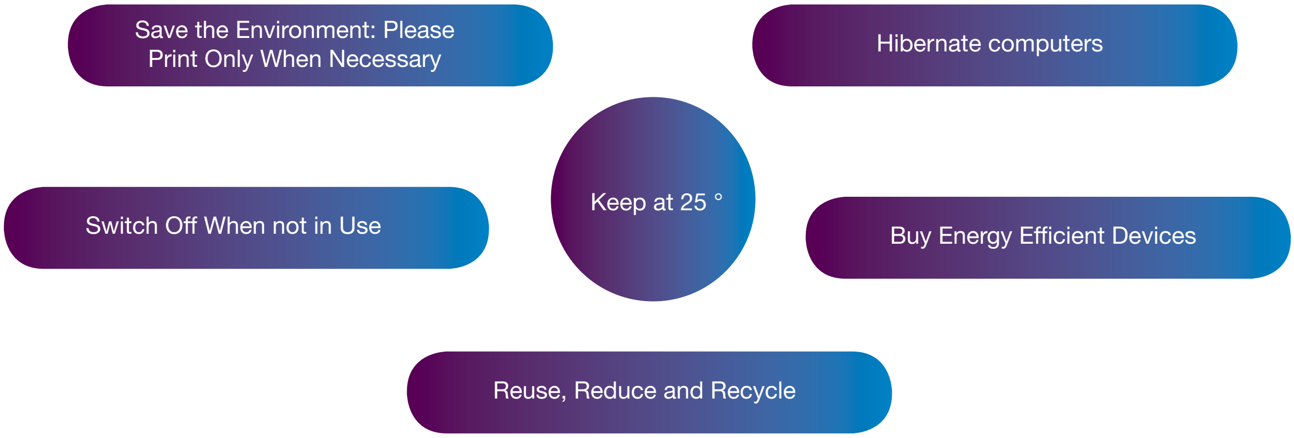
Our Research and Development approach is consistent with the Malaysian Government agenda of accelerating the growth and competitiveness of IT Malaysian companies towards global standards. We are dedicated to deliver excellence in developing and enhancing our business in order to fulfil the highest relevant, prevailing and recognised ICT industry standards.

ENVIRONMENT

Energy Efficient Practices

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

The Company recognise that reducing environmental impact does not only lessen our unnecessary costs, but we are also decreasing additional carbons on the environment.



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 cost and extends the lifespan of our printers. Documents 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, pantry, receptions, meeting rooms and 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**the Board**") of Cuscapi Berhad ("**Cuscapi**" or the "**Company**") believes that good corporate governance is fundamental to ensure long term sustainability and good business performance of the organisation. Therefore, the Board is committed to ensuring the highest standards of corporate governance are practiced throughout Cuscapi and its subsidiary companies (the "**Group**"), as a fundamental part of discharging the Board responsibilities to create and enhance economic value for shareholders as well as other stakeholders.

The Board is pleased to report on the application of the recommended practices of the Malaysian Code on Corporate Governance ("**MCCG**") as required under the MCCG and the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") during the financial year under review.

The application of each Practice set out in the MCCG during the financial year under review is disclosed in the Company's Corporate Governance Report which is available on the Company's website at *www.cuscapi.com* as in well as via an announcement on the website of Bursa Securities.

SECTION 1: BOARD LEADERSHIP AND EFFECTIVENESS

i. Composition and Balance

The current Board consists of six (6) members, comprising two (2) Executive Directors, three (3) Independent Non-Executive Directors, and one (1) Alternate Director. The current Board composition is in compliance with the Company's Articles of Association and exceeds the minimum one-third (1/3) requirement of Independent Non-Executive Directors as set out in the MMLR of Bursa Securities.

The Board believes that the current composition and size is adequate to discharge its duties and responsibilities effectively and competently. The Board members have diverse professional and entrepreneurial background, varied skills and experiences. The Independent Non-Executive Directors provide the necessary checks and balances in the Board's exercise of its functions and independent evaluation of the Board's decision-making process.

The Board recognises the importance of a clear division of roles and responsibilities at the head of the Group to ensure a balance of power and authority. The Executive Chairman leads the effective running of 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 also responsible for maintaining regular dialogue with the Head of Management overall operational matters and will consult with the remainder of the Board promptly over any matter that gives him/her cause for major concern, on the other hand, the Chief Executive Officer is responsible for the day-to-day management of the business as well as the implementation of Board policies and decisions. He also responsible for the development of corporate goals and objectives and setting of strategies to achieve them.

ii. Duties and Responsibilities of the Board

The Board retains full and effective control over the affairs of the Group and the Company. This includes responsibility for determining the Group's and the Company's development and overall strategies direction which are as follows:

- reviewing and providing guidance on the Group's and Company's corporate strategy and adopting a strategic plan for the Company through the development of risk policy, annual budgets and long range business plans, reviewing major capital expenditures, acquisitions and disposals;
- monitoring corporate performance and the conduct of the Group's business and to ensure compliances to best practices and principles of corporate governance;
- identifying and implementing appropriate system to manage principal risks. The Board undertakes this responsibility through the Audit Committee;
- ensuring and reviewing the adequacy and soundness of the Group's financial system, internal control systems and management information system are in compliance with the applicable standards, laws and regulations;
- ensuring a transparent Board nomination and remuneration process including management, ensuring the skills and experiences of the Directors are adequate for discharging their responsibilities whilst the calibre of the Non-Executive Directors bring an independent judgment in the decision-making process;
- ensuring a proper succession plan is in place;
- monitoring material litigations (if any);
- approving all financial reports to be published and to be disclosed via Bursa Securities;
- monitoring other material reporting and external communications by the Group;
- appointing external auditors (subject to shareholder's approval); and
- evaluating and reviewing the social, ethical and environmental impact of the Group's activities and determining, monitoring and reviewing standards and policies to guide the Group in this regard.

SECTION 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

iii. Board Charter

The Company has formalised a Board Charter which sets out a list of specific roles and functions which are reserved to the Board and other matters that are important for good corporate governance. The Board Charter also stated that the Board shall observe the Directors' Code of Best Practice.

The Board Charter will be periodically reviewed and updated to take into consideration the needs of the Company as well as development in rules and regulations that may have an impact on the Board's responsibilities. The Board Charter is accessible through the Company's website at *www.cuscapi.com*.

iv. Code of Ethics & Conduct

The Ethics Code, which form part of the Charter, sets out the broad standard of conduct and basic principles to guide the Board in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity. The Group has also in place the Ethics Code for its employees which encompassed all aspects of its day to day business operations.

Directors and employees of the Group are expected to observe high standards of integrity and fair dealings in relation to customers, staff, regulators in the communities within which the Group operates and ensure compliance with all applicable laws, rules and regulations to which the Group is bound to observe in the performance of its duties.

v. Supply of Information

All Directors are given complete and timely information before each Board Meeting to be convened together with an agenda and a set of Board papers, including information on financial, operational and corporate matters. Board papers are circulated within sufficient time to enable Directors to obtain further explanation, if necessary, in order to be properly briefed before each meeting.

All Directors, whether as a full Board or in their individual capacity, have access to the advice of the Company Secretary and management staff. Where considered necessary, the Board may also engage the services of Independent Professional Advisors on specialised issues in furtherance of their duties.

vi. Board Meetings

At least four (4) Board meetings are held annually, each meeting being scheduled to be held within two (2) months after each quarter to consider the quarterly financial results and to review operational performance. Additional meetings are convened as and when necessary. During the financial year under review, the Board met a total of six (6) times. The attendance of the Directors who held office during the financial year is set out below:

Name of Directors	**Attendance**	**Percentage of attendance**
Datuk Jayakumar A/L Panneer Selvam Executive Chairman (*Appointed as Executive Chairman on 4 June 2018;* *Ceased as Alternate Director to Datuk Mohd Jimmy Wong Bin Abdullah* *(Appointed w.e.f 4 June 2018)*	2/2	100%
Toe Teow Teck Executive Director *(Appointed w.e.f. 28 March 2018)*	2/4	50%
Dato' Sri Khazali Bin Haji Ahmad *(Appointed as Alternate Director to Toe Teow Teck w.e.f 19 June 2018)*	2/2	100%
Datuk Mat Noor Bin Nawi Independent Non-Executive Director *(Appointed w.e.f. 24 May 2018)*	3/3	100%

SECTION 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

vi. Board Meetings (continued)

Name of Directors	Attendance	Percentage of attendance
Dato' Sheah Kok Fah Independent Non-Executive Director *(Appointed w.e.f. 12 April 2018)*	3/3	100%
Pn. Mohaini Bt Mohd Yusof (f) Independent Non-Executive Director *(Appointed w.e.f. 3 September 2018)*	1/1	100%
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow Executive Chairman *(Resigned w.e.f. 20 March 2018)*	2/2	100%
Datuk Mohd Jimmy Wong Bin Abdullah Executive Chairman *(Appointed on 28 March 2018 and Resigned w.e.f 4 June 2018)*	0/2	0%
Khoo Chuan Keat (Deceased) Independent Non-Executive Director *(Resigned w.e.f. 11 May 2018)*	3/3	100%
Ang Chin Joo Independent Non-Executive Director *(Retired w.e.f. 22 June 2018)*	4/4	100%
Lim Li Li (f) Non-Independent Non-Executive Director *(Resigned w.e.f. 16 April 2018)*	3/3	100%

vii. Board Committees

In order for the Board to discharge its functions effectively, the Board has delegated certain functions to the Board Committees to assist in the execution of its duties and responsibilities. The Chairman of the respective Board Committees will report to the Board on the outcome of the Board Committee's meetings.

Each Board Committee is governed by their respective terms of reference which have been approved by the Board.

a) Audit Committee

The responsibility and detail Terms of Reference of the Audit Committee are accessible through the Company's website at www.cuscapi.com. The activities of the Audit Committee during the financial year are set out in the Audit Committee report on pages 50 to 52 of this annual report.

SECTION 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

vii. Board Committees (continued)

b) Nomination & Remuneration Committee

The Nomination & Remuneration Committee ("**NRC**") comprised wholly of Non-Executive Directors. One (1) meeting was held during the financial year.

The attendance record of each member of the NRC during the financial year is as follows:-

Name of Directors	Attendance	Percentage of attendance
Pn. Mohaini Bt Mohd Yusof Chairman, Independent Non-Executive Director *(Appointed on 27 November 2018)*	N/A	N/A
Dato' Sheah Kok Fah Member, Independent Non-Executive Director *(Appointed on 12 April 2018)*	1/1	100
Mr Ang Chin Joo Chairman, Independent Non-Executive Director *(Retired on 22 June 2018)*	1/1	100
Mr Khoo Chuan Keat Member, Independent Non-Executive Director *(Resigned on 11 May 2018)*	1/1	100

The Terms of Reference of the NRC can also be viewed at the Company's website at *www.cuscapi.com*.

The Board notes the recommendation of the MCCG on the tenure of an independent Director which should not exceed a consecutive or a cumulative term of nine (9) years.

The Board has received confirmation in writing from all the Independent Directors of their independence based on the criteria in line with the definition of "Independent Directors" prescribed by the Listing Requirements. None of the Company's Independent Directors has served more than nine (9) years.

viii. Appointments of the Board

The Board believes that the current composition of Board brings the required mix of skills and core competencies required for the Board to discharge its duties effectively. The Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board.

The appointment of any additional Director is made when necessary and upon the recommendation of the NRC. In the process of nominating and appointing new Director, due consideration is given to the appointee's industry's experience and mix of expertise for an effective Board and diversity of the Board. In case of the independence of the candidates for Independent Director, the NRC will assess whether the candidate could bring independent and objective judgments for Board's deliberations. The NRC will annually evaluate the effectiveness of the Board, its committee and also the performance of the Directors.

The NRC and the Board acknowledged the boardroom gender diversity as published in the MCCG and endeavor to comply as they recognize business benefits of having a balanced board. Hence, the appointment of new board members will be guided by skill, competencies, knowledge, commitment, integrity of the candidate and gender.

The Company Secretaries will ensure that all the appointments are properly carried out in compliance with legal and regulatory requirements.

SECTION 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

ix. Directors' Training

The Board evaluated the Directors' training needs and attended relevant training programmes to further enhance their business acumen and professionalism in discharging their duties to the Group.

During the year, the Directors have pursued relevant courses and seminars to keep abreast with industry, regulatory and compliance issues, trends and best practices. Conferences, seminars and training programmes attended by the Directors in 2018 are as follows:

Name of Directors	Training programmes attended
Datuk Jayakumar A/L Panneer Selvam	Mandatory Accreditation Programme for Directors of Public Listed Companies
Toe Teow Teck	Mandatory Accreditation Programme for Directors of Public Listed Companies
Puan Mohaini Bt Mohd Yusof	Mandatory Accreditation Programme for Directors of Public Listed Companies
Datuk Mat Noor Bin Nawi	AMLATFPUAA 2001: Risk Challenges & Vulnerabilities towards Risk Based Approach

x. Re-appointment and Re-election of Directors

In accordance with the Articles of Association, all new Directors appointed by the Board are subject to election by shareholders at the first opportunity after the appointment and one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. Each Director shall retire at least once every three (3) years but shall be eligible for re-election. The Directors to retire each year are those who have been longest in office since their last election or appointment. To assist the shareholders in their decision, sufficient information such as personal profile, attendance at meetings and shareholdings in the Company for each Director standing for election are disclosed in the Annual Report.

xi. Remuneration Procedure

The policy on Directors' remuneration practiced by the Company is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company. The remuneration package of the Executive Director is structured to commensurate with the experience, knowledge and professional skills of the Executive Director and is also structured so as to link rewards with corporate and individual performance in the case of the Executive Director.

The Company takes into consideration information by independent consultants (where applicable) and survey results on the remuneration practices of comparable companies, including its financial performance in determining the remuneration packages of its Directors.

The NRC recommends to the Board the remuneration framework and the remuneration packages for the Executive Directors. None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of Non-Executive Directors, with individual Directors abstaining from making decisions in respect of their individual remuneration. The Directors' fees are approved by the shareholders at the Annual General Meeting of the Company. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as Directors.

SECTION 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

xii. Details of Directors' Remuneration

The details of aggregate remuneration of the Directors for the financial year are as follows:

	Fees (RM)	Allowance (RM)	Benefits-in-kind (RM)	Other Emoluments (RM)	Total (RM)
Datuk Jayakumar A/L Panneer Selvam	-	-	-	-	-
Toe Teow Teck	-	-	-	-	-
Dato' Sri Khazali Bin Haji Ahmad	-	4,000	-	-	4,000
Datuk Mat Noor Bin Nawi	-	7,000	-	-	7,000
Dato' Sheah Kok Fah	-	7,000	-	-	7,000
Puan Mohaini Bt Mohd Yusof	39,333	2,000	-	-	41,333
Total	39,333	20,000	-	-	59,333

The remuneration of the top four (4) Senior Management Team of the Company as follows:

Range of Remuneration	Top Four Senior Management
Below RM100,000	1
RM100,001 to RM300,000	2
RM300,001 to RM500,000	1

2. EFFECTIVE AUDIT AND RISK MANAGEMENT

(i) Financial Reporting

The primary aim of the Directors is to present a balanced and understandable assessment of the Group's position and prospects through its annual financial statements and quarterly financial results to its shareholders.

(ii) Directors' Responsibility Statement

The Directors are required to prepare the financial statements for each financial year in accordance with the provision of the Companies Act 2016 and applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:-

(a) Reviewed the overall conduct of the Company's business and that of the Group;
(b) Identified principal risks to ensure that an appropriate system of internal control exists to manage these risks;
(c) Reviewed the adequacy and integrity of internal controls system and management information system in the Company and within the Group;
(d) Adopted appropriate accounting policies and applied them consistently;
(e) Made judgments and estimates that are reasonable and prudent; and
(f) Ensured compliance with application of approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that the Group keeps proper accounting and other records to disclose with reasonable accuracy, the financial position of the Group and the Company, and for ensuring that the financial statements comply with MMLR, the provisions of the Companies Act 2016 and applicable approved Accounting Standards in Malaysia.

2. EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

(iii) Internal Control

The Statement on Risk Management and Internal Control is set out on pages 46 to 49 of this Annual Report provides an overview of the state of internal controls within the Group.

(iv) Relationship with Auditors

The Board has assessed the independence and suitability of external auditors prior to appointment for the current financial year audit.

To assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:

(i) the adequacy of the experience and resources of the External Auditors;
(ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
(iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
(iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by them. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2018.

The Company maintains a transparent relationship with the External Auditors in seeking their professional advice towards ensuring compliance with the accounting standards through the Audit Committee. The role of the Audit Committee in relation to the External Auditors is set out in the Audit Committee Report on pages 50 to 52 of this Annual Report.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the AGM on the re-appointment of Messrs Baker Tilly Monteiro Heng PLT as the External Auditors of the Company for the financial year ending 31 December 2019.

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

a) Investors Relations And Shareholder Communication

The Company places utmost importance on effective dissemination of timely, comprehensive and accurate information to investors and shareholders by leveraging on information technology, as recommended under the Code. The Group discloses all corporate developments through Annual Reports, circulars to shareholders, announcements, quarterly results announcements submitted to Bursa Securities, and through regular updates with investors as well as press releases (if any). The quarterly results announcement is a channel to keep the shareholders informed of the quarterly progress of the development in the Group during the year. The Group has also established a corporate disclosure policy for adherence by employees to facilitate and ensure timely and accurate disclosures in compliance with the MMLR.

The Company maintains a website at www.cuscapi.com where the latest information of the Group is readily accessible by the shareholders and members of public. In addition, the website has a built-in functionality to receive feedback and questions from the public. It serves as an additional avenue for interaction between the Company and its shareholders and fellow investors.

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

b) Annual General Meeting

The Annual General Meeting provides a forum for the Directors, the Management of the Company and shareholders to meet and discuss the Group's business developments, strategies, performance, corporate governance, matters affecting shareholders' interests and future prospects. The forum provides an opportune time for Management to respond to views and queries from shareholders pertaining to issues relevant to the Group. The Company is committed to maintaining an active dialogue with shareholders and providing comprehensive updates on issues pertaining to the Group's strategy, performance and major developments.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement, and considers that the Statement provides the information necessary to enables shareholders to evaluate how the MCCG has been applied. The Board considers and is satisfied that the Group has fulfilled its obligation under the MCCG, the MMLR and all applicable laws and regulations throughout the financial year ended 31 December 2018.

This Statement was approved by the Board of Directors of the Company on 25 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the MMLR of Bursa Securities.

AUDIT FEE 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 year ended 31 December 2018 are as follows:-

Type of fees	Group (RM)	Company (RM)
Audit fees	339,331	58,000
Non-audit fees	100,716	86,164
Total	**440,047**	**144,164**

MATERIAL CONTRACTS

There were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving Director's and major shareholder's interest which were still subsisting at the end of the financial year or entered into since the end of the previous financial year.

UTILISATION OF PROCEEDS

On 20 March 2018, the Company completed its private placement with the listing of 200,000,000 new ordinary shares at RM0.25 each and 40,000,000 new warrants at RM0.08 each on the MMLR of Bursa Securities.

The details of the utilisation of the proceeds from the Private Placement for year ended 31 December 2018 are as follow:-

Description	Proposed Utilisation (RM)	Actual Utilisation (RM)	Balance Utilisation (RM)
Working capital	6,143,035	6,143,035	-
Business expansion	46,500,000	21,317,732	25,182,268
Estimated expenses in relation to Corporate Exercise	556,965	556,965	-
Total	**53,200,000**	**28,017,732**	**25,182,268**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Directors are required by the Companies Act 2016 ("the Act") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to prepare the financial statements for each financial year in accordance with applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards and requirements of the Act in Malaysia.

The Directors are responsible to ensure that the audited financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2018. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

In preparing the financial statements, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensure that all applicable accounting standards have been followed; and
- prepared financial statements on a "going concern" basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue operations for the foreseeable future.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board dated 25 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

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

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

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

2. BOARD RESPONSIBILITY

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

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

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

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

3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

During the financial year ended 31 December 2018, the Executive Chairman and Chief Executive Officer were in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. The Executive Chairman and Chief Executive Officer set 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 Executive Chairman and Chief Executive Officer and Senior Management meet regularly in respect of such matters.

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

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

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

4. INTERNAL AUDIT FUNCTION

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

Internal audit is independent from the operational management and is performed by an external service provider. In a desire to maintain total independence in the management of the internal control environment and remain in compliance with the Bursa Securities, the Company has appointed Crowe Horwath Governance Sdn. Bhd. to manage the Company's internal audit function on an outsourced basis.

Crowe Horwath Governance Sdn. Bhd. reports independently and directly to the Audit Committee in respect of the internal audit function. The Audit Committee together with Crowe Horwath Governance 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 Chief Executive Officer and the Chief Financial Officer 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.

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.

5. OTHER KEY INTERNAL CONTROL ELEMENTS (CONTINUED)

Formalized 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 (weekly sales and collection report, HR report, sales analysis and breakdown and etc) are periodically prepared and presented to Management or Board for discussion and review on timely basis. Scheduled and ad-hoc meetings are held at operational and management levels to identify, discuss and resolve business and operational issues.

Monitoring

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

Procedures and Control Environment

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

Established control activities for day-to-day financial and operational activities are in place covering preventive controls, predictive controls, manuals controls, computer controls and management controls. These include top-level reviews of financial and operating performance, 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 conducing themselves at work and their relationships with external parties such as customers and suppliers. The Group expects each employee to conduct himself/herself with integrity and objectivity and not to place himself/herself in a position of conflict of interest. The competence of staff personnel is maintained through a structured recruitment process, a performance measurement and rewarding system and a wide variety of training and development programmes.

Human resource policies have been established and it reflects the Group's objective on human resource management with emphasis on development in areas relating to succession planning and competency. Policies also include code of conduct and performance management as control measures on staff's overall conduct and performance. On-going internal and/or external training are provided to 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 25 April 2019.

AUDIT COMMITTEE REPORT

The Board of Directors (“**the Board**”) of Cuscapi Berhad (“**the Company**”) is pleased to present the Audit Committee (“AC”) Report for the financial year ended 31 December 2018 (“**FYE 31 December 2018**”).

AC Composition and Attendance

The AC comprises three (3) members, all of whom are Independent Non-Executive Directors (“**INED**”), who meet the requirements of Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The AC currently comprises the following members:

1. Datuk Mat Noor Bin Nawi (Chairman, INED)
2. Dato’ Sheah Kok Fah (Member, INED)
3. Puan Mohaini Bt Mohd Yusof (Member, INED)

MEETINGS AND ATTENDANCE

The AC had met four (4) times during the FYE 31 December 2018. The composition and the attendance record of AC members are as follows: -

Name and designation of Audit Committee	Attendance	Percentage of attendance
Datuk Mat Noor Bin Nawi Chairman of AC, Independent Non-Executive Director *(Redesignated as Chairman w.e.f. 1 October 2018)* *(Appointed as member w.e.f 24 May 2018)*	2/2	100%
Dato’ Sheah Kok Fah Member, Independent Non-Executive Director *(Appointed w.e.f. 1 October 2018)*	1/1	100%
Puan Mohaini Bt Mohd Yusof (f) Member, Independent Non-Executive Director *(Appointed w.e.f. 3 September 2018)*	1/1	100%
Khoo Chuan Keat Chairman AC, Independent Non-Executive Director *(Resigned w.e.f. 11 May 2018)*	2/2	100%
Ang Chin Joo Member, Independent Non-Executive Director *(Retired w.e.f. 22 June 2018)*	3/3	100%
Lim Li Li (f) Member, Non-Independent Non-Executive Director *(Resigned w.e.f. 16 April 2018)*	2/2	100%

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are published in the Company’s website at www.cuscapi.com.

Independence of the Audit Committee

The Company recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

Financial Literacy of the Audit Committee Members

Collectively, the members of the Audit Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profiles on pages 16 to 21 of this Annual Report. During the FYE 31 December 2018, all members of the Audit Committee had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties.

Summary of Work of the Audit Committee

During the FYE 31 December 2018, the summary of the activities carried out by the AC was as follow:

1. **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.

2. **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.

3. **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.

4. **Annual Report**

    - Reviewed and issued this Report for inclusion in the FYE 31 December 2018 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 2018 Annual Report.

5. **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 2018 Annual Report.

Internal Audit Function

The Company engaged the services of an independent professional firm, Crowe Horwath Governance Sdn.Bhd., to carry out the internal audit functions of the Group in order to assist the AC in discharging its duties and responsibilities. The Internal Auditors are empowered by the AC to provide objective evaluation of risks and controls in the auditable activities to ensure a sound system of internal controls. The Internal Auditors adopts a risk-based audit methodology to develop its audit plan and activities. The internal audit functions of the Group are carried out according to the internal audit plan as approved by the AC. Greater focus and appropriate review intervals are set for higher risk activities, material internal controls, including compliance with the Company's policies, procedures and regulatory requirements.

During the FYE 31 December 2018, the Internal Auditors have performed the internal audit according to the approved internal audit plan. Internal Audit reports were issued to the AC in each quarter and tabled during AC meetings. The Internal Audit Reports were also issued to the respective operations management, incorporating audit recommendations and Management responses. The Internal Auditors conducted follow-up audits to ensure the recommendations were implemented appropriately. Further details of the internal audit function and its activities are provided in the Statement on Risk Management and Internal Control, set out in pages 46 to 49 of this Annual Report.

The cost incurred for the internal audit function in respect of the FYE 31 December 2018 was RM68,200.

This report is made in accordance with a resolution of the Board of Directors dated 25 April 2019.

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 2018.

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 7 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial year, net of tax	(21,578,597)	(49,357,699)
Attributable to:		
Owners of the Company	(21,578,597)	(49,357,699)

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 2018.

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.

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, except for as disclosed in the financial statements,

(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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

(i) issued 200,000,000 new ordinary shares at a price of RM0.25 per ordinary share for business expansion;

(ii) issued 1,247,714 new ordinary shares arising from the exercise of 1,247,714 Employees' Share Options; and

(iii) issued 161,576,351 new ordinary shares arising from the exercise of 161,576,351 warrants.

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")

The details of ESOS are disclosed in Note 30 to the financial statements.

WARRANTS

The details of warrants are disclosed in Note 16(e) to the financial statements.

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 Jayakumar A/L Panneer Selvam*	*(Appointed as alternate director to Datuk Mohd Jimmy Wong Bin Abdullah on 4 April 2018, ceased to be alternate director on 4 June 2018 and appointed as Executive Chairman on 4 June 2018)*
Toe Teow Teck	*(Appointed on 28 March 2018)*
Dato' Sheah Kok Fah*	*(Appointed on 12 April 2018)*
Datuk Mat Noor Bin Nawi	*(Appointed on 24 May 2018)*
Mohaini Bt Mohd Yusof	*(Appointed on 3 September 2018)*
Dato' Sri Khazali Bin Haji Ahmad *(Alternate director to Toe Teow Teck)*	*(Appointed on 19 June 2018)*
Datuk Mohd Jimmy Wong Bin Abdullah	*(Appointed on 28 March 2018 and resigned on 4 June 2018)*
Her Chor Siong	*(Resigned on 1 January 2018)*
Dato' Gan Nyap Liou @ Gan Nyap Liow	*(Resigned on 20 March 2018)*
Lim Li Li*	*(Resigned on 16 April 2018)*
Khoo Chuan Keat*	*(Resigned on 14 May 2018)*
Ang Chin Joo*	*(Retired on 22 June 2018)*

* 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:

Anthony Gerald A/L R. Victor	*(Appointed on 20 November 2018)*
Lim Sze Yean	*(Appointed on 1 January 2018)*
Chua Wei Chun	
Filomena Villa	*(Appointed on 5 March 2018)*
Jessica Buzeta	*(Appointed on 5 March 2018)*
Jayson Torente	*(Appointed on 31 March 2019)*

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 as per ensuing page:

DIRECTORS' INTERESTS (CONTINUED)

Interest in the Company

	Number of ordinary shares			
	At 1.1.2018/ date of appointment	**Bought**	**Sold**	**At 31.12.2018**
Direct interests:				
Datuk Jayakumar A/L Panneer Selvam	-	20,205,000	-	20,205,000
Dato' Sheah Kok Fah	-	470,000	-	470,000
Indirect interests:				
Datuk Jayakumar A/LPanneer Selvam^	-	200,000,000	(67,000,000)	133,000,000
Toe Teow Teck^	-	67,000,000	-	67,000,000
Dato' Sheah Kok Fah^	-	90,000	(90,000)	-

	Number of Warrants			
	At 1.1.2018/ date of appointment	**Bought**	**Sold**	**At 31.12.2018**
Indirect interests:				
Datuk Jayakumar A/L Panneer Selvam	-	40,000,000	(40,000,000)	-

^ *Shares held through Company/firm in which the director has substantial financial interests.*

By virtue of their interests in the shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Datuk Jayakumar A/L Panneer Selvam, Toe Teow Teck and Dato' Sheah Kok Fah are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 27 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.

INDEMNITY TO DIRECTORS AND OFFICERS

Every directors and other officers for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Act 2016 in which relief is granted to him by the court in respect of any negligence, default, breach of duty or breach of trust.

During the financial year, there was no insurance effected for any directors or officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

Other than those subsidiaries with modified opinions in their auditors' reports as disclosed in Note 7 to the financial statements, the available auditors' reports on the accounts of the remaining subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 37 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 38 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 26 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.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), 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:

……………………………………………………………
DATUK JAYAKUMAR A/L PANNEER SELVAM
Director

……………………………………………………………
DATUK MAT NOOR BIN NAWI
Director

Date: 25 April 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	9,774,722	11,453,177	1,569,177	91,762
Investment property	6	11,002,200	-	11,002,200	-
Investment in subsidiaries	7	-	-	23,539,115	14,112,010
Other investments	8	19,870,294	-	3,835,000	-
Goodwill on consolidation	9	2,344,330	2,521,726	-	-
Development costs	10	-	3,767,002	-	-
Deferred tax assets	11	-	608,605	-	-
Total non-current assets		42,991,546	18,350,510	39,945,492	14,203,772
Current assets					
Inventories	12	17,200,144	17,812,199	-	-
Trade and other receivables	13	10,926,294	11,285,283	4,289,221	23,186,847
Prepayment		902,833	1,017,198	117,590	144,037
Tax recoverable		850,518	773,538	-	48,750
Cash and short-term deposits	14	45,128,456	2,557,910	41,316,094	806,309
Total current assets		75,008,245	33,446,128	45,722,905	24,185,943
TOTAL ASSETS		117,999,791	51,796,638	85,668,397	38,389,715
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	181,114,569	72,846,301	181,114,569	72,846,301
Other reserves	16	13,521,653	22,425,627	604,788	11,280,818
Accumulated losses		(97,843,998)	(76,428,556)	(116,915,820)	(67,702,221)
TOTAL EQUITY		96,792,224	18,843,372	64,803,537	16,424,898
Non-current liabilities					
Provision	18	53,543	-	-	-
Deferred tax liabilities	11	-	5,991	-	-
Trade payables	17	-	8,700,813	-	-
Total non-current liabilities		53,543	8,706,804	-	-
Current liabilities					
Trade and other payables	17	21,100,075	23,773,068	20,818,963	21,491,423
Current tax liabilities		53,949	-	45,897	-
Short-term borrowing	19	-	473,394	-	473,394
Total current liabilities		21,154,024	24,246,462	20,864,860	21,964,817
TOTAL LIABILITIES		21,207,567	32,953,266	20,864,860	21,964,817
TOTAL EQUITY AND LIABILITIES		117,999,791	51,796,638	85,668,397	38,389,715

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	20	29,148,312	33,274,742	3,086,031	3,628,238
Direct cost of sales	21	(25,892,337)	(34,327,567)	-	-
Amortisation of development costs		(979,183)	(2,264,911)	-	-
Gross profit/(loss)		2,276,792	(3,317,736)	3,086,031	3,628,238
Other income	22	880,542	318,991	382,395	100,046
Administrative expenses		(20,250,168)	(18,429,416)	(6,038,551)	(8,050,925)
Other operating expenses	23				
- Impairment loss on investment in subsidiaries		-	-	(6,507,514)	-
- Impairment loss on goodwill		-	(1,558,173)	-	-
- Impairment loss on development costs		(2,737,436)	(612,552)	-	-
- Impairment loss on amount owing by subsidiaries		-	-	(41,110,283)	(66,755,818)
- Impairment loss on property, plant and equipment		(302,307)	-	-	-
- Impairment loss on trade and other receivables		(1,000,234)	(382,839)	-	-
Operating loss		(21,132,811)	(23,981,725)	(50,187,922)	(71,078,459)
Finance income	24	964,604	52,658	959,220	47,778
Finance costs	25	(638,236)	(864,396)	(3,750)	(33,040)
Net finance income/(costs)		326,368	(811,738)	955,470	14,738
Loss before tax	26	(20,806,443)	(24,793,463)	(49,232,452)	(71,063,721)
Income tax(expense)/credit	28	(772,154)	232,558	(125,247)	-
Loss for the financial year		(21,578,597)	(24,560,905)	(49,357,699)	(71,063,721)
Other comprehensive income, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Fair value gain on other investment		597,000	-	597,000	-
Remeasurement of defined benefits plans		-	12,595	-	-
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation		1,772,056	1,060,799	-	-
Other comprehensive income for the financial year		2,369,056	1,073,394	597,000	-
Total comprehensive loss for the financial year		(19,209,541)	(23,487,511)	(48,760,699)	(71,063,721)
Loss attributable to:					
Owners of the Company		(21,578,597)	(24,560,905)	(49,357,699)	(71,063,721)
Total comprehensive loss attributable to:					
Owners of the Company		(19,209,541)	(23,487,511)	(48,760,699)	(71,063,721)
Basic/diluted loss per share(sen):	29	(2.77)	(5.19)		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Attributable to owners of the Company								
	Share Capital RM	Fair Value Reserve RM	Exchange Reserve RM	Employees' Share Option Reserve RM	Statutory Reserve RM	Warrants Reserve RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
At 1 January 2018	72,846,301	-	10,922,345	73,583	222,464	11,207,235	-	(76,428,556)	18,843,372
Total comprehensive loss for the financial year									
Fair value gain on other investment	-	597,000	-	-	-	-		-	597,000
Exchange difference on translation of foreign operation	-	-	1,772,056	-	-	-	-	-	1,772,056
Other comprehensive income for the financial year	-	597,000	1,772,056	-	-	-	-	-	2,369,056
Loss for the financial year	-	-	-	-	-	-	-	(21,578,597)	(21,578,597)
Total comprehensive loss	-	597,000	1,772,056	-	-	-	-	(21,578,597)	(19,209,541)
Transactions with owners									
Issuance of shares	50,000,000	-	-	-	-	3,200,000	-	-	53,200,000
ESOS exercised	381,885	-	-	(38,313)	-	-	-	-	343,572
ESOS lapsed	-	-	-	(27,482)	-	-	-	19,368	(8,114)
Warrant exercised	57,886,383	-	-	-	-	(14,263,448)	-	-	43,622,935
Warrant lapsed	-	-	-	-	-	(143,787)	-	143,787	-
Total transactions with owners	108,268,268	-	-	(65,795)	-	(11,207,235)	-	163,155	97,158,393
At 31 December 2018	181,114,569	597,000	12,694,401	7,788	222,464	-	-	(97,843,998)	96,792,224

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	← Attributable to owners of the Company →								
Group	Share Capital RM	Fair Value Reserve RM	Exchange Reserve RM	Employees' Share Option Reserve RM	Statutory Reserve RM	Warrants Reserve RM	Share Premium RM	Accumulated Losses RM	Total Equity 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^	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

^ refer to Note 15 to the financial statements for the details.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company						
	Share Capital RM	Fair Value Reserve RM	Employees' Share Option Reserve RM	Warrants Reserve RM	Share Premium RM	Accumulated Loss RM	Total Equity RM
Company							
At 1 January 2018	72,846,301	-	73,583	11,207,235	-	(67,702,221)	16,424,898
Total comprehensive loss for the financial year							
Fair value gain on other investment, representing other comprehensive income for the financial year	-	597,000	-	-	-	-	597,000
Loss for the financial year	-	-	-	-	-	(49,357,699)	(49,357,699)
Total comprehensive loss	-	597,000	-	-	-	(49,357,699)	(48,760,699)
Transactions with owners							
Issue of ordinary shares	50,000,000	-	-	3,200,000	-	-	53,200,000
ESOS exercised	381,885	-	(38,313)	-	-	-	343,572
ESOS lapsed	-	-	(27,482)	-	-	313	(27,169)
Warrant exercised	57,886,383	-	-	(14,263,448)	-	-	43,622,935
Warrant lapsed	-	-	-	(143,787)	-	143,787	-
Total transactions with owners	108,268,268	-	(65,795)	(11,207,235)	-	144,100	97,139,338
At 31 December 2018	181,114,569	597,000	7,788	-	-	(116,915,820)	64,803,537

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company						
	Share Capital RM	Fair Value Reserve RM	Employees' Share Option Reserve RM	Warrants Reserve RM	Share Premium RM	Accumulated Loss RM	Total Equity RM
Company							
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)
Transactions with owners							
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^	14,305,266	-	-	-	(14,305,266)	-	
At 31 December 2017	72,846,301	-	73,583	11,207,235	-	(67,702,221)	16,424,898

^ refer to Note 15 to the financial statements for the details.

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities				
Loss before tax	(20,806,443)	(24,793,463)	(49,232,452)	(71,063,721)
Adjustments for:				
Amortisation of development costs	979,183	2,264,911	-	-
Depreciation of property, plant and equipment	2,938,107	3,033,849	166,043	88,092
ESOS expenses	-	892,320	-	337,700
Impairment loss on investment in subsidiaries	-	-	6,507,514	-
Impairment loss on amount owing by subsidiaries	-	-	41,110,283	66,755,818
Impairment loss on development costs	2,737,436	612,552	-	-
Impairment loss on goodwill on consolidation	-	1,558,173	-	-
Impairment loss on property, plant and equipment	302,307	-	-	-
Impairment loss on trade and other receivables	1,000,234	382,839	-	-
Interest expenses	638,236	864,396	3,750	33,040
Interest income	(964,604)	(52,658)	(959,220)	(47,778)
Inventories written down	608,226	1,110,894	-	-
Inventories written off	-	323,706	-	-
Reversal of inventories written down	(390,596)	(3,947)	-	-
Reversal of impairment loss on trade and other receivables	(49,038)	(102,777)	(318,392)	(100,046)
Property, plant and equipment written off	234,259	-	-	-
Loss on disposal of property, plant and equipment	265,255	-	-	-
Gain on disposal of property, plant and equipment	(128,877)	-	(62,963)	-
Unrealised (gain)/loss on foreign exchange differences	(535,201)	925,630	1,117,466	2,174,352
Other adjustment	2,016,863	1,811,035	-	-
Operating loss before changes in working capital, carried forward	(11,154,653)	(11,172,540)	(1,667,971)	(1,822,543)
Changes in working capital:				
Inventories	394,426	(14,277,197)	-	-
Trade and other receivables	(470,076)	2,151,920	256,135	(91,833)
Trade and other payables	(10,846,719)	18,539,798	(635,553)	(415,690)
Provision	53,543	-	-	-
Balances with subsidiaries	-	-	-	(3,246,315)
Cash flows used in operations	(22,023,479)	(4,758,019)	(2,047,389)	(5,576,381)
Interest paid	(638,236)	(864,396)	(3,750)	(33,040)
Net income tax(paid)/refunded	(179,896)	156,891	(30,600)	23,250
Net cash used in operating activities	(22,841,611)	(5,465,524)	(2,081,739)	(5,586,171)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from investing activities					
Fixed deposit held as security value		549,787	(166,999)	549,787	(166,999)
Investment in subsidiary companies		-	-	(16,000,100)	-
Advances to subsidiaries		-	-	(22,469,520)	(8,963,796)
Purchase of property, plant and equipment		(2,137,785)	(9,833,557)	(1,643,459)	(2,190)
Proceeds from disposal of property, plant and equipment		167,719	-	62,964	-
Purchase of investment property		(11,002,200)	-	(11,002,200)	-
Purchase of other investments		(19,273,294)	-	(3,238,000)	-
Interest received		964,604	52,658	959,220	47,778
Net cash flows used in investing activities		(30,731,169)	(9,947,898)	(52,781,308)	(9,085,207)
Cash flows from financing activities	(a)				
Proceeds from issuance of share capital		50,000,000	9,700,500	50,000,000	9,700,500
Proceeds from issuance of warrants		3,200,000	-	3,200,000	-
Proceeds from exercise of ESOS		343,571	4,213,075	381,885	4,213,075
Proceeds from exercise of warrants		43,622,936	-	43,622,936	-
(Repayment to)/Advances from subsidiaries		-	-	(808,808)	748,220
Share issuance expenses		-	(85,908)	-	(85,908)
Net cash flows generated from financing activities		97,166,507	13,827,667	96,396,013	14,575,887
Net change in cash and cash equivalents		43,593,727	(1,585,755)	41,532,966	(95,491)
Cash and cash equivalents at the beginning of the financial year		1,534,729	3,120,484	(216,872)	(121,381)
Cash and cash equivalents at the end of the financial year		45,128,456	1,534,729	41,316,094	(216,872)
Analysis of cash and cash equivalents:					
Short-term deposits placed with licensed banks		16,496,802	568,514	16,496,802	568,514
Cash and bank balances		28,631,654	1,989,396	24,819,292	237,795
		45,128,456	2,557,910	41,316,094	806,309
Less:					
Fixed deposit held as security value	14	-	(549,787)	-	(549,787)
Bank overdraft	19	-	(473,394)	-	(473,394)
		45,128,456	1,534,729	41,316,094	(216,872)

(a) Reconciliation of liabilities arising from financing activities:

2018	1.1.2018 RM	Cash flows RM	Foreign exchange movement RM	31.12.2018 RM
Company				
Amount owing to subsidiaries	20,357,278	(808,808)	771,900	20,320,370

2017	1.1.2017 RM	Cash flows RM	Foreign exchange movement RM	31.12.2017 RM
Company				
Amount owing to subsidiaries	22,495,219	748,220	(2,886,161)	20,357,278

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

1. CORPORATE INFORMATION

Cuscapi Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The principal place of business of the Company is located at Level 27 & 28, Block N, Empire City Damansara, No. 8, Jalan Damansara, PJU 8, 47820 Petaling Jaya, 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 7 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 25 April 2019.

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 new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments /improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRSs</u>

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

<u>New IC Int</u>

IC Int 22 Foreign Currency Transactions and Advance Consideration

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int 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, except for those as discussed below.

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  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.

- 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.

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

Trade and other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

2. **BASIS OF PREPARATION (CONTINUED)**

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

(i) Classification and measurement (continued)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassification as at 1 January 2018 as follows.

MFRS 139 measurement category	Carrying amount RM	MFRS 9 measurement category Amortised cost RM
Financial asset		
Group		
Loans and receivables		
Trade and other receivables (exclude GST refundable)	11,172,134	11,172,134
Company		
Loans and receivables		
Trade and other receivables (exclude GST refundable)	23,186,847	23,186,847
Financial liabilities		
Group		
Other financial liabilities		
Short-term borrowings	473,394	473,394
Trade and other payables (exclude GST payable and advance from customer for maintenance contract)	31,390,012	31,390,012
	31,863,406	31,863,406
Company		
Other financial liabilities		
Short-term borrowings	473,394	473,394
Other payables (exclude GST payable)	21,479,472	21,479,472
	21,952,866	21,952,866

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording impairment losses on all its trade and other receivables, either on a 12-month or lifetime basis.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

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

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

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

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

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 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.

The adoption of MFRS 9, MFRS 15, Amendments to MFRS 2, Amendments to MFRS 140 and IC Int 22 did not have a material impact on the Group's and the Company's financial statements or the Group's and the Company's operating, investing and financing cash flows.

2. BASIS OF PREPARATION (CONTINUED)

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

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019/ 1 January 2021#
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred/ 1 January 2021#
MFRS 132	Financial Instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021#
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021#
MFRS 140	Investment Property	1 January 2021#
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

2. BASIS OF PREPARATION (CONTINUED)

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

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

		Effective for financial periods beginning on or after
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* Amendments to References to the Conceptual Framework in MFRS Standards
# Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

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

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.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises and equipment on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

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.

2. BASIS OF PREPARATION (CONTINUED)

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

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 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).

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 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.

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.

2. BASIS OF PREPARATION (CONTINUED)

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

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Amendments to References to the Conceptual Framework in MFRS Standards (continued)

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the nine Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 5, MFRS 7, MFRS 15, MFRS 107, MFRS 116, MFRS 132, MFRS 136 and MFRS 140.

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, new IC Int. and amendment to IC Int.

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.

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 3.8 to the financial statements.

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

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

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

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

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 3.11(b) to the financial statements.

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency transactions and operations (continued)

(a) Translation of foreign currency transactions (continued)

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.

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 contractual provisions of the financial instrument.

<u>Accounting policies applied from 1 January 2018</u>

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement

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

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

The Group and the Company reclassify financial assets when and only when its business model for managing those assets changes.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies their debt instruments.

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

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

(ii) Financial liabilities

The Group and the Company classify their financial liabilities as financial liabilities at amortised cost.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the EIR 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) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(d) Derecognition (continued)

The Group and the Company *evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. 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.

(e) Offsetting of financial instruments

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition.

In accounting for a transfer of a financial asset that does not qualify for the derecognition, the entity shall not offset the transferred asset and the associated liability.

Accounting policies applied until 31 December 2017

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) **Subsequent measurement**

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

(i) Financial assets

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

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

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) Subsequent measurement (continued)

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

(i) Financial assets (continued)

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 3.11(a) to the financial statements.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(c) Derecognition

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

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

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 asset.

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.

3.7. Investment property

Investment property is property held to earn rental income or for capital appreciation or both.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

Investment property of the Group consists of leasehold building. Depreciation on leasehold building is provided for on a straight line basis to write off the costs of each asset to its residual value over the estimated useful life at 2% per annum. The investment property under construction is not depreciated as the property is not yet available for use.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.7. Investment property (continued)

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16 to the financial statements.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3.8 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 3.11(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 3.11(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.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.9 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.

3.10 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.

3.11 Impairment of assets

(a) Impairment of financial assets and contract assets

Accounting policies applied from 1 January 2018

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. 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.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (continued)

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

Accounting policies applied from 1 January 2018 (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

Accounting policies applied until 31 December 2017

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (continued)

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

Accounting policies applied until 31 December 2017 (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (continued)

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

Accounting policies applied until 31 December 2017 (continued)

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.

(b) Impairment of non-financial assets

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

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

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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.

3.13 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

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

For lawsuit provisions, a probability-weighted expected outcome is applied in the measurement, taking into account past court judgements made in similar cases and advice of legal experts.

3.14 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.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.14 Employee benefits (continued)

(c) Defined benefit plans (continued)

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

The Group recognises the following costs in profit or loss:

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

3.15 Revenue and other income

Accounting policies applied from 1 January 2018

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

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 at a point in time when control of the products has been transformed, being when the customers accepts the delivery of the goods.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.15 Revenue and other income (continued)

Accounting policies applied until 31 December 2017

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:

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.

Same accounting policies applied until 31 December 2017 and from 1 January 2018

(a) 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.

(b) 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.

(c) Dividend income

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

(d) Management fee

Management fee is recognised at a point of time when services rendered in accordance with the terms of the agreement entered into.

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 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.

(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.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.18 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.

3.19 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.

3.20 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.

3.21 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 non-financial assets (Note 5, 6, 7, 8 and 9)

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. The Group and the Company use their judgement to decide the discount rates 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 and the Company's financial positions and results if the actual cash flows are less than the expected.

(b) Write-down of obsolete or slow moving inventories (Note 12)

The Group write down its obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the writedown of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

(c) Other investments (Note 8)

During the year, the wholly owned subsidiary of the Company, Litar Pasifika Sdn. Bhd. holds 20% equity interest in Konsortium Multimedia Swasta Sdn. Bhd.. Litar Pasifika Sdn. Bhd. has no representation on Board of Directors of Konsortium Multimedia Swasta Sdn. Bhd.. On this basis, the Company concludes that it does not has significant incluence over Konsortium Multimedia Swasta Sdn. Bhd. and thus treats the latter as an other investment.

The fair value is determined by using valuation techniques performed by independent professional firm. Any changes in these assumptions will have an impact on the carrying amounts of the other financial instruments.

(d) Investment property (Note 6)

The Company has entered into a sale and purchase agreement to acquire a commercial property for a total consideration of RM20,004,000. The commercial property is still under construction with the completion rate approximately of 55% as at end of the year with the carrying amount of RM11,002,200.

The total estimated fair value of the completed investment property amounts to RM20,037,340 based on the income approach adopted by an independent professional valuer with the average market value of RM601 per square feet.

(e) Impairment of goodwill on consolidation (Note 9)

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 9 to the financial statements.

5. **PROPERTY, PLANT AND EQUIPMENT**

Group	Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Computers RM	Renovation RM	Total RM
2018						
Cost						
At 1 January 2018	19,582,773	727,781	819,516	4,516,405	2,353,674	28,000,149
Additions	244,921	-	-	293,357	1,599,507	2,137,785
Disposals/Written-off	(460,083)	(239,191)	(530,424)	(804,685)	(931,767)	(2,966,150)
Exchange differences	(98,366)	(10,832)	(5,807)	(25,878)	(27,266)	(168,149)
At 31 December 2018	19,269,245	477,758	283,285	3,979,199	2,994,148	27,003,635
Accumulated depreciation and impairment loss						
At 1 January 2018	9,380,360	700,493	792,655	4,167,006	1,506,458	16,546,972
Depreciation charge for the financial year	2,340,632	77,500	-	323,509	196,466	2,938,107
Disposals/Written-off	(439,945)	(239,298)	(504,097)	(789,007)	(453,034)	(2,425,381)
Impairment loss	302,307	-	-	-	-	302,307
Exchange differences	(2,667)	(69,123)	(5,275)	(39,325)	(16,702)	(133,092)
At 31 December 2018	11,580,687	469,572	283,283	3,662,183	1,233,188	17,228,913
Carrying amount						
At 1 January 2018	10,202,413	27,288	26,861	349,399	847,216	11,453,177
At 31 December 2018	7,688,558	8,186	2	317,016	1,760,960	9,774,722
2017						
Cost						
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
Accumulated depreciation and impairment loss						
At 1 January 2017	7,289,420	673,731	754,140	3,811,967	1,461,065	13,990,323
Depreciation charge 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
Carrying amount						
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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Computers RM	Renovation RM	Total RM
2018						
Cost						
At 1 January 2018	209,231	218,738	572,997	1,105,071	17,722	2,123,759
Additions	8,983	-	-	205,964	1,428,512	1,643,459
Disposals	-	-	(348,253)	-	-	(348,253)
At 31 December 2018	218,214	218,738	224,744	1,311,035	1,446,234	3,418,965
Accumulated depreciation and impairment loss						
At 1 January 2018	175,482	218,522	572,993	1,063,495	1,505	2,031,997
Depreciation charge for the financial year	7,327	-	-	114,366	44,350	166,043
Disposals	-	-	(348,252)	-	-	(348,252)
At 31 December 2018	182,809	218,522	224,741	1,177,861	45,855	1,849,788
Carrying amount						
At 1 January 2018	33,749	216	4	41,576	16,217	91,762
At 31 December 2018	35,405	216	3	133,174	1,400,379	1,569,177
2017						
Cost						
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
Accumulated depreciation and impairment loss						
At 1 January 2017	166,622	216,728	555,581	1,003,823	1,151	1,943,905
Depreciation charge 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
Carrying amount						
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

(a) Included in property, plant and equipment of the Group is REV hardware equipment ("REV") with carrying amount of RM6,615,101 (2017: RM8,228,345) which acquired under deferred payment terms. Please refer to Note 37(a) to the financial statements for further details.

(b) Included in property, plant and equipment of the Group is REV hardware equipment ("REV") with carrying amount of RM6,615,101 (2017: RM8,228,345) were held by third party.

6. INVESTMENT PROPERTY

	Group and Company 2018 RM	2017 RM
Investment property under construction		
At cost		
At 1 January	-	-
Additions	11,002,200	-
At 31 December	11,002,200	-

Investment property comprises a commercial property which is still under construction and the completion rate of the building is approximately at 55% as at end of the financial year. The investment property was acquired during the current financial year with a total cash consideration of RM20,004,000 and the details are disclosed in Note 37(d) to the financial statements.

The Company also entered into a Put Option Agreement ("POA") with the vendor to obtain an option at the Company's sole discretion to sell the Commercial Space at the sum equal to 66.67% of the Purchase Consideration within six (6) months from the date of delivery of vacant possession of the Commercial Space to the Company. This option will only be exercised should there be any unforeseen circumstances beyond the Company's control which may impact the Group's operations.

The total estimated fair value of the investment property is amounting to RM20,037,340 based on the income approach adopted by an independent professional valuer with the average market value of RM601 per square feet.

7. INVESTMENT IN SUBSIDIARIES

	Company 2018 RM	2017 RM
At cost		
Unquoted shares	31,442,588	15,507,969
Less: Impairment loss	(7,903,473)	(1,395,959)
	23,539,115	14,112,010

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.

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Effective ownership interest / Voting rights 2018 %	2017 %	Principal activities
Direct subsidiaries				
Cuscapi Innovation Lab Sdn. Bhd.	Malaysia	100	100	Software development

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of company	Principal place of business/ country of incorporation	Effective ownership interest / Voting rights 2018 %	2017 %	Principal activities
Direct subsidiaries				
Cuscapi Consulting Services Sdn. Bhd.	Malaysia	100	100	Provision of project management, business and IT related consultancy services
Cuscapi Malaysia Sdn. Bhd. ^	Malaysia	100	100	Provision of restaurant management and business management solutions, remedial services for restaurant management hardware and related software implementation and support services
Cuscapi Interactive Solutions Sdn. Bhd.	Malaysia	100	100	Provision of software development, interactive devices solutions, restaurant management 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 Blockchain Sdn. Bhd. #	Malaysia	100	-	To operate a cryptocurrency exchange in Philippines and other IT related business
Litar Pasifika Sdn. Bhd. #	Malaysia	100	-	Investment holding
Cuscapi International Sdn. Bhd.	Malaysia	100	100	Investment holding
Cuscapi International Pte. Ltd. *	Singapore	100	100	Investment holding

7. **INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Details of the subsidiaries are as follows (continued):

Name of company	Principal place of business/ country of incorporation	Effective ownership interest / Voting rights 2018 %	2017 %	Principal activities
Subsidiary of Cuscapi International Sdn. Bhd.				
Cuscapi Hong Kong Ltd. *	Hong Kong	100	100	Provision of restaurant management and business management solutions, remedial services for restaurant management hardware and related software implementation and support services
Subsidiaries of Cuscapi International Pte. Ltd.				
PT Cuscapi Indonesia +	Indonesia	100	100	Provision of restaurant management and business management solutions, remedial services for restaurant management hardware and related software implementation and support services
Cuscapi Singapore Pte. Ltd. *	Singapore	100	100	Provision of restaurant management and business management solutions, remedial services for restaurant management hardwareand related software implementation and support services, projectmanagement businessand IT related consultancy services
Cuscapi (Thailand) Co. Ltd. +	Thailand	100	100	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

7. **INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Details of the subsidiaries are as follows (continued):

Name of company	Principal place of business/ country of incorporation	Effective ownership interest / Voting rights 2018 %	2017 %	Principal activities
Subsidiaries of Cuscapi Hong Kong Ltd.				
北京客凯易科技有限公司 (Cuscapi Beijing Co. Ltd.) *	China	100	100	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
上海客凯易信息科技有限公司 (Cuscapi Shanghai Co. Ltd.) *	China	100	100	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
苏州客凯易科技有限公司 (Cuscapi Suzhou Co. Ltd.) *	China	100	100	Software development
广州客凯易信息科技有限公司 (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

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of company	Principal place of business/ country of incorporation	Effective ownership interest / Voting rights 2018 %	2017 %	Principal activities
Subsidiary of Cuscapi Philippines, Inc				
Tills N Labels System Marketing, Inc +	Philippines	99.99	99.99	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
Subsidiary of Cuscapi Interactive Technology (China) Pty Ltd				
上海客凯易互动网络技术有限公司 (Shanghai Cuscapi Interactive Network Technology Co. Ltd.) *	China	100	100	Software development, interactive devices solutions, restaurant management, 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 PLT.

\# Consolidated using unaudited management financial statements, no statutory requirement for the financial statements to be audited at financial year end

^ The audit report on the financial statements of Cuscapi Malaysia Sdn. Bhd. contains a qualified opinion relating to the dispute over trade payables and Defence and Counter Claim as disclosed in Note 37(a) to the financial statements.

(a) The Company's investment in subsidiaries that are impaired at the reporting date and the reconciliation of movement in the impairment of investment in subsidiaries is as follows:

	2018 RM	2017 RM
At 1 January	1,395,959	1,395,959
Charge for the financial year - impairment loss	6,507,514	-
At 31 December	7,903,473	1,395,959

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

(b) 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.

(c) Acquisition of a subsidiary

On 19 November 2018, the Company entered into a share purchase agreement with Litaran Pasifik Sdn. Bhd. for the share acquisition of the equity interest in Litar Pasifika Sdn. Bhd. which holds 20% equity stake in Konsortium Multimedia Swasta Sdn. Bhd. ("KOMMS") for a total consideration of RM16,000,000.

(i) Effects of acquisition on cash flows:

	RM
Consideration paid in cash	16,000,000
Less: Cash and cash equivalents of subsidiary acquired	-
Net cash outflow on acquisition	16,000,000

(d) Incorporation of a new wholly-owned subsidiary

On 25 July 2018, the Company had incorporated a new wholly-owned subsidiary, namely Cuscapi Blockchain Sdn. Bhd. in Malaysia with paid-up share capital of 100 ordinary shares equivalent to RM100. The primary business activity is to operate a cryptocurrency exchange in Philippines upon obtaining a license issued by Cagayan Economic Zone Authority ("CEZA") and other IT related business.

8. OTHER INVESTMENTS

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Financial assets designated at fair value through other comprehensive income ("DFVOCI")					
At fair value:					
Quoted shares		3,835,000	-	3,835,000	-
At amortised cost:					
Unquoted shares in KOMMS	(a)	16,000,000			
Other unquoted shares		35,294	-	-	-
		19,870,294	-	3,835,000	-

(a) On 19 November 2018, the Company entered into a share purchase agreement with Litaran Pasifik Sdn. Bhd. for the acquisition of 100% equity interest in Litar Pasifika Sdn. Bhd. which holds 20% equity stake in Konsortium Multimedia Swasta Sdn. Bhd. ("KOMMS") for a total consideration of RM16,000,000.

8. OTHER INVESTMENTS (CONTINUED)

(b) The consideration for the proposed acquisition was arrived at based on a “willing buyer willing seller” basis, after taking into consideration the rationale and future potential growth prospect of KOMMS.

Based on a valuation report conducted by an independent profesional firm, valuation of KOMMS was derived at based on the discounted cash flows using the assumptions prepared by KOMMS, with a discount rate of 12.26%. The valuation is highly dependent on the assumptions prepared by KOMMS and the discount rate used on the discounted cash flows.

The valuation is futher enhanced by the concesion owned by KOMMS which represent one of the three concssionaire in Malaysia that provide the Malaysian E-Government MSC Flagship Application that builds, operates and owns an electronic channel to deliver services from various goverment agencies to Malaysian citizens and business.

The directors of the Company have considered all aspects and rationale of the acquisition and is of the opinion that the investment is a good investment opportunity and is in the best interest of the Group and the invesment is expected to provide the Group with an opportunity to participate in the E-Government industry and is line with its expansion plans to diversity into sectors and series that are complementary to its existing business.

The directors of the Company have no representation on Board of Directors of KOMMS. On this basis, the Company concludes that it does not has significant influence over KOMMS and thus treats the latter as an other investment, instead of an associated company.

(c) The Group and the Company hold non-controlling interests in equity securities designated at fair value through other comprehensive income. These investments were irrevocably designated at fair value through other comprehensive income.

9. GOODWILL ON CONSOLIDATION

	Group	
	2018 RM	**2017 RM**
At 1 January	2,521,726	4,730,349
Impairment loss	-	(1,558,173)
Currency translation differences	(177,396)	(650,450)
At 31 December	2,344,330	2,521,726

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

	Group	
	2018 RM	**2017 RM**
Cuscapi Solutions Sdn. Bhd.	988,390	988,390
Tills N Labels System Marketing, Inc.	1,355,940	1,533,336
	2,344,330	2,521,726

9. GOODWILL ON CONSOLIDATION (CONTINUED)

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:

	2018	**2017**
Discount rates	14%	18%
Sales growth rates	8% - 15%	0% - 8%

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

(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.

10. DEVELOPMENT COSTS

	Group	
	2018 RM	**2017 RM**
Development cost		
At 1 January	51,390,163	52,461,984
Currency translation differences	(928,912)	(1,071,821)
At 31 December	50,461,251	51,390,163
Accumulated amortisation		
At 1 January	32,189,265	30,433,829
Amortisation for the financial year	979,183	2,264,911
Currency translation differences	(492,985)	(509,475)
At 31 December	32,675,463	32,189,265
Accumulated impairment loss		
At 1 January	15,433,896	15,243,672
Impairment loss for the financial year	2,737,436	612,552
Currency translation differences	(385,544)	(422,328)
At 31 December	17,785,788	15,433,896
Net carrying amount		
At 31 December	-	3,767,002

The amortisation of development costs of the Group and the Company amounting to RM979,183 (2017: RM2,264,911) is included in cost of sales in the statements of comprehensive income.

The impairment loss amounting to RM2,737,436 (2017: RM612,552) was recognised in other operating expenses in the statements of comprehensive income.

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 is nil (2017: 1 to 5 years).

11. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group 2018 RM	Group 2017 RM
Deferred tax assets	-	608,605
Deferred tax liabilities	-	(5,991)
	-	602,614

Presented after appropriate offsetting as follows:

	Group 2018 RM	Group 2017 RM
At 1 January	602,614	211,698
Currency realignment	12,675	(74,462)
Recognised in profit or loss (Note 28)	(615,289)	465,378
At 31 December	-	602,614

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

	Group 2018 RM	Group 2017 RM
Unabsorbed capital allowances	36,206	-
Unutilised tax losses	-	577,193
Unearned income	-	4,551
Unrealised losses	-	26,861
Differences between the carrying amounts of property, plant and equipments and their tax bases	(36,206)	(5,991)
	-	602,614

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deductible temporary difference	3,132	4,392	-	-
Unutilised tax losses	22,814,927	21,573,141	3,209,512	3,209,512
Unutilised capital allowances	6,162,257	5,629,290	218,273	166,597
	28,980,316	27,206,823	3,427,785	3,376,109
Potential deferred tax assets not recognised at 24% (2017: 24%)	6,955,276	6,529,638	822,668	810,266

12. INVENTORIES

	Group 2018 RM	Group 2017 RM
At cost:		
Point of sales related equipment, components and parts	17,200,144	17,812,199
Recognised in statements of comprehensive income:		
Inventories at cost recognised as cost of sales	6,357,282	6,541,361
Inventories written off	608,226	323,706
Write down of inventories to net realisable value	-	1,110,894
Reversal of inventories written down	(390,596)	(3,947)

Included in inventories of the Group is REV hardware equipment ("REV") with carrying amount of RM15,451,976 (2017: RM15,451,976) which acquired under deferred payment terms. Please refer to Note 37(a) to the financial statements for further details.

13. TRADE AND OTHER RECEIVABLES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade					
Trade receivables	(a)	13,226,903	12,709,776	7,300	7,300
Amount owing by subsidiaries	(b)	-	-	16,401,201	19,432,957
		13,226,903	12,709,776	16,408,501	19,440,257
Less: Impairment for trade receivables		(3,897,081)	(2,929,189)	(7,300)	(7,300)
Impairment for amount owing by subsidiaries		-	-	(16,401,201)	(518,274)
		9,329,822	9,780,587	-	18,914,683
Non-trade					
Other receivables		323,372	316,223	54,549	78,144
GST refundable		141,828	113,149	3,173	-
Amount owing by subsidiaries	(b)	-	-	106,849,800	82,012,481
Sundry advances		421,863	491,073	60,495	60,495
Deposits		1,050,724	925,622	451,121	341,997
		1,937,787	1,846,067	107,419,138	82,493,117
Less: Impairment for other receivables		(341,315)	(341,371)	-	-
Impairment for amount owing by subsidiaries		-	-	(103,129,917)	(78,220,953)
		1,596,472	1,504,696	4,289,221	4,272,164
Total trade and other receivables		10,926,294	11,285,283	4,289,221	23,186,847

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
United States Dollar	756,860	598,629	769,016	2,591,779

(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 (2017: 30 to 60 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

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

(c) Receivables that are impaired

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January				
-*Trade receivables*	2,929,189	2,898,788	7,300	7,300
-*Other receivables*	341,371	341,791		-
-*Amount owing by subsidiaries*	-	-	78,739,227	12,083,455
	3,270,560	3,240,579	78,746,527	12,090,755
Movement during the year:				
-*Trade receivables*				
Charge for the financial year	1,000,234	382,839	-	-
Currency realignment	16,696	(249,661)	-	-
Reversal of impairment losses	(49,038)	(102,777)	-	-
	967,892	30,401	-	-
-*Other receivables*				
Charge for the financial year	-	-	-	-
Currency realignment	56	(420)	-	-
	56	(420)	-	-
-*Amount owing by subsidiaries*				
Charge for the financial year	-	-	41,110,283	66,755,818
Written-off	-	-	-	-
Reversal of impairment losses	-	-	(318,392)	(100,046)
	-	-	40,791,891	66,655,772
At 31 December				
-*Trade receivables*	3,897,081	2,929,189	7,300	7,300
-*Other receivables*	341,315	341,371	-	-
-*Amount owing by subsidiaries*	-	-	119,531,118	78,739,227
	4,238,396	3,270,560	119,538,418	78,746,527

Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Receivables that are impaired (continued)

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.

The information about the credit exposures are disclosed in Note 31(b)(i) to the financial statements.

14. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Cash and bank balances	28,631,654	1,989,396	24,819,292	237,795
Short-term deposits placed with licensed banks	16,496,802	568,514	16,496,802	568,514
	45,128,456	2,557,910	41,316,094	806,309

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Short-term deposits placed with licensed banks	16,496,802	568,514	16,496,802	568,514
Less: Pledged deposits	-	(549,787)	-	(549,787)
	16,496,802	18,727	16,496,802	18,727
Cash and bank balances	28,631,654	1,989,396	24,819,292	237,795
Bank overdraft (Note 19)	-	(473,394)	-	(473,394)
	45,128,456	1,534,729	41,316,094	(216,872)

The short-term deposits of the Group and the Company amounting to RM549,787 and RM549,787 in previous financial year were pledged as securities for borrowings as disclosed in Note 19 to the financial statements.

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
United States Dollar	2,805,862	323,155	2,556,979	201,420
China Renminbi	1,293	1,256	-	-
Hong Kong Dollar	-	77,947	-	-

The short-term deposits have maturity dates of 1 month and 3 months (2017: 3 months and 12 months) which bear interest rate ranging 3.00% to 3.55% (2017: 2.85% to 3.00%) per annum.

15. SHARE CAPITAL

	Group and Company			
	2018 Number of ordinary shares	2018 Amount RM	2017 Number of ordinary shares	2017 Amount RM
Issued and fully paid:				
At 1 January	496,445,011	72,846,301	435,533,377	43,553,338
Issued during the financial year	200,000,000	50,000,000	43,500,000	9,700,500
Warrant exercised	161,576,351	57,886,383	-	-
Conversion of ESOS	1,247,714	381,885	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	859,269,076	181,114,569	496,445,011	72,846,301

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, in previous financial year 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.

During the financial year, the Company:

(i) issued 200,000,000 new ordinary shares at a price of RM0.25 per ordinary share for working capital purposes;

(ii) issued 1,247,714 new ordinary shares arising from the exercise of 1,247,714 Employees' Share Options; and

(iii) issued 161,576,351 new ordinary shares arising from the exercise of 161,576,351 warrants.

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

16. OTHER RESERVES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Exchange reserve	(a)	12,694,401	10,922,345	-	-
Employees' share option reserve	(b)	7,788	73,583	7,788	73,583
Fair value reserve	(c)	597,000	-	597,000	-
Statutory reserve	(d)	222,464	222,464	-	-
Warrants reserve	(e)	-	11,207,235	-	11,207,235
		13,521,653	22,425,627	604,788	11,280,818

15. SHARE CAPITAL (CONTINUED)

(a) 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.

(b) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees as disclosed in Note 30 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.

(c) Fair value reserve of financial assets at FVOCI

This reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income (FVOCI) until the investments are derecognised or impaired.

The Group and the Company have elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 8 to the financial statements. These changes are accumulated within the fair value reserve of financial assets at FVOCI. The Group and the Company transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(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 and the warrants issued on 20 March 2018 are constituted under a Deed Poll dated 5 March 2018 executed by the Company. The Warrants are listed on Bursa Malaysia Securities Berhad.

16. OTHER RESERVES (CONTINUED)

(e) Warrants reserve (continued)

The outstanding Warrants during the financial year ended 31 December 2018 are stated as below:

	Number of Warrants				
	At 1 January 2018	Issued	Exercised	Expired	At 31 December 2018
Warrants	123,156,433	40,000,000	(161,576,351)	(1,580,082)	-

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.

During the year, a total of 161,576,351 warrants were exercised before the expiry date of the warrants on 24 April 2018 ("Expiry Date") which resulted in 161,576,351 new ordinary shares being allotted, issued and listed. As at Expiry Date, 1,580,082 unexercised warrants become null, void and ceased to be exercisable and the same amount was removed from the official list of Bursa Securities with effect from 25 April 2018.

17. TRADE AND OTHER PAYABLES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current					
Trade					
Trade payables	(a)	-	8,700,813	-	-
Current					
Trade					
Trade payables	(a)	16,727,404	15,842,990	-	-
Non-trade					
Other payables		1,208,793	3,138,478	322,529	526,020
GST payable		21,013	70,158	20,466	11,951
Amount owing to subsidiaries	(b)	-	-	20,320,370	20,357,278
Accrued operating expenses		1,033,580	2,376,470	148,876	581,803
Refundable deposits		376,436	1,331,261	6,722	14,371
Advance receipts from customer for maintenance contract		1,732,849	1,013,711	-	-
		4,372,671	7,930,078	20,818,963	21,491,423
Total trade and other payables (current)		21,100,075	23,773,068	20,818,963	21,491,423
Total trade and other payables (non-current and current)		21,100,075	32,473,881	20,818,963	21,491,423

(a) Included in trade payables is an amount of RM14,883,900 (2017: RM21,211,853) 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.

However as disclosed in Note 37 (a) to the financial statements, there is a dispute over the trade payable and the Group had filed a Defence and Counter Claim on 29 October 2018.

The remaining trade payables are non-interest bearing and are normally settled on 30 to 120 days (2017: 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 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
United States Dollar	15,107,386	22,143,671	8,412,411	8,012,854
Singapore Dollar	-	-	1,370,078	268,278
China Renminbi	16,765	15,374	-	-

18. PROVISION

Included in provision of the Group consists of reinstatement cost from contractual obligation to restore the leased office.

19. SHORT-TERM BORROWING

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Bank overdraft	-	473,394	-	473,394

In previous financial year, the bank overdraft bears interest at 8.42% per annum. The bank overdraft of the Company is secured by way of RM200,000 as sinking fund via quarterly placement of time deposit of RM50,000.

20. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	13,375,726	14,582,102	-	-
Services	15,772,586	18,692,640	-	-
Management fees	-	-	3,086,031	3,628,238
	29,148,312	33,274,742	3,086,031	3,628,238

21. DIRECT COST OF SALES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cost of goods sold	12,546,651	14,929,194	-	-
Other direct costs	13,345,686	19,398,373	-	-
	25,892,337	34,327,567	-	-

22. OTHER INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Gain on disposal of property, plant and equipment	128,877	-	62,963	-
Reversal of impairment loss on trade receivables	49,038	102,777	-	100,046
Reversal of impairment loss on amount owing by subsidiaries	-	-	318,392	-
Reversal of inventories written down	390,597	3,947	-	-
Government incentive received by subsidiaries	267,641	182,064	-	-
Sundry income	44,389	30,203	1,040	-
	880,542	318,991	382,395	100,046

23. OTHER OPERATING EXPENSES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Impairment loss on investment in subsidiaries	-	-	6,507,514	-
Impairment loss on goodwill	-	1,558,173	-	-
Impairment loss on development costs	2,737,436	612,552	-	-
Impairment loss on amount owing by subsidiaries	-	-	41,110,283	66,755,818
Impairment loss on property, plant and equipment	302,307	-	-	-
Impairment loss on trade and other receivables	1,000,234	382,839	-	-
	4,039,977	2,553,564	47,617,797	66,755,818

24. FINANCE INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income on short-term deposits placed with licensed bank	964,604	52,658	959,220	47,778

25. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expenses:				
- bank overdraft	-	33,040	-	33,040
- late payment	135,744	2,923	3,750	-
- deferred payment	502,492	828,433	-	-
	638,236	864,396	3,750	33,040

26. LOSS BEFORE TAX

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

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Amortisation of development costs		979,183	2,264,911	-	-
Auditor's remuneration:					
-Statutory:					
- current year		394,371	421,330	58,000	48,000
-Non statutory:					
- current year		82,000	23,000	82,000	23,000
- prior year		-	11,000	-	11,000
Depreciation of property, plant and equipment		2,938,107	3,033,849	166,043	88,092
Employee benefits expense	27	17,341,846	21,701,460	1,898,694	3,445,633
Inventories written down		-	1,110,894	-	-
Inventories written off		608,226	323,706	-	-
Loss on disposal of property, plant and equipment		265,255	-	-	-
Operating lease rental expenses		369,578	919,518	-	-
Property, plant and equipment written off		234,259	-	-	-
Rental of premises		2,660,540	3,102,194	186,245	247,748
Realised (gain)/loss on foreign exchange		(389,161)	347,771	8,537	533,069
Unrealised (gain)/loss on foreign exchange		(535,201)	925,630	1,117,466	2,174,352

27. EMPLOYEE BENEFITS EXPENSE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Salaries, allowances, bonuses and overtime	14,278,423	17,475,923	1,596,430	2,650,018
Defined contribution plans	1,747,046	1,499,515	191,949	297,411
Other staff related expenses	1,316,377	1,833,702	110,315	160,504
Share options granted under ESOS	-	892,320	-	337,700
	17,341,846	21,701,460	1,898,694	3,445,633

27. EMPLOYEE BENEFITS EXPENSE (continued)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive Directors:				
- Salaries, allowances and bonus	-	720,000	-	720,000
- Defined contribution plan	-	86,400	-	86,400
- Other emoluments	-	2,949	-	2,949
	-	809,349	-	809,349
Non-executive Directors:				
- Directors' fees	39,333	-	39,333	-
- Allowances	20,000	35,000	20,000	35,000
- Share options granted under ESOS	-	56,110	-	56,110
	59,333	91,110	59,333	91,110
Directors of the subsidiaries				
Executive Directors:				
- Salaries, allowances and bonus	821,599	393,620	-	-
- Defined contribution plan	89,782	38,287	-	-
- Other emoluments	1,391	-	-	-
	912,772	431,907	-	-
Total directors' remuneration	972,105	1,332,366	59,333	900,459

28. INCOME TAX (EXPENSE)/CREDIT

The major components of income tax (expense)/credit for the financial years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Statement of comprehensive income				
Current income tax:				
- Current income tax charge	(154,142)	(226,945)	(125,247)	-
- Adjustment in respect of prior years	(2,723)	(5,875)	-	-
	(156,865)	(232,820)	(125,247)	-
Deferred tax: (Note 11)				
(Reversal)/Origination of temporary differences	(615,289)	465,378	-	-
Income tax (expense)/credit recognised in profit or loss	(772,154)	232,558	(125,247)	-

28. INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2017: 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	2018 %	2017 %
(a) China	25.00	25.00
(b) Singapore	17.00	17.00
(c) Indonesia	25.00	25.00
(d) Hong Kong	16.50	16.50
(e) Thailand	20.00	20.00
(f) Philippines	30.00	30.00

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Loss before tax	(20,806,443)	(24,793,463)	(49,232,452)	(71,063,721)
Tax at Malaysian statutory income tax rate of 24% (2017: 24%)	4,993,546	5,950,431	11,815,788	17,055,293
Adjustments:				
Income not subject to tax	-	67,202	-	-
Non-deductible expenses	(4,156,129)	(5,436,610)	(11,928,634)	(16,725,419)
Origination of deferred tax assets not recognised in the financial statements	(1,612,839)	(808,872)	(12,401)	(329,874)
Adjustment in respect of current income tax of prior years	(2,710)	(5,875)	-	-
Utilisation of previously unrecognised tax losses and capital allowances	-	12,316	-	-
Adjustment in respect of deferred tax of prior years	5,978	453,966	-	-
Income tax (expense)/credit	(772,154)	232,558	(125,247)	-

29. 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	
	2018 RM	**2017 RM**
Loss attributable to owners of the Company (RM)	(21,578,597)	(24,560,905)
Weighted average number of ordinary shares for basic loss per share	777,931,111	473,192,264
Basic loss per ordinary share (sen)	(2.77)	(5.19)

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.

30. 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 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;

30. EMPLOYEE BENEFITS (CONTINUED)

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

The salient features of the ESOS are as follows: (continued)

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

(vi) The option price is the higher of:

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

On 7 February 2011, 30 June 2011, 28 February 2012, 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 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 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			
	2018		2017	
	No.	WAEP RM	No.	WAEP RM
At 1 January	2,388,657	0.27	10,759,870	0.26
Granted	-	0.00	10,363,801	0.24
Lapsed	(700,529)	0.27	(1,323,380)	0.28
Exercised	(1,247,714)	0.27	(17,411,634)	0.24
At 31 December	440,414	0.28	2,388,657	0.27
Exercisable at 31 December	440,414	0.28	2,388,657	0.27

The options outstanding at 31 December 2018 have exercise prices range from RM0.21 to RM0.30 (2017: RM0.21 to RM0.30) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 1 year (2017: 2 years)

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

Countries	2018 %	2017 %
(a) China	25.00	25.00
(b) Singapore	17.00	17.00
(c) Indonesia	25.00	25.00
(d) Hong Kong	16.50	16.50
(e) Thailand	20.00	20.00
(f) Philippines	30.00	30.00

31. 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:

From 1 January 2018:
(i) Amortised cost
(ii) Designated fair value through other comprehensive income ("DFVOCI")

On or before 31 December 2017:
(i) Loans and receivables ("L&R")
(ii) Other financial liabilities ("FL")

	Carrying amount RM	Amortised cost RM	DFVOCI RM
2018			
Financial assets			
Group			
Other investments	19,870,294	16,035,294	3,835,000
Trade and other receivables (exclude GST refundable)	10,784,466	10,784,466	-
Cash and short-term deposits	45,128,456	45,128,456	-
	75,783,216	71,948,216	3,835,000
Company			
Other investments	3,835,000	-	3,835,000
Trade and other receivables (exclude GST refundable)	4,286,048	4,286,048	-
Cash and short-term deposits	41,316,094	41,316,094	-
	49,437,142	45,602,142	3,835,000
Financial liabilities			
Group			
Trade and other payables (exclude GST payable and advance from customer for maintenance contract)	19,346,213	19,346,213	-
Company			
Other payables (exclude GST payable)	20,798,497	20,798,497	-

	Carrying amount RM	L & R RM	FL RM
2017			
Financial assets			
Group			
Trade and other receivables (exclude GST refundable)	11,172,134	11,172,134	-
Cash and short-term deposits	2,557,910	2,557,910	-
	13,730,044	13,730,044	-
Company			
Trade and other receivables (exclude GST refundable)	23,186,847	23,186,847	-
Cash and short-term deposits	806,309	806,309	-
	23,993,156	23,993,156	-

31. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

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

	Carrying amount RM	L & R RM	FL RM
Financial liabilities			
Group			
Trade and other payables (exclude GST payable and advance from customer for maintenance contract)	31,390,012	-	31,390,012
Short-term borrowing	473,394	-	473,394
	31,863,406	-	31,863,406
Company			
Other payables (exclude GST payable)	21,479,472	-	21,479,472
Short-term borrowing	473,394	-	473,394
	21,952,866	-	21,952,866

(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.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade and other receivables (continued)

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 (2017: 1) customer representing approximately 35% (2017: 28%) of the total trade receivables.

The Group uses the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected credit losses also incorporated forward looking information. However, there is no material impact arising from application of simplified approach to record the lifetime expected credit losses.

Accounting policies applied until 31 December 2017

As at 31 December 2017, the ageing analysis of the Group's trade receivables are as follows:

	Group 2017 RM
Neither past due nor impaired	3,560,343
1 - 30 days past due not impaired	1,622,465
31 - 120 days past due not impaired	2,293,345
More than 121 days past due not impaired	2,304,434
	6,220,244
Impaired individually	2,929,189
	12,709,776

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

<u>Accounting policies applied until 31 December 2017</u>

<u>Receivables that are neither past due nor impaired</u>

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.

<u>Receivables that are past due but not impaired</u>

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.

<u>Receivables that are impaired</u>

The Group's trade receivables that are impaired at the reporting date are debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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 has not provide any financial guarantees to bank for credit facilities granted to its subsidiaries at the reporting date.

Corporate guarantee

The Company has granted corporate guarantee of RM14,883,900 (2017: RM21,890,897) 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.

31. **FINANCIAL INSTRUMENTS (CONTINUED)**

(b) **Financial risk management (continued)**

(ii) **Liquidity risk (continued)**

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:

Group	Carrying amount RM	Contractual cash flows On demand or within 1 year RM	Between 1 to 5 years RM	More than 5 years RM	Total RM
2018					
Trade and other payables (exclude GST payable and advance from customer for maintenance contract)	19,346,213	19,329,559	-	-	19,329,559
2017					
Trade and other payables (exclude GST payable and advance from customer for maintenance contract)	31,390,012	23,191,692	8,877,364	-	32,069,056
Short-term borrowing	473,394	473,394	-	-	473,394
	31,863,406	23,665,086	8,877,364	-	32,542,450
Company					
2018					
Other payables (exclude GST payable)	20,798,497	20,798,497	-	-	20,798,497
Corporate guarantee	-	14,883,900	-	-	14,883,900
	20,798,497	35,682,397	-	-	35,682,397
2017					
Other payables (exclude GST payable)	21,479,472	21,479,472	-	-	21,479,472
Short-term borrowing	473,394	473,394	-	-	473,394
Corporate guarantee	-	13,013,533	8,877,364	-	21,890,897
	21,952,866	34,966,399	8,877,364	-	43,843,763

(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").

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

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:

Group	United States Dollar RM	Singapore Dollar RM	China Renminbi RM	Hong Kong Dollar RM
2018				
Trade and other receivables	756,860	-	-	-
Cash and short term deposit	2,805,862	-	1,293	-
Trade and other payables	(15,107,386)	-	(16,765)	-
	(11,544,664)	-	(15,472)	-
2017				
Trade and other receivables	598,629	-	-	-
Cash and short term deposit	323,155	-	1,256	77,947
Trade and other payables	(22,143,671)	-	(15,374)	-
	(21,221,887)	-	(14,118)	77,947
Company				
2018				
Trade and other receivables	769,016	-	-	-
Cash and short term deposit	2,556,979	-	-	-
Other payables	(8,412,411)	(1,370,078)	-	-
	(5,086,416)	(1,370,078)	-	-
2017				
Trade and other receivables	2,591,779	-	-	-
Cash and short term deposit	201,420	-	-	-
Other payables	(8,012,854)	(268,278)	-	-
	(5,219,655)	(268,278)	-	-

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

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.

The following tables 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	
	2018 Increase/ (Decrease) RM	**2017 Increase/ (Decrease) RM**	**2018 Increase/ (Decrease) RM**	**2017 Increase/ (Decrease) RM**
Effects on profit or loss and equity				
United States Dollar - strengthen by 3%	(346,340)	(636,657)	(152,592)	(156,590)
Singapore Dollar - strengthen by 3%	-	-	(41,102)	(8,048)
China Renminbi - strengthen by 3%	(464)	(424)	-	-
Hong Kong Dollar - 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.

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.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Fixed rate instruments				
Financial asset				
Short-term deposits placed with licensed bank	5,653,625	568,514	5,653,625	568,514
Floating rate instruments				
Financial asset				
Short-term deposits placed with licensed bank	10,843,177	-	10,843,177	-
Financial liability				
Short-term borrowing - Bank overdraft	-	473,394	-	473,394

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.

There have been no transfers between Level 1 and Level 2 during the financial year (2017: no transfer in either directions).

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

Group	Carrying amount Total RM	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2018					
Financial asset					
Other investment - quoted	3,835,000	3,835,000	-	-	3,835,000
2017					
Financial liabilities					
Trade payables	8,700,813	-	-	8,700,813	8,700,813

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

Level 3 fair value

Fair value of financial instruments carried at fair value

The fair value of trade payables 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.

32. CAPITAL AND OTHER COMMITMENTS

(a) Commitments

	Group and Company 2018 RM	2017 RM
Approved and contracted for:		
- Investment property under construction (Note 6)	9,001,800	-

(b) 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 2018 RM	2017 RM
- Not later than one year	255,933	308,288
- More than one year and not later than two years	277,954	267,290
- More than two year and not later than five years	190,681	-
	724,568	575,578

The Group leases rental equipment from suppliers under operating leases. These non-cancellable leases will expire between 2019 to 2022 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.

33. 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.

33. RELATED PARTIES (CONTINUED)

(a) Identity of related parties (continued)

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	
	2018 **RM**	**2017** **RM**
Management fees		
- Cuscapi Malaysia Sdn. Bhd.	2,900,160	2,803,624
- Cuscapi Solutions Sdn. Bhd.	15,035	257,546
- Cuscapi Innovation Lab Sdn. Bhd.	15,056	290,226
- Cuscapi Consulting Services Sdn. Bhd.	155,779	276,842

(c) Compensation of key management personnel

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

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Key Management Personnel's remuneration				
- salaries and other emoluments	1,115,892	1,765,885	530,534	1,344,382
Post-employment benefits:				
- defined contribution plan	126,620	162,421	64,530	162,421
- Share options granted under ESOS	-	156,773	-	156,773
	1,242,512	2,085,079	595,064	1,663,576

<u>Interests in employees' share option scheme</u>

At the reporting date, the total number of outstanding share options granted by the Company to the key management personnel amounted to nil (2017: 860,628 units).

34. 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 convenants.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Total liabilities	21,207,567	32,953,266	20,864,860	21,964,817
Equity attributable to owners of the Company	96,792,224	18,843,372	64,803,537	16,424,898
Debt-to-equity ratio	22%	175%	32%	134%

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.

35. 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.

The Group's reportable operating segments are as follows:

(a) Geographical locations

(i) Malaysia

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

(iii) People's Republic of China

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

35. SEGMENTAL INFORMATION (CONTINUED)

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

(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.

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 (excluding deferred tax assets) 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.

35. SEGMENTAL INFORMATION (CONTINUED)

	Note	Geographical Segment Malaysia RM	South East Asia RM	People's Republic of China RM	Business Unit Segment Operational Cost Centre RM	Group Corporate RM	Total RM	Eliminations and adjustments RM	Consolidated RM
2018									
Revenue									
Revenue from external customers		17,547,329	7,772,489	3,828,495	-	-	29,148,312	-	29,148,312
Inter-company revenue	A	755,295	11,426	1,659,398	240,090	3,086,031	5,752,240	(5,752,240)	-
		18,302,624	7,783,915	5,487,893	240,090	3,086,031	34,900,552	(5,752,240)	29,148,312
Results									
Included in the measure of segment profit/(loss) are:									
Interest income		2,914	1,015	644	811	959,220	964,604	-	964,604
Interest expense		(634,204)	(126)	(156)	-	(3,750)	(638,236)	-	(638,236)
Amortisation of development costs		(979,183)	-	-	-	-	(979,183)	-	(979,183)
Depreciation of property, plant and equipment		(2,217,364)	(259,977)	(209,947)	(84,776)	(166,043)	(2,938,107)	-	(2,938,107)
Gain on disposal of property, plant and equipment		2,749	4,087	59,078	-	62,963	128,877	-	128,877
Loss on disposal of property, plant and equipment		-	(75,755)	(7,491)	(182,009)	-	(265,255)	-	(265,255)
Impairment loss on development costs		(844,136)	-	-	(1,893,300)	-	(2,737,436)	-	(2,737,436)
Impairment loss on goodwill		-	-	-	-	-	-	-	-
Impairment loss on property, plant and equipment		-	-	(302,307)	-	-	(302,307)	-	(302,307)
Impairment loss on trade and other receivables		(112,069)	(835,863)	(52,302)	-	-	(1,000,234)	-	(1,000,234)

35. SEGMENTAL INFORMATION (CONTINUED)

	Note	Geographical Segment			Business Unit Segment				
		Malaysia RM	South East Asia RM	People's Republic of China RM	Operational Cost Centre RM	Group Corporate RM	Total RM	Eliminations and adjustments RM	Consolidated RM
2018									
Results (continued)									
Inventories written off		(193,018)	(415,208)	-	-	-	(608,226)	-	(608,226)
Property, plant and equipment written off		(157,838)	-	-	(76,421)	-	(234,259)	-	(234,259)
Rental of premises		(498,141)	(599,026)	(921,508)	(455,620)	(186,245)	(2,660,540)	-	(2,660,540)
Reversal of impairment loss on inventories written down		-	-	390,597	-	-	390,597	-	390,597
Reversal of impairment loss on trade receivables		49,038	-	-	-	-	49,038	-	49,038
Operating lease rental expenses		(369,578)	-	-	-	-	(369,578)	-	(369,578)
Realised (loss)/gain on foreign exchange		397,698	-	-	-	(8,537)	389,161	-	389,161
Unrealised (loss)/gain on foreign exchange		(109,096)	(153,249)	(1,517,407)	(274,297)	(1,117,466)	(3,171,515)	3,706,716	535,201
Segment profit/(loss)	B	(8,602,984)	(2,736,459)	(22,488,136)	(19,690,899)	(49,232,452)	(102,750,930)	81,944,487	(21,578,597)
Income tax (expense)/ credit		(4,859)	(645,316)	-	3,268	(125,247)	(772,154)		(772,154)
Profit/(Loss) for the financial year		(8,607,843)	(3,381,775)	(22,488,136)	(19,687,631)	(49,357,699)	(103,523,084)	81,944,487	(20,806,443)
Assets									
Segment assets		29,993,830	35,730,167	9,673,493	30,128,101	85,666,207	191,191,798	(83,029,354)	108,162,444
Addition to non-current assets		9,767,147	29,522	14,097	24,391	2,190	9,837,347	-	9,837,347
Total Assets	C	39,760,977	35,759,689	9,687,590	30,152,492	85,668,397	201,029,145	(83,029,354)	117,999,791
Liabilities									
Segment liabilities		68,879,285	39,311,181	49,106,295	45,887,881	20,864,860	224,049,502	(202,841,935)	21,207,567

35. SEGMENTAL INFORMATION (CONTINUED)

		Geographical Segment			Business Unit Segment				
	Note	Malaysia RM	South East Asia RM	People's Republic of China RM	Operational Cost Centre RM	Group Corporate RM	Total RM	Eliminations and adjustments RM	Consolidated RM
2017									
Revenue									
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
Results									
Included in the measure of segment profit/(loss) are:									
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)

35. SEGMENTAL INFORMATION (CONTINUED)

	Note	Geographical Segment			Business Unit Segment				
		Malaysia RM	South East Asia RM	People's Republic of China RM	Operational Cost Centre RM	Group Corporate RM	Total RM	Eliminations and adjustments RM	Consolidated RM
2017									
Results (continued)									
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)
Segment (loss)/profit	B	(14,630,815)	1,200,365	(2,973,576)	(15,588,357)	(71,063,721)	(103,056,104)	78,262,641	(24,793,463)
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)	(15,191,063)	(71,063,721)	(102,823,546)	78,262,641	(24,560,905)
Assets									
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
Total Asset	C	40,613,816	38,817,608	32,507,869	42,531,716	38,389,715	192,860,724	(141,064,086)	51,796,638
Liabilities									
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

35. SEGMENTAL INFORMATION (CONTINUED)

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

	2018 RM	2017 RM
Inter-segment income	77,397,479	80,296,322
Unallocated amount:		
- Other corporate expenses	4,547,008	(2,033,681)
	81,944,487	78,262,641

C Reconciliation of assets

	2018 RM	2017 RM
Inter-segment assets	83,029,354	141,064,086

<u>Geographical information</u>

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

2018	Revenue RM	Non-current assets RM
Malaysia	17,547,329	40,983,660
South East Asia	7,772,488	1,897,000
People's Republic of China	3,828,495	110,886
	29,148,312	42,991,546
2017		
Malaysia	18,296,303	12,656,176
South East Asia	10,667,303	2,831,356
People's Republic of China	4,311,136	2,862,978
	33,274,742	18,350,510

<u>Information about major customers</u>

For Malaysia segment, revenue from one customer represented approximately RM3,256,329 (2017: RM10,394,481) for the Group's total revenue.

36. MATERIAL LITIGATION

During the financial year, the Group is not engaged in any material litigation either as plaintiff or defendant and the directors of the Company do not have any knowledge of any proceedings pending or threatened against the Company or its subsidiaries which might materially and adversely affect the position or business of the Group, except for as follows:

As announced on 25 September 2018, the Company and its wholly-owned subsidiary, Cuscapi Malaysia Sdn. Bhd. ("Cuscapi Malaysia") was served with a Writ of Summons and received a Statement of Claim dated 5 September 2018 by Hitachi Digital Services (Singapore) Pte. Ltd. ("Hitachi Singapore"). In view of the legal advice, the Board of Director of the Company is of the opinion that the Companies are in a position to dispute the liability of USD3,600,248 or any part thereof.

The Group is rigorously contesting the alleged claims and is of the view that the Hitachi Singapore's claims are without merit and had on 29 October 2018 filed a Defence and Counter Claim through its solicitor against Hitachi Singapore, Her Chor Siong, the former Chief Executive Officer of Cuscapi Berhad and a Director in both the Company and Cuscapi Malaysia at that material time and Ong Chin Hui, the Chief Executive Officer of Hitachi Singapore and a shareholder with a large number of shares in the Company at that material time.

Broadly, the Companies had in their Defence and Counter Claim claimed, among others:

(i) that Her Chor Siong, Ong Chin Hui and/or Hitachi Singapore are involved in a scheme to defraud and cause losses to the Companies as well as make secret profits arising from the arrangements entered into with Hitachi Singapore;
(ii) that Her Chor Siong had breached his fiduciary duties towards the Companies;
(iii) that Ong Chin Hui had dishonestly assisted Her Chor Siong in his breach of fiduciary duties towards the Companies;
(iv) that Hitachi Singapore had dishonestly assisted Her Chor Siong in his breach of fiduciary duties towards the Companies;
(v) that Hitachi Singapore had knowingly received monies from Cuscapi Malaysia by reason of Her Chor Siong's breach of his fiduciary duties towards the Companies;
(vi) that the agreement for the purchase of REV hardware equipment and corporate guarantee entered into in 2016 (being the subject matter of Hitachi Singapore's claim) are null and void and unenforceable;
(vii) that the Companies are not liable to Hitachi Singapore for any sums whatsoever;
(viii) that Hitachi Singapore is liable to repay Cuscapi Malaysia USD2,793,335;
(ix) that as against the Defendants in the Counter Claim and each of them, the Judgment Sum of USD2,793,335;
(x) that damages are to be assessed against the Defendants in the Counter Claim;
(xi) that the interest rate of 5% per annum on any sum found to be due to the Companies from the date of judgment until the date of full satisfaction; and costs on a solicitors-client basis; and
(xii) that such further orders as the Court deems fit and proper be made.

In order to protect the Companies' interests in this matter, the Company had also lodged a police report in Malaysia on 28 December 2018.

It is difficult to estimate the impact of this dispute on the Companies' finances and operations at this junction as the final outcome is dependent on the Court's decision.

The Board of Directors of the Company will continue to take all necessary actions and pursue all available remedies to defend and protect the Companies' position.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Dispute over trade payable and Defence and Counter Claim

As at 31 December 2018, the carrying amount of the REV hardware equipment included in Property, Plant and Equipment (Note 5) and Inventories (Note 12) of the Group amounted to RM6,615,101 and RM15,451,976 respectively and the corresponding unpaid sum included in Trade Payables (Note 17) of the Group amounted to RM14,883,900. The management is in the midst of retrieving the REV hardware equipment held by a customer under Property, Plant and Equipment amounting to RM6,615,101.

The dispute over trade payable and Defence and Counter Claim is detailed in Note 36.

In view of the above, there are indication of impairment on the carrying amount of Property, Plant and Equipment and Inventories. However, as the matter is pending a decision by the Court, the Board of Directors is of the view that no impairment is required on the recoverable amount of the Property, Plant and Equipment and no write down to the net realisable values of the Inventories.

(b) Status of corporate proposals

During the financial year, the Company had issued 200,000,000 new ordinary shares together with 40,000,000 new warrants in accordance with the terms and conditions of the subscription agreement via the Extraordinary General Meetings held on 5 March 2018.

Pursuant to the terms and conditions stipulated in the Deed Poll dated 20 March 2013 and Deed Poll dated 5 March 2018 governing the Warrants 2013/2018 the Exercise Rights of the warrants were expired at 5.00pm on Tuesday, 24 April 2018.

(c) Incorporation of new wholly-owned subsidiary

On 25 July 2018, the Company had incorporated a new wholly-owned subsidiary, namely Cuscapi Blockchain Sdn. Bhd. in Malaysia. The primary business activity is to operate a cryptocurrency exchange in Philippines upon obtaining a license issued by Cagayan Economic Zone Authority (“CEZA”) and other IT related business.

(d) Acquisition of commercial space at MYEG Tower, Empire City

On 11 October 2018, the Company has entered into a sale and purchase agreement (“SPA”) with Cosmopolitan Avenue Sdn. Bhd. (“Cosmopolitan”) for the purpose of acquiring a commercial space (Parcel No: Z6-01-01) within the podium level below MYEG Tower, Empire City with approximately 33,340 square feet (“the Commercial Space”) for a total consideration of total cash consideration of RM20,004,000 (“Purchase Consideration”) subject to the terms and conditions as stipulated in the SPA.

The details are disclosed in Note 6 to the financial statements.

(e) Acquisition of Litar Pasifika Sdn Bhd

On 19 November 2018, the Company entered into a share purchase agreement with Litaran Pasifik Sdn. Bhd. for the share acquisition of the equity interest in Litar Pasifika Sdn. Bhd. which holds 20% equity stake in Konsortium Multimedia Swasta Sdn. Bhd. (“KOMMS”) for a total consideration of RM16,000,000.

The details are disclosed in Note 8 to the financial statements.

38. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) Incorporation of new wholly-owned subsidiary

On 20 February 2019, the Company had incorporated a new wholly-owned subsidiary, namely Cuscapi (BD) Ltd in the People's Republic of Bangladesh.

Cuscapi (BD) Ltd was incorporated as a company limited by shares under the Companies Act of 1994 of Bangladesh with authorised share capital of TK. 100,000,000 divided into 1,000,000 ordinary shares of TK 100 each. The paid-up capital of the company is BD TK 4,150,000 representing 41,500 shares equivalent to USD 50,000 or RM203,450.

The intended principles activities of Cuscapi (BD) Ltd is to market its Point of Sales Solution in Bangladesh.

(b) Business transfer agreement between Cuscapi Interactive Solutions Sdn Bhd, Amplify Me Pte. Ltd. and Shaun Lee Hong Wei

On 25 March 2019, Cuscapi Interactive Solutions Sdn. Bhd., a wholly-owned subsidiary of Cuscapi Berhad, has entered into a Business Transfer Agreement ("BTA") with Amplify Me Pte. Ltd., a company incorporated under laws of Singapore and Shaun Lee Hong Wei, a Singapore citizen for the purchaser to purchase, acquire and accept from the vendor the business as a going concern and with good title for a total cash consideration of SGD2,500,000 which is equivalent to approximately RM7,600,000.

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

We, **DATUK JAYAKUMAR A/L PANNEER SELVAM** and **DATUK MAT NOOR BIN NAWI**, 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 58 to 140 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 2018 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:

…………………………………………………………
DATUK JAYAKUMAR A/L PANNEER SELVAM
Director

…………………………………………………………
DATUK MAT NOOR BIN NAWI
Director

Date: 25 April 2019

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 58 to 140 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

………………………………………..
LIM SZE YEAN
MIA Membership No: 14146

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 25 April 2019.

Before me,

………………………………………..
HADINUR MOHD SYARIF (W761)
Commissioner for Oaths

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Cuscapi Berhad, which comprise the statements of financial position as at 31 December 2018 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 58 to 140.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 2018, 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 Qualified Opinion

We draw your attention to Note 37(a) to the financial statements, that discloses the circumstances and consideration of the Directors in reporting the carrying amount of the REV hardware equipment included in Property, Plant and Equipment of RM6,615,101 and Inventories of RM15,451,976.

We were unable to obtain sufficient appropriate audit evidence on the said amount of Property, Plant and Equipment and Inventories, as the Group is unable to reliably assess the recoverable amount of the said Property, Plant and Equipment in accordance with MFRS 136: Impairment of Assets and the net realisable values of the inventories in accordance with MFRS 102: Inventories due to the circumstances and consideration disclosed under Note 37(a) to the financial statements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Company - Investment in subsidiaries (Note 4(a) and 7 to the financial statements)
Group - Other investment (Note 4(c) and 8 to the financial statements)

On 19 November 2018, the Company entered into a share purchase agreement with Litaran Pasifik Sdn. Bhd. for the acquisition of 100% equity interest in Litar Pasifika Sdn. Bhd. which holds 20% equity stake in Konsortium Multimedia Swasta Sdn. Bhd. ("KOMMS") for a total consideration of RM16,000,000.

Our audit response:

Our audit procedures included, among others:
- enquire management experts on how they assess the performance of the business;
- enquire management experts on how they compare the management's assumptions to their assessments in relation to key assumptions;
- testing the mathematical computations on the amount of the investments; and
- reviewing the Board of Directors meeting minutes.

Key Audit Matters (continued)

Group & Company - Investment property (Note 4(d) & 6 to the financial statements)

The Company had entered into a sale and purchase agreement to acquire a commercial property for a total consideration of RM20,004,000. The commercial property is still under construction with the completion rate of approximately 55% as at end of the year with the carrying amount of RM11,002,200. We focused on this area because judgement is required in valuation and the key assumptions used.

Our audit response:

Our audit procedures included, among others:
- reviewing the signed agreements entered by the Company;
- discussing with the Group's management on the progress of the construction of the commercial property;
- performing physical sighting on the investment property;
- assessing the accounting treatment on the acquisition of the investment property; and
- assessing the appropriateness of the related disclosures in the financial statements;

Group
Goodwill on consolidation (Note 4(e) & 9 to the financial statements)

The Group determined whether there is any indication of impairment on goodwill on consolidation. We focused on this area because this assessment requires significant judgements 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 included, among others:
- assessing the valuation methodology adopted by the Group;
- comparing the actual results with previous cash flow projection to assess the performance of the business and historical accuracy of the projections;
- reviewing the Group's assumptions in relation to key inputs; and
- testing the mathematical accuracy of the impairment assessment.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Due to the matters described in the Basis for Qualified Opinion paragraphs, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

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.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of the Companies Act 2016 in Malaysia, we report that:

(a) the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.
(b) in our opinion, we have not obtained all the information and explanations that we required.

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 PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

....
NG BOON HIANG
No. 02916/03/2020 J
Chartered Accountant

Kuala Lumpur

Date: 25 April 2019

ANALYSIS OF SHAREHOLDINGS
(BASED ON REGISTER OF DEPOSITORS AS AT 26 MARCH 2019)

DISTRIBUTION OF SHAREHOLDINGS
(Based on Register of Depositors as at 26 March 2019)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	NO. OF ORDINARY SHARES	%
LESS THAN 100	90	3,565	0.00
100 TO 1,000	481	328,976	0.04
1,001 TO 10,000	1,528	10,287,373	1.20
10,001 TO 100,000	2,104	83,780,665	9.75
100,001 TO LESS THAN 5% OF ISSUED SHARES	659	509,665,997	59.31
5% AND ABOVE OF ISSUED SHARES	3	255,202,500	29.70
TOTAL	4,865	859,269,076	100.00

DIRECTORS' SHAREHOLDINGS
(Based on Register of Directors' Shareholdings as at 26 March 2019)

NO.	NAMES	DIRECT INTEREST NO. OF SHARES	DIRECT INTEREST %	INDIRECT INTEREST NO. OF SHARES	INDIRECT INTEREST %
1.	Datuk Jayakumar A/L Panneer Selvam	35,000,700	4.07	136,926,700 [1]	15.94
2.	Toe Teow Teck	-	-	67,000,000	7.80
3.	Dato' Sri Khazali Bin Haji Ahmad *(Alternate Director to Toe Teow Teck)*	-	-	-	-
4.	Datuk Mat Noor Bin Nawi	-	-	-	-
5.	Dato' Sheah Kok Fah	470,000	0.06	-	-
6.	Puan Mohaini Bt Mohd Yusof	-	-	-	-

Notes:
[1] *Deemed interested by virtue of interest in Ultimate Quality Success Sdn. Bhd., and Rosetta Partners Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.*

LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE)
(Based on Register of Substantial Shareholders as at 26 March 2019)

NO.	NAMES	DIRECT INTEREST NO. OF SHARES	DIRECT INTEREST %	INDIRECT INTEREST NO. OF SHARES	INDIRECT INTEREST %
1.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account – MTrustee Berhad for Ultimate Quality Success Sdn Bhd	123,426,700	14.36	-	-
2.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account – MTrustee Berhad for Rose Vision Sdn Bhd	67,000,000	7.80	-	-
3.	Transight Systems Sdn Bhd	64,775,800	7.54	-	-
4.	Datuk Jayakumar A/L Panneer Selvam	-	-	136,926,700 [1]	15.94
5.	Toe Teow Teck	-	-	67,000,000 [2]	7.80

Notes:
[1] *Deemed interested by virtue of interest in Ultimate Quality Success Sdn. Bhd., and Rosetta Partners Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.*
[2] *Deemed interested by virtue of interest in Rose Vision Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.*

LIST OF TOP 30 SHAREHOLDERS/ DEPOSITORS
(Based on Register of Depositors as at 26 March 2019)

NO.	NAME	NO. OF SHARES HELD	PERCENTAGE
1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT-MTRUSTEE BERHAD FOR ULTIMATE QUALITY SUCCESS SDN BHD	123,426,700	14.36
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT-MTRUSTEE BERHAD FOR ROSE VISION SDN BHD	67,000,000	7.80
3.	TRANSIGHT SYSTEMS SDN BHD	64,775,800	7.54
4.	AURA FOKUS SDN BHD	38,000,000	4.42
5.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT-MTRUSTEE BERHAD FOR DATUK JAYAKUMAR A/L PANNEER SELVAM	33,640,700	3.92
6.	DATO ‘ LIM KOK HAN	24,192,500	2.82
7.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN KIM HEUNG (MY1989)	16,000,000	1.86
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT-MTRUSTEE BERHAD FOR ROSETTA PARTNERS SDN BHD	13,500,000	1.57
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP	13,280,000	1.55
10.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	9,313,700	1.08
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RICKOH CORPORATION SDN. BHD	9,040,000	1.05
12.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG CHIN JOO (MARGIN)	8,367,206	0.97
13.	CHIANG KAI LOON	7,200,000	0.84
14.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EDISI FIRMA SDN BHD (MG0065-195)	6,826,000	0.79
15.	LEE LAN MOI	6,270,000	0.73
16.	QUEK TEE KIAM	5,895,600	0.69
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG THEAN SOON	5,541,500	0.64
18.	NG YOKE HIN	4,858,100	0.57
19.	ONG CHIEW KEE	4,505,900	0.52
20.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR RICKOH CORPORATION SDN BHD (MY0507)	4,500,000	0.52
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR SON TONG LEONG (MY1225)	4,500,000	0.52
22.	NASIR BIN BAKI	4,133,300	0.48
23.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GOH CHENG HOE (M01)	4,100,000	0.48
24.	SON CHEN CHUAN	4,088,000	0.48
25.	YEE YOK SEN	4,065,400	0.47
26.	SON TONG LEONG	3,900,000	0.45
27.	T.T.A. POLYMERS (M) SDN. BHD.	3,800,000	0.44
28.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK TIAN MENG	3,375,000	0.39
29.	PINANG INOVASI SDN BHD	3,375,000	0.39
30.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	3,340,000	0.39
	TOTAL	**504,810,406**	**58.75**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fortieth Annual General Meeting ("40th AGM") of the Company will be held at Rafflesia 1 & 2 (LG1), Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 20 June 2019 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.

2. To re-elect Dato' Sheah Kok Fah who retires pursuant to Article 91 of the Company's Articles of Association and who being eligible offer himself for re-election. **Ordinary Resolution 1**

3. To re-elect the following Directors who retire pursuant to Article 96 of the Company's Articles of Association and who being eligible offer themselves for re-election:-

   a) Datuk Jayakumar A/L Panneer Selvam **Ordinary Resolution 2**
   b) Datuk Mat Noor Bin Nawi **Ordinary Resolution 3**
   c) Puan Mohaini Bt Mohd Yusof **Ordinary Resolution 4**

4. To approve the payment of Directors' fees totaling RM39,333 for the financial year ended 31 December 2018. **Ordinary Resolution 5**

5. To approve the payment of meeting allowances to the Directors up to an amount of RM90,000 from the 40th AGM until the conclusion of the 41st AGM. **Ordinary Resolution 6**

6. To re-appoint Messrs Baker Tilly Monteiro Heng PLT 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. **Ordinary Resolution 7**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions with or without modification:-

7. Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act 2016 **Ordinary Resolution 8**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company"

8. Proposed Adoption of the New Constitution of the Company **Special Resolution 1**

   "THAT approval be and is hereby given for the Company to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 30 April 2019 accompanying the Company's Annual Report 2018 for the financial year ended 31 December 2018 be and is hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

9. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482)
VIMALRAJ A/L SHANMUGAM (MAICSA 7068140)
Company Secretaries

Kuala Lumpur
Date: 30 April 2019

NOTES:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the Meeting.

2. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

3. The Form of Proxy, in the case of an individual, shall be signed by the appointer or his attorney, and in the case of a corporation, shall be executed under its Common Seal or under the hand of its attorney of the corporation duly authorised.

4. For the purpose of determining a member who shall be entitled to attend the 40th AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 13 June 2019. Only a depositor whose name appears on the Record of the Depositor as at 13 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

5. To be valid, the proxy form duly completed and signed must be deposited at the Share Registrar's Office, at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Explanatory Notes to Ordinary Business:

a. Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 December 2018

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. Therefore, this item will not be put forward for voting.

Explanatory Notes to Special Business:

a. Resolution 8 – 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 39th Annual General Meeting held on 22 June 2018 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 8.

This proposed Resolution 8, 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.

b. The proposed Special Resolution 1, if passed, will streamline the Company's existing Memorandum and Articles of Association with the Companies Act 2016, which came into force on 31 January 2017, and to align to amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as well as for better clarity and to enhance administrative efficiency. The proposed new Constitution of the Company is set out in Appendix II of the Circular to Shareholders dated 30 April 2019 despatched together with the Company's 2018 Annual Report.

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 40th 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 Notes to Special Business of the Notice of 40th AGM.

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cuscapi®

CUSCAPI BERHAD (43190-H)
(Incorporated In Malaysia)

No. of shares held	
CDS Account No.	

FORM OF PROXY

I/We,.. NRIC No. or Company No ....
(Full name in block letters)

of ....
(Full address)

....

being a member/members of CUSCAPI BERHAD hereby appoint (Proxy 1) ....

NRIC No. .... of ....

or failing him/ her (Proxy 2) .... NRIC No. ....

of ....

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fortieth Annual General Meeting of the Company to be held at Rafflesia 1 & 2 (LG1), Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 20 June 2019 at 2.00 p.m. or at any adjournment thereof.

The proxy is to vote on the Resolutions set out in the Notice of the Meeting as indicated with an "X" in the appropriate spaces. If no specific direction as to the voting is given, the Proxy will vote or abstain from voting at his/her discretion.

		FOR	AGAINST
ORDINARY RESOLUTION 1	To re-elect Dato' Sheah Kok Fah who retires in accordance with Article 91 of the Company's Articles of Association		
ORDINARY RESOLUTION 2	To re-elect Datuk Jayakumar A/L Panneer Selvam who retires in accordance with Article 96 of the Company's Articles of Association		
ORDINARY RESOLUTION 3	To re-elect Datuk Mat Noor Bin Nawi who retires in accordance with Article 96 of the Company's Articles of Association		
ORDINARY RESOLUTION 4	To re-elect Puan Mohaini Bt Mohd Yusof who retires in accordance with Article 96 of the Company's Articles of Association		
ORDINARY RESOLUTION 5	To approve the payment of Directors' fees totaling RM39,333 for the financial year ended 31 December 2018		
ORDINARY RESOLUTION 6	To approve the payment of meeting allowances to the Directors up to an amount of RM90,000 from the 40th AGM until the conclusion of the 41st AGM of the Company		
ORDINARY RESOLUTION 7	To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration		
ORDINARY RESOLUTION 8	To grant authority to Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
SPECIAL RESOLUTION 1	To approve the Proposed Adoption of the Constitution		

Signed this............. day of 2019

____
Signature of Shareholder(s)

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

First Proxy
No. of Shares: ....

Percentage : ....%

Second Proxy
No. of Shares: ....

Percentage : ....%

NOTES:
1. The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act, 2016 are meant for discussion only. It does not require shareholders' approval, and therefore, it shall not be put forward for voting.
2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. The Form of Proxy, in the case of an individual, shall be signed by the appointer or his attorney, and in the case of a corporation, shall be executed under its Common Seal or under the hand of its attorney of the corporation duly authorised.
5. For the purpose of determining a member who shall be entitled to attend the Fortieth AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 13 June 2019. Only a depositor whose name appears on the Record of the Depositor as at 13 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
6. To be valid, the proxy form duly completed and signed must be deposited at the Share Registrar's Office, at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

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AFFIX
STAMP

The Shares Registrar,

CUSCAPI BERHAD (43190-H)
Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur.

Please fold here

CUSCAPI BERHAD (43190-H)

Level 27 & 28, Block N, Empire City Damansara,
No. 8, Jalan Damansara, PJU 8, 47820 Petaling Jaya, Selangor, Malaysia.
T: 6(03) 7623 7777 F: 6(03) 7622 1999
E: information@cuscapi.com

WWW.CUSCAPI.COM