ExcelForce
MSC Berhad
www.excelforce.com.my

MSC MALAYSIA
Spearheading Transformation

2019
ANNUAL REPORT

WE BUILD AWESOME
DIGITAL PLATFORM

TABLE OF **CONTENTS**

NOTICE OF ANNUAL GENERAL MEETING	02
FINANCIAL HIGHLIGHTS	05
CORPORATE INFORMATION	07
CHAIRMAN'S STATEMENT	08
MANAGEMENT DISCUSSION AND ANALYSIS	09
BOARD OF DIRECTORS' PROFILE	12
KEY SENIOR MANAGEMENT'S PROFILE	16
SUSTAINABILITY STATEMENT	18
CORPORATE GOVERNANCE OVERVIEW STATEMENT	21
AUDIT COMMITTEE REPORT	32
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL	34
ADDITIONAL COMPLIANCE INFORMATION	37
FINANCIAL STATEMENTS	38
LIST OF PROPERTIES	117
ANALYSIS OF SHAREHOLDINGS	118
PROXY FORM	

OUR **VISION**

To be an innovative and high value adding software solution provider

OUR **MISSION**

We continuously strive to increase our technology know-how and capabilities, deepen our domain knowledge & optimise the use of our resources to produce high quality applications and services that expand our market reach, grow our revenue & sustain our profitability

Visit our website for more information
www.excelforce.com.my

NOTICE OF EIGHTEENTH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting ("18th AGM") of the Company will be conducted as a virtual meeting through live streaming with online remote voting conducted via a Remote Participation and Voting ("RPV") Facilities from the Broadcast venue at Level 43A, MYEG Tower, Empire City, No.8, Jalan Damansara, PJU 8, 47820 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 24 June 2020 at 2.30 p.m. for the transaction of the following businesses:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.

2. To re-elect Dato' Dr Norraesah binti Haji Mohamad who is retiring pursuant to Clause 105 of the Company's Constitution and being eligible, has offered herself for re-election. **ORDINARY RESOLUTION 1**

3. To re-elect the following Directors who are retiring pursuant to Clause 114 of the Company's Constitution and being eligible, have offered themselves for re-election:-

   (a) Datuk Mat Noor bin Nawi **ORDINARY RESOLUTION 2**

   (b) Mohaini binti Mohd Yusof **ORDINARY RESOLUTION 3**

4. To approve the Directors' fees amounting to RM624,000.00 for the period from the 18th AGM up to the 19th AGM of the Company. **ORDINARY RESOLUTION 4**

5. To re-appoint Messrs UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 5**

Special Business

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

6. Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act, 2016 **ORDINARY RESOLUTION 6**

   "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"

7. Proposed Renewal of authority for the Company to purchase its own shares ("Proposed Renewal of Share Buy-Back Authority") **ORDINARY RESOLUTION 7**

"THAT subject to the Companies Act, 2016 ("the Act"), the provisions of the Constitution of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) the aggregate number of shares purchased or held as treasury shares does not exceed 10% of the total number of issued and paid-up shares of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares be backed by an equivalent amount of retained profits; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares, or cancel the shares, or retain part of the shares so purchased as treasury shares and cancel the remainder, or resell the shares, or transfer the shares or distribute the shares as dividends;

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:

(i) the conclusion of the next AGM at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

8. To transact any other business of the Company for 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: 27 May 2020

NOTES:

1. Please refer to the Administrative Guide for the procedures to register and participate in the virtual meeting and vote remotely at this virtual AGM using RPV Facilities provided by Agmo Studio Sdn Bhd via its Vote2U online website at http://web.vote2u.app.

2. 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.

3. A member entitled to attend and vote at this meeting is entitled to appoint a proxy(ies) to attend and vote instead of him/ her. 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.

4. 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.

5. 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 authorized.

6. For the purpose of determining a member who shall be entitled to attend the 18th AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 17 June 2020. Only a depositor whose name appears on the Record of the Depositor as at 17 June 2020 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

7. To be valid, the proxy form duly completed and signed must be deposited at the Share Registrar's Office, Boardroom Share Registrars Sdn Bhd (Formerly known as Symphony Share Registrars Sdn Bhd), at 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Explanatory Notes to Special Business:

1. The proposed Ordinary Resolution 6 is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 29 May 2019 ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised. The proposed resolution, if passed, will provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investments projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next AGM of the Company.

2. The proposed Ordinary Resolution 7 if passed, will allow the Directors of the Company to exercise the power of the Company to purchase not more than ten percent (10%) of the total number of issued shares of the Company at any time within the time period stipulated in the Listing Requirements of Bursa Securities. This authority, unless revoked or varied by the Company at a general meeting, shall continue to be in full force until the conclusion of the next AGM of the Company. Further details are set out in the Circular to Shareholders dated 27 May 2020.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities:-

1. Details of individual who are standing for election as Directors (excluding Directors for re-election)

   No individual is seeking election as a Director at the 18th AGM of the Company.

2. General mandate for issue of securities in accordance with Paragraph 6.03(3) of the Listing Requirements of Bursa Securities.

   The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note to Special Business of the Notice of 18th AGM.

FIVE-YEAR FINANCIAL **HIGHLIGHTS**

	2015	2016	2017	2018	2019
FINANCIAL PERFORMANCE (RM'000)					
Turnover	25,280	22,473	22,918	22,939	22,963
Profit before Tax	9,653	6,975	8,112	7,935	8,290
Profit for the Year	7,568	5,394	6,323	6,657	6,471
PATANCI	7,552	5,630	6,323	6,657	6,471
KEY STATEMENT OF FINANCIAL POSITION DATA (RM'000)					
Cash and Bank Balances	19,702	23,329	21,542	29,813	22,789
Total Assets	55,008	53,057	54,446	58,723	101,433
Total Liabilities	10,561	7,636	7,874	11,521	4,965
Total Net Tangible Assets	33,882	35,669	36,141	36,112	85,151
Share Capital	20,677	20,687	20,744	20,998	69,862
Equity Attributable to owners of the Company	43,940	45,501	46,572	47,202	96,469
SHARE INFORMATION					
Basic Earnings Per Share (sen)[1]	^1.83	^1.36	^1.53	^1.61	1.38
Diluted Earnings Per Share (sen)[2]	#1.83	#1.05	#1.13	#1.07	1.38
Dividend Per Share (sen)	3.00	2.00	2.50	1.50	1.00
FINANCIAL RATIOS					
Current Ratio (times)	5.26	8.20	5.95	3.17	10.84
Net Assets Per Share (RM)	0.21	0.22	0.11	0.11	0.17
Return on Equity (ROE)[3]	17%	12%	14%	14%	7%
Dividend Payout Ratio	82%	74%	82%	93%	93%

Notes:

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

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

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

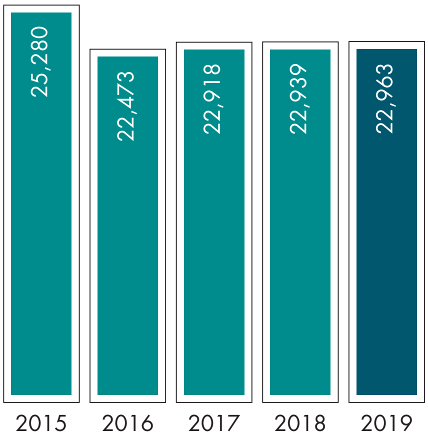
[2] *The diluted earnings per ordinary share is computed by dividing the PATANCI by the weighted average number of ordinary shares in issue during the financial year adjusted for the dilutive effects of all potential ordinary shares in issued at the end of the reporting period.*

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

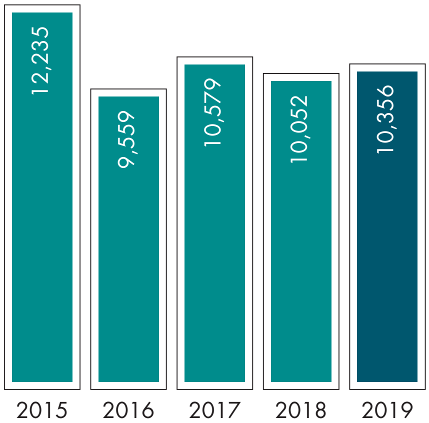
[3] *ROE is calculated by dividing the PATANCI by the equity attributable to equity holders of the Company.*

FIVE-YEAR FINANCIAL **HIGHLIGHTS**
(CONT'D)

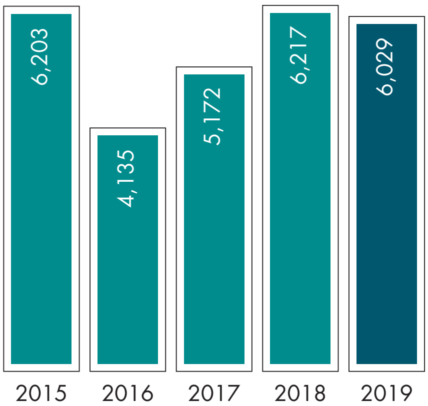
TURNOVER
(RM'000)



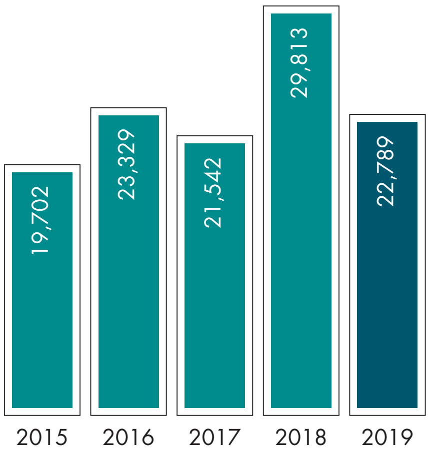
EBITDA
(RM'000)



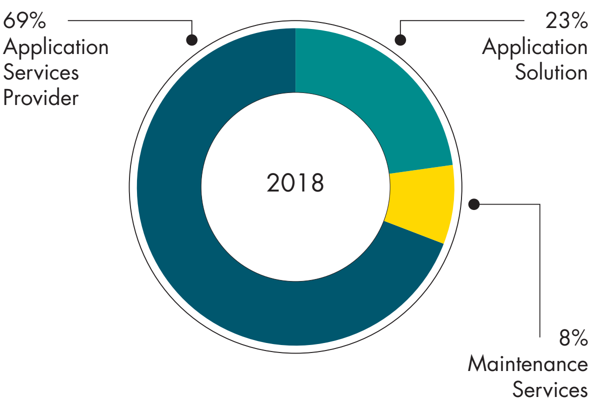
DIVIDEND PAID & PROPOSED
(RM'000)

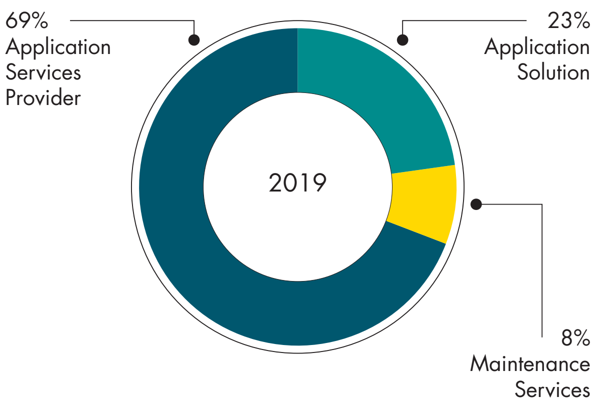


CASH & CASH EQUIVALENT
(RM'000)



GROUP SEGMENTAL REVENUE





CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Dato' Dr Norraesah Binti Haji Mohamad
(her alternate, Wong Thean Soon)
Executive Chairman

Wong Kok Chau
Executive Director

Eng Shao Hon
Executive Director

Gan Teck Ban
Executive Director

Datuk Mat Noor Bin Nawi
(Appointed on 27 September 2019)
Independent Non-Executive Director

Mohaini Binti Mohd Yusof
(Appointed on 18 June 2019)
Independent Non-Executive Director

Lok Choon Hong
Independent Non-Executive Director

AUDIT COMMITTEE

Datuk Mat Noor Bin Nawi
(Chairman)(Appointed on 27 September 2019)
Mohaini Binti Mohd Yusof
(Appointed on 18 June 2019)
Lok Choon Hong

NOMINATION COMMITTEE

Lok Choon Hong
(Chairman)
Datuk Mat Noor Bin Nawi
(Appointed on 27 September 2019)
Mohaini Binti Mohd Yusof
(Appointed on 18 June 2019)

REMUNERATION COMMITTEE

Lok Choon Hong
(Chairman)
Datuk Mat Noor Bin Nawi
(Appointed on 27 September 2019)
Mohaini Binti Mohd Yusof
(Appointed on 18 June 2019)

COMPANY SECRETARIES

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

BUSINESS OFFICE

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

REGISTERED OFFICE

Suite 10.02, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel: 03-2298 0263
Fax: 03-2732 0268

SOLICITORS

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

PRINCIPAL BANKER

Hong Leong Bank Berhad

AUDITORS

UHY (AF 1411)
Suite 11.05, Level11,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel: 03-2279 3088
Fax: 03-2279 3099

REGISTRAR

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
11th Floor, Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03-7890 4700
Fax: 03-7890 4670

STOCK EXCHANGE LISTING

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

WEBSITE

www.excelforce.com.my

CHAIRMAN'S **STATEMENT**

"On behalf of the Board of Directors, it is my pleasure to present the Annual Report of Excel Force MSC Berhad ("EForce" or "the Group") for the financial year ended 31 December 2019 ("FYE 2019")."

DATO' DR NORRAESAH BINTI HAJI MOHAMAD
Executive Chairman

The Group achieved revenue of RM23 million in 2019 and profit after tax of RM6.4 million. We were resilient amidst market uncertainties due to an apparent US-China trade war. Our strong business fundamentals and prudent spending helped pull us through the challenging year.

Malaysian stock market continued to under-perform compared to bourses in Asean and globally. Bursa Malaysia's Average Daily Value (ADV) decreased by 19.3% compared to 2018, which impacted the business performance of stockbrokers. The broking industry participants faced intense competition and cost pressure, resulting in cautious IT spending to protect profit margin.

The Group continues to invest in research and development to improve and update our service offering. This is done collaboratively with customers to ensure our product development pipeline is relevant and improves speed to market. We leverage on our strong working relationships with customers, deep domain knowledge and technological capabilities to help customers solve problems and anticipate emerging trends.

The year 2020 started with optimism on US-China signing its first trade deal. But Covid-19 pandemic has now cast its long shadow over the global economy. The collapse of oil price further fueled this combustible situation. Economists are warning of a prolonged global recession and recovery is dependent on when and how global community gets the pandemic under control.

Businesses experienced such widespread downturn within such a short time. We are equally impacted. However, the Group is confident that we have sufficient resources and strong leadership to steer EForce through this turbulence time and emerge stronger.

In appreciation of our shareholders' continued support, the Board had declared and paid total dividend of RM6 million, an equivalent to 95% of the Group's net profit of the year.

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

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

Lastly, I would like to express my sincere appreciation to Mr. Aaron Sim Kwee Lein for his service as our Audit Committee Chairman until his untimely demise in July 2019, and to Mr. Ng Kim Huat who had retired as a director in last AGM. I would also like to welcome our new independent directors, Datuk Mat Noor Bin Nawi and Puan Mohaini Binti Mohd Yusof, who joined the Group in FYE 2019.

Thank you to all fellow Board members for their commitment, guidance and invaluable advice to enable the Board to properly discharge their fiduciary duties to the best of their ability.

BUSINESS REVIEW

EForce is a leading information technology solution provider involved in the development, provision and maintenance of application and system solutions for the financial services industry, specifically the stockbroking companies and investment banks.

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

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

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

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

This Statement contains the Management discussion and analysis of the business operation and performance of the Group for the financial year ended 31 December 2019. It should be read in conjunction with the audited financial statements of the Group as set out in this Annual Report.

The Group's products include CyberBroker Front Office (for client-server, web and mobile-based stock trading system), CyberBroker Middle Office, CyberBroker Back Office (including Custodian and Nominee System), StockBanking System (including Share Margin Financing System) and Fundamental Analysis System.

EForce customers demand reliable and stable solutions to fulfil their critical role as capital market intermediaries. Over the years, EForce has earned a commondable reputation in consistently meeting, and at times, exceeding customers' expectations. The Group collaborates closely with customers to continuously assess their evolving business needs and develop good quality applications to fulfil them.

REVIEW OF FINANCIAL RESULTS

The Group achieved revenue of RM23 million in FYE 2019, mainly derived from ASP segment. Profit before tax (PBT) was RM8.3 million, higher by RM355,000 or 5% compared to last financial year. The improved bottom line was due to better cost management and higher interest income earned.

Profit after tax (PAT) for FYE 2019 stood at RM6.5 million, a decrease of RM186,000 compared to same corresponding period in 2018, due to higher taxation expenses.

Total assets of the Group stood at RM101.4 million, an increase by RM42.7 million mainly due to cash infusion from conversion of warrant into equity capital in July 2019. The cash has been invested into properties and quoted shares. Total liability of the Group stood at RM5 million, which is RM6.6 million lower compared to 2018 due to recognition of progress billing made for purchase of commercial space as fixed assets.

REVENUE FYE2019	PAT FYE2019	TOTAL ASSETS FYE2019
RM23 MILLION	**RM6.4 MILLION**	**RM101.4 MILLION**

MANAGEMENT DISCUSSION **AND ANALYSIS**

(CONT'D)

REVIEW OF OPERATIONS

The lack of growth catalyst in the local stock market continues to buffet stockbrokers' business performance. Hence, customers are closely monitoring their cost structure and selective in their IT spend. Their priority focus is on IT projects that improve user experience, fulfil regulatory compliance requirements (e.g. Bank Negara Malaysia's Risk Management in Technology framework), increase back room efficiencies and achieve lower operational cost.

The Group is innovating and enhancing its product and service offerings to meet current customers' needs, and to further strengthen its leading position in Malaysia. The Group is also looking out for opportunities to expand its presence in Asean countries like Singapore, Thailand, Vietnam and Indonesia.

During the year, the Group developed new applications and services that improved users' experience for mobile share trading, expanded access for trading in overseas stock exchanges, undertook a rapid customisation and deployment of nominee system, provided various technical consultancy to comply with regulatory requirements, and successfully connected our customers to Bursa Malaysia new ISO20022 messaging standards for corporate announcements.

The Group monitors its own cost base very closely, more so in this tough business environment. EForce continues to optimise and improve on its resource utilisation, leverage on its deep domain and system knowledge to enhance efficiency in service delivery, eliminate non-value adding activities in our application development process and improve time to market of new and enhanced applications.

The business performance of the Group's subsidiary company, Insage MSC Sdn Bhd has improved. There is increasing demand for outsourcing of listed companies' investor relation webpages and corporate websites. The Group will continue to capitalize on these opportunities in Malaysia and is concurrently identifying expansion opportunities in overseas market.

The Group's other subsidiary company, E2 Trade Sdn Bhd, is still dormant and not operational in FYE 2019.

KEY BUSINESS RISK AND MITIGATION STRATEGIES

Changes in government policies, banking regulations, securities regulations and stockbroking rules have an impact to EForce's business and operational performance. The Group continuously monitors trends in regulatory development, and through regular engagements with brokers, regulators and relevant governmental agencies, the Group can better anticipate risks and formulate responses to changes.

The Group's business operation is highly dependent on the stability and reliability of our application solutions, data centre, network infrastructure and equipment. EForce mitigates the operational and system risk through pre-trading system health check, close monitoring of equipment resource use for preventive actions, regular back up procedures to protect business continuity, review and refine our applications for performance improvement.

Keeping abreast and updated on technology advancement is critical to ensure timely and effective maintenance of our application solutions, and provide quick response to customers when issues arise. EForce mitigate this risk by providing training and exposure to our employees on relevant technology development, and also update on changes in the broking business landscape to ensure our solutions remain current.

The growing threats of cyber-attack to steal data and deny genuine user access to systems requires timely and effective counter-measures. To mitigate this risk, the Group tracks the latest cybersecurity trends and development, and periodically review its system security settings to strengthen cyber-defences. The Group is also in the midst of developing a comprehensive Cyber Security Policy to set a high standard of performance.

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

FORWARD LOOKING STATEMENT

2020 is undoubtedly a challenging year for our country as we combat the Covid-19 pandemic. There is great uncertainty on how the Malaysian economy will recover and how long it will take. Being a trading nation, much depends on the speed of recovery in global supply chain and demand. While the impact to our business cannot be accurately determined due to changing situations, the Group is alert of the need to develop strategies to adapt our business to these changes.

In this time of crisis, the Group has taken prudent steps to ensure sufficient liquidity to fund our operations and has drawn up contingency measures to minimise the down side risk.

The Group focuses on protecting its revenue stream, optimising utilization of resources for productive gain, keeping close to our current and prospective customers to understand their needs and help them achieve their business objectives. The Group regularly reviews its resource allocation to ensure our people are concentrating their time and effort on the right activities and get them done right first time.

As the old saying goes, where there is a challenge, there is also opportunity. The Group will look out for good business opportunities with attractive valuation to invest in. The Group is also open to collaborate with potential partners in Malaysia and overseas to explore new business segments that leverages on the Group's technological capability and know-how in mission critical business environment.

DIVIDEND

The Group had declared and paid RM6 million dividend in FYE 2019. This is an equivalent to 93% of Group's profit for the financial year.

There is no dividend distribution policy as management is of the view that adequate resources must be maintained within the Group for working capital and future expansion needs of the Group. Factors that may influence dividend pay-out includes profitability of the Group, the availability of cash balance, adequacy of reserve and economic situation.

BOARD OF
DIRECTORS' PROFILE

DATO' DR NORRAESAH BINTI HAJI MOHAMAD
Executive Chairman
Female, Aged 71

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

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

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

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

She sits on the Board of Directors of Adventa Berhad, MY E.G. Services Berhad and Latitude Tree Holdings Berhad all of which are public companies. She also sits on the Board of Directors of several private limited companies.

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

WONG THEAN SOON
Alternate Director to Dato Dr Norraesah Binti Haji Mohamad
Male, Aged 48

Wong Thean Soon, a Malaysian, was appointed as alternate director to Dato Dr Norraesah Binti Haji Mohamad on the 9 July 2019.

He is a graduate from the National University of Singapore with a Bachelor Degree in Electrical Engineering and has accumulated more than 20 years of experience in the ICT industry with his involvement in designing, implementing and maintenance of communication applications on the Internet in various technology companies, both local and abroad. He commenced his career in the ICT industry in 1995 with Cybersource Pte Ltd, Singapore as co-founder and Executive Director of the company. During his tenure there, he oversaw the development of PictureMail, an integrated graphical e-mail package, which was licenced to Sony, among others. He was also in charge of developing and marketing an additional product, the Global Messaging System, which was licenced to paging operators in the Asian region including EasyCall International of Australia and Lenso Paging of Thailand.

He subsequently founded Tecnochannel Technologies Sdn Bhd in 1997 and formed marketing and manufacturing partnerships with a range of MNCs to develop and market Internet devices, where such devices were successfully marketed in China. He successfully listed Tecnochannel Technologies Sdn Bhd on the American Exchange via the holding company known as MyWeb Inc.com in 1999.

He resigned from the Chief Executive Officer position at Tecnochannel Technologies Sdn Bhd in 2000 and co-founded MYEG in the same year. He was one of the pioneering members of MYEG Group and has been instrumental in establishing and managing the operations of MYEG Group. He is currently the Group Managing Director of MYEG Services Berhad, a company listed on Bursa Malaysia Securities Bhd. He also sits on the board of several private limited companies.

WONG KOK CHAU

Executive Director
Male, Aged 51

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

He started his career with Ernst & Young providing corporate advisory services to business investors. Next, he joined a French based fast-moving consumer goods, BIC, as their Regional Controller for Asia. Kok Chau was a member of the Asian growth strategy execution team.

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

Midway in his career with KT, he switched role to be a full time Consultant. He was a key resource in margin improvement and strategy formulation consulting projects, assuming the role of analyst and process consultant. He managed a regional inside sale team, responsible for selling training services and identifying consulting opportunities.

He left KT to establish his own business in Singapore. A Davids & Company (ADC) is a productivity improvement consulting company, focus on increasing the thinking capability of people to solve problems and get the right things done right first time. Amongst the projects he implemented were formulating business direction of a global facilities management company and improving cross functional team communication and coordination of a regional telco.

In EForce, he is responsible for increasing operational efficiency, improving quality of service delivery and business development. He is also responsible to formulate and execute strategic projects for business growth, working closely with the Executive Chairman.

On 9 July 2018, Kok Chau was appointed as an independent and non-executive director of My E.G. Services Berhad. He is also a member of the Audit and Risk Management Committee, and Remuneration Committee of My E. G. Services Berhad.

ENG SHAO HON

Executive Director
Male, Aged 45

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

Shao Hon started his career in 1999 with Motorola Malaysia as Research & Development (R&D) Software Engineer. He was responsible for the design and development of software for new telecommunication products.

Two years later, he joined EForce as a Senior Software Engineer and subsequently, he was transferred to R&D department to assist in the development of the CyberBroker suite of solutions.

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

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

GAN TECK BAN
Executive Director
Male, Aged 54

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

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

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

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

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

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

DATUK MAT NOOR BIN NAWI
Independent Non-Executive Director
Male, Aged 65

Datuk Mat Noor bin Nawi, a Malaysian, was appointed to the Board of the Company on 27 September 2019. He is a graduate with a Bachelor of Science (Resource Economics) from University Putra Malaysia and Master of Science (Policy Economics) from University of Illinois, Urbana-Champaign, USA.

Datuk Mat Noor bin Nawi 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), Prime Minister's Department in 1983. He had since continued to serve the EPU in various capacities and his last position was the Deputy Director General I, EPU, prior to joining Ministry of Finance (MOF) in October 2011.

He was the Deputy Secretary General, Treasury (Systems & Controls) 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 retired on 31 September 2018. Currently, he is also the Chairman of Carrier International Sdn Bhd and GETS Global Berhad (formerly known as KBES Berhad). He also sits on the Board of PDX.com Sdn Bhd, Cuscapi Berhad and Megah Perkasa Security Services.

He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of EForce.

MOHAINI BINTI MOHD YUSOF

Independent Non-Executive Director
Female, Aged 54

Mohaini binti Mohd Yusof, a Malaysian, was appointed to the Board of the Company on 18 June 2019. Mohaini graduated from the University of Technology MARA with a Degree in Mass Communications (Journalism) in 1989.

She started her career as an Executive in the Lion Group of Companies from 1989 to 1996. She later joined Malaysian Resources Corporation Berhad (MRCB) from 1996 and later became the General Manager, Head of Corporate Communications at MRCB until 2018. She has moved on and set up her own consultancy company. Currently, she is the consultant for a retail brand.

She has more than 29 years of experience in strategic communications, branding, crisis management, media management, events, advertising, publications, Government relations, corporate social responsibilities and social media. She has helped to create several brands for MRCB Group and Media Prima Berhad. She has been actively involved in the GLC Disaster Response Network (GDRN).

Mohaini is also an Independent Non-Executive Director of Cuscapi Berhad.

She is a member of the Audit Committee, Nomination Committee and Remuneration Committee of EForce.

LOK CHOON HONG

Independent Non-Executive Director
Male, Aged 50

Lok Choon Hong, a Malaysian, was appointed to the Board on 2 June 2014. He is a qualified lawyer for Malaysia and Singapore and a registered patent, trademark and industrial design agent for Malaysia. He has been actively involved in the intellectual property (IP) field for the past sixteen (16) years.

Lok holds a Master of Laws Degree from University of Cambridge, United Kingdom, an executive MBA degrees from INSEAD, France/Singapore and E-MBA from Tsinghua University, China.

Lok is the managing partner of Pintas IP Group (PIPG), which provides integrated IP filing and consultancy works covering Southeast Asia countries. He is also the founding partner of Global IP Southeast Asia Pte Ltd (GIP-Asean), an IP consultancy boutique firm focusing on Japan-Southeast Asia regions.

Apart from IP agency and consultancy works, Lok is also actively involved in angel capital investment in IP based companies. Currently, Mr Lok is the secretary of Malaysia Business Angel Network (MBAN).

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

Conflict of Interest
None of the Directors has any conflict of interest with the Company.
Conviction of Offences
None of the Directors has been convicted of any offences (other than ordinary traffic offences, if any) within the past five (5) years.
Family Relationship
None of the Directors has family relationship with any Directors or major shareholders of the Company.

KEY SENIOR
MANAGEMENT PROFILE

The Management team is headed by the Executive Director, Mr. Wong Kok Chau. He is assisted by Mr. Eng Shao Hon, Mr. Gan Teck Ban and the following key senior management.

WONG GUAN BOON
Head, Customer Service
Male, Aged 45

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

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

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

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

NICHLAS KIM SOON SENG
Head, Research and Development
Male, Aged 37

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

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

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

Currently, he is responsible on product research and development together with Chief Technology Officer in EForce and also involved in daily operation and possessed additional responsibility on managing one of our clients as Project Manager, notably in Foreign Shares Trading platform enhancement.

WONG BOON LEONG
Head, System Design and Quality Assurance
Male, Aged 40

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

Throughout his 14 years with EForce, he has held various positions such as System Analyst, Project Manager and Head of System Design. He has vast overseas and local projects experience, engaging with our clients from stock trading, banking and insurance industries. Boon Leong helps them to fulfill not just their business needs but gain competitive advantages by leveraging on IT systems and products.

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

ALICIA CHAN SAU HSIA
Head, Human Resources and Administration
Female, Aged 46

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

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

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

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

LIEW KEAN FATT
Head, Finance
Male, Aged 52

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

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

Prior to joining EForce, he worked in various industries, including manufacturing, share broking house, trading and travel agency. He joined MBP Malaysia Sdn. Bhd. (MBP) in 1995, a wholly owned subsidiary of Sime Darby Berhad (SDB), a multi-national company, involved in manufacturing of road construction product. Thereafter, he worked in another subsidiary of SDB, Sime Darby Travel Sdn Bhd (SDT) as Accounts Executive, upon completion of his ACCA qualification, he has promoted to Finance Manager position. In SDT, he was responsible for operation of finance department, prepare monthly financial report and variance analysis report. He was also involved in the preparation of consolidated financial statements, management budget and treasury management.

Currently, he is the Head of Finance, his responsibilities include overseeing the operation of finance and accounts functions, preparation of financial reporting, quarterly interim financial report, annual report, risk management report and treasury management of the Group as well as ensuring compliance to the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

Conflict of Interest
None of the key senior management have any conflict of interest with the Company.
Conviction of Offences
None of the key senior management has been convicted of any offences (other than ordinary traffic offences, if any) within the past five (5) years.
Family Relationship
None of the key senior management has family relationship with any Directors or major shareholders of the Company.

SUSTAINABILITY **STATEMENT**

The Group believes that adopting the principle of business sustainability will contribute toward the wellbeing of society and bring about economic and social development. It will also improve the quality of life for the workforce, stakeholders' and the local community at large.

WORKPLACE

The Group endeavours to provide a healthy, safe, secure and environment friendly workplace for our employees. People are our greatest and most valuable assets, and we are proud of what they have accomplished. We are also very protective of them. When the Covid-19 pandemic threatened the health and safety of our employees, we were early adopters of preventive measures like body temperature monitoring, encourage frequent handwashing, provide sanitization facilities and encourage working from home.

We continue to focus on recruiting and developing our talent pool to support the growth of our business. We strive to upgrade our employees' competency, skills and knowledge by conducting structured training sessions, both internally and externally. The training programs aim to equip our employees with key skills to support their career goals. The Group's Employees Handbook provides guiding principles on the standards of ethics and professional conduct required of our employees.

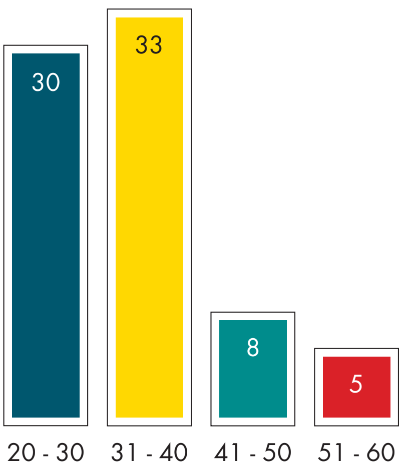
The Group ensures that all employees are covered with insurance on life and medical as well as hospitalization benefits. In addition, we organize various festive and birthday celebrations as well as sport tournament to encourage interaction and relationship building amongst employees.

Workplace Diversity

The Group endeavours to provide a healthy, safe, secure and environment friendly workplace for our employees. People are our greatest and most valuable assets, and we are proud of what they have accomplished. We are also very protective of them. When the Covid-19 pandemic threatened the health and safety of our employees, we were early adopters of preventive measures like body temperature monitoring, encourage frequent handwashing, provide sanitization facilities and encourage working from home.

We also foster diversity in terms of gender and age demographics. The following is breakdown of our workforce:

AGE GROUP
Number of Employee



CURRENT HEADCOUNT
76 Employees

AVERAGE LENGTH OF SERVICE
5.9 Years

AVERAGE AGE
34 Years Old

HEADCOUNT BY GENDER
Male: 53
Female: 23

COMMUNITY

As part of our commitment towards Corporate Social Responsibility (CSR), the Group collaborated with HOPE Worldwide Malaysia (HOPE), allowing us to participate and involve in activities that created greater social impact and improved our reach to needy community. Our staff gained tremendous exposure on volunteerism and gave them an opportunity to contribute back to society. Our intention is to build a sustainable collaboration that positively impacts the community and enhance the Group's brand value.

We were involved in 2 major activities with HOPE. The first was food distribution for the poor program in June 2019, which was held in Community Service Centre at Sentul. The other was Back to School Sponsorship program in December 2019, held at Mydin Hypermarket in Subang USJ1. The objective of the latter program is to motive children of urban poor community to focus on school work and excel academically. HOPE organised children and youth from beneficial families to shop for their schooling needs in preparation for the new academic year. Our group of volunteers together with the guardians of these children spent almost 2 hours to select and purchase school uniforms, attires, school bags, etc.

We have also made monetary contribution to Titian Baiti Al Jannah, a care centre for disabled and abandoned children, and Pusat Jagaan Kasih Sayang Prasanna, an old folks home for poor families, and most of them are bedridden.

► *Group photo on our School Sponsorship Program 2019 with HOPE Worldwide Malaysia on 14 December 2019, Mydin Hypermarket USJ.*

► *Our staff are taken part as volunteer to assist the beneficial families to select their schooling necessities.*

► *Beneficial family register at distribution counter.*

► *Volunteers are helping to pack the foods and rice into goodie bags.*

► *A briefing on Community and Volunteerism program to our staff organized by HOPE.*

► *Cheque presentation on cash donation to Pusat Jagaan Kasih Sayang Prasanna (Melaka).*

MARKETPLACE

The Group is committed to ensure the interest of all our important stakeholders, i.e. shareholders, suppliers, customers and local community are well taken care of. We ensure proper corporate governance practices are in place and are closely monitored and reviewed on regular basis.

The Group is committed to ongoing stakeholder engagement as the main component of business and sustainability strategies, we conduct regular dialogue that enable us to identify and address any issue promptly.

List of stakeholder	Stakeholder engagement
Customers	Regular meeting with customers, provide stable, cost effective and reliable application solution, build up good rapport for mutually beneficial relationship.
Suppliers	Ensure products supplied by suppliers are reliable, of high quality and are cost effective. Ensure there is after sales service for emergency support. Conduct annual supplier review
Shareholders	Conduct Annual General Meeting (AGM). Setup of Investor relations (IR) website for ease of communication. Regular and periodic announcements on financial performance of the Company and other announcement as required under the listing rules.
Local community	Engaged with local NGO to support them with monetary donation for their daily operation expenses.

ENVIRONMENT

The Group works toward reducing its carbon footprint by improving our application solution efficiency and incorporated green mindset across our value creation chain. The main objective is to reduce climate change impact.

During the year, we have implemented the following procedures to ensure a safe and healthy working environment:-

(i) Setting policies and procedures to promote workplace health and safety, and reduce accident/injury rates that could affect work performance;

(ii) Ensuring office security is strictly maintained at all times (e.g. access control, CCTV surveillance, security guards etc.);

(iii) Ensuring our office premises are equipped with relevant fitting and equipment in case of fire (e.g. fire alarms, fire extinguisher, fire proof door, etc.); and

(iv) Conducting periodical fire drill exercises.

The Group has implemented additional measure in recent Covid-19 pandemic, which include providing face mask and hand sanitizer, record employee temperature on daily basis, impose social distancing and other precautionary measures.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

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

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

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

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

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

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

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

- Review and adopt a strategic plan for the Company, address the sustainability of the Group's business;
- Oversee and evaluate the conduct of succession planning for the Group;
- Identity principal business risks faced by the Group and ensure the implementation of appropriate systems to manage these risks;
- Oversee the conduct and operation of the Group's business and evaluate whether business is being managed properly;
- Review the adequacy and integrity of the Group's internal control and management information system;
- Carry out periodic review of the Group's financial statement and operating results and major capital commitment; and
- Review and approve any major corporate proposals, new business venture, or joint venture of the Group.

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

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

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

Board Responsibilities (cont'd)

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

1.3 The Board is supported by suitably qualified and competent Company Secretaries to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of governance best practices. The Company Secretaries are members of Malaysian Institute of Chartered Secretaries Administrators, experienced and competent on statutory and regulatory requirements.

The Company Secretaries carry out, amongst others, the following tasks:-

(a) Attend and ensure proper conduct and procedures at all Board meetings, Board committee meeting, annual general meeting, extraordinary general meetings and other meetings that require the attendance of the Company Secretaries;

(b) Ensure that matters discussed at the meetings are properly recorded;

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

(d) Ensure that the Company complies with MMLR and the relevant rules and regulation;

(e) Update the Board on the latest enhancement to the regulatory requirements; and

(g) Maintain the statutory records of the Company.

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

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

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

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

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

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

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

Board Responsibilities (cont'd)

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

The Board has a Board Charter which is reviewed periodically and published on the Company's website. The Board Charter was last reviewed on 24 February 2020. The Board Charter clearly identifies;

(a) the respective roles and responsibilities of the Board, Board committee, individual directors and management; and

(b) issues and decisions reserved for the Board.

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

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

3.1 The Board recognises the importance of formalizing a Code of Conduct, setting out the standard of conduct expected from directors and employees, to engender good corporate behavior.

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

Board Composition

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

4.1 The Board consists of eight (8) Directors (including one (1) Alternate Director). There are one (1) Executive Chairman, three (3) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Alternate Director. The composition of the Board complies with MMLR of Bursa Securities.

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

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

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

The Board operates in an open environment in which opinions and information are freely exchanged. Therefore, any concerns need not be focused on a single Director as all members of the Board fulfill this role individually and collectively.

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

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

Board Composition (cont'd)

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

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

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

The Nomination Committee reviews and assesses the Board composition yearly to ensure that it has balance mixed skills and business experience to contribute to the success of the Group. The assessment is merit based.

4.4 In accordance with the Company's Constitution, all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. Save for Mr Lok Choon Hong who has indicated his intention not to seek re-election, Dato' Dr. Norraesah binti Haji Mohamad, Pn Mohaini binti Mohd Yusof and Datuk Mat Noor bin Nawi would be retiring and seek re-election in accordance with the Company's constitution. The profile of the Directors standing for re-election is set out under pages 12 to 15 of this Annual Report.

4.5 The Board is supportive of the recommendation of MCCG and recognizes the importance of boardroom diversity to the establishment of workforce gender diversity policy. The Group do not have the workforce gender diversity policy currently. The Board currently has two (2) female directors, which represent 29% of the total Board members.

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

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

4.7 During the financial year ended 31 December 2019, four (4) Board meetings were held. The summary of attendance at the Board meetings held in the financial year ended 31 December 2019 is as follows: -

Name of Director	Member Attendance
Executive Directors	
Dato' Dr. Norraesah Binti Haji Mohamad/her alternate, Mr Wong Thean Soon	4/4
Wang Kuen-Chung @Jeff Wang (retired on 23 July 2019)	2/2
Wong Kok Chau	4/4
Gan Teck Ban	4/4
Eng Shao Hon	4/4
Independent Non-Executive Directors	
Ng Kim Huat (retired 29 May 2019)	2/2
Aaron Sim Kwee Lein (demised on 3 July 2019)	2/2
Lok Choon Hong	4/4
Datuk Mat Noor Bin Nawi (appointed on 27 September 2019)	1/1
Pn Mohaini Binti Mohd Yusof (appointed on 18 June 2019)	2/2

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

Board Composition (cont'd)

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

4.8 Directors' Training and Continuing Education Programme

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

All the Directors have attended the Mandatory Accreditation Programme ("MAP") as required by Bursa Securities.

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

4.9 The summary of trainings attended by the Directors for the financial year ended 31 December 2019 is as follows:-

Name of Directors	Training Programme
Dato' Norraesah Binti Haji Mohamad	• WIEF-WBN ISTIC/UNESCO - Connecting Women ThroughThe Use of Technology for Social & Economic Development - As Speaker.
Mr Wong Kok Chau	• MyFintech Week 2019. • Digital Innovation Conference. • Session on Corporate Governance and Anti-Corruption.
Mr Gan Teck Ban	• Evaluating Effective Internal Audit Function – Audit Committees Guide on How Do.
Mr Eng Shao Hon	• MyFintech Week 2019.
Mr Lok Choon Hong	• Evaluating Effective Internal Audit Function – Audit Committees Guide on How Do.
Datuk Mat Noor bin Nawi (Appointed on 27 September 2019)	• PNB Leadership Forum. • ICDM: Financial Language in the Boardroom. • ICDM: The Role of Nomination & Remuneration Committee. • Session on Corporate Governance and Corporate Liability Provision.
Pn Mohaini binti Mohd Yusof (Appointed on 18 June 2019)	• Mandatory Accreditation Programme.

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

Board Composition (cont'd)

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

The Company conducts an annual assessment to evaluate the effectiveness of the Board and the Board committee as well as the performance of each individual director through the Nomination Committee ("NC"). The NC will evaluate the overall performance rating and implement improvement plan on less performance area.

The NC of the Company comprises exclusively Independent Non-Executive Directors and its composition is as follows: -

Name of Directors	Position
Mr Lok Choon Hong	Chairman
Datuk Mat Noor Bin Nawi (appointed on 27 September 2019)	Member
Pn Mohaini Binti Mohd Yusof (appointed on 18 June 2019)	Member

The NC meets at least once a year to carry out the activities as enshrined in its terms of reference, or more frequently as the need arises, at the discretion of the Chairman of the NC. The term of reference of NC is available on the Company's website at www.excelforce.com.my.

The NC has access to any form of independent professional advice, information and the advice and services of the Company Secretaries, as and when required, in carrying out its functions.

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

During the financial year, NC has reviewed the present composition of the Board and was of the view that the Board composition was made up of a balance mixture of skills and professionalism, no additional board member is required for the time being. All Directors have completed the Director's Self-Assessment Form and the Performance Evaluation Sheet (PES) for the assessment of the Board and Board Committees. NC noted that the position of Managing Director ("MD") and Chief Executive Officer ("CEO") remained vacant since the retirement of founder, Mr Jeff Wang. In summary, the NC noted that performance of the Board of Directors, Board Committees and individual Directors was adequate.

Criteria for assessments:-

(a) The policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of the listed issuer;

(b) the board nomination and election process of directors and criteria used by the nominating committee in the selection process; and

(c) the assessment undertaken by the nominating committee in respect of its board, committees and individual directors together with the criteria used for such assessment.

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

Remuneration

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

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

Name of Directors	Position
Mr Lok Choon Hong	Chairman
Datuk Mat Noor bin Nawi (appointed on 27 September 2019)	Member
Pn Mohaini binti Mohd Yusof (appointed on 18 June 2019)	Member

The RC held one (1) meeting during the financial year ended 31 December 2019 to carry out its function as stated within the term of reference. The details of terms of reference of RC are available for reference on the Company's website at www.excelforce.com.my.

6.2 The RC's primary responsibility is to review and recommend the remuneration of Directors to the Board. The Board, as a whole, determines the remuneration of the Directors and the individual Director wouldabstain from discussing on his/ her own remuneration.

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

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

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

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

The details of the Directors' remuneration comprising remuneration received/receivable from the Company and subsidiary respectively in financial year ended 31 December 2019 are as follows:-

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

Company	Fees RM	Salaries & Bonus RM	Other Emoluments RM	Total RM
Executive Directors	353,935	1,040,638	-	1,394,573
Non-executive Directors	142,400	-	-	142,400
Total	496,335	1,040,638	-	1,536,973

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

Remuneration (cont'd)

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

The details of the Directors' remuneration comprising remuneration received/receivable from the Company and subsidiary respectively in financial year ended 31 December 2019 are as follows (cont'd):-

7.1 Aggregate remuneration of Directors categorized into appropriate components are as follows (cont'd):-

Company	**Fees**	**Salaries & Bonus**	**Other Emoluments**	**Total**
	RM	**RM**	**RM**	**RM**
Group				
Executive Directors	353,935	1,040,638	-	1,394,573
Non-executive Directors	142,400	-	-	142,400
Total	496,335	1,040,638	-	1,536,973

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

	Company Number of Directors		**Group Number of Directors**	
Range of remuneration RM	**Executive**	**Non-Executive**	**Executive**	**Non-Executive**
50,000 and below	-	5	-	5
50,001 to 150,000	1	-	1	-
150,001 to 350,000	2	-	2	-
350,001 to 450,000	1	-	1	-

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

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

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

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

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

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

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

Audit Committee (cont'd)

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

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

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

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

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

The Board is satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 31 December 2019, the Company and the Group have used appropriate accounting policies and applied them consistently and prudently. The Board is of the opinion that the financial statements are prepared in accordance with all relevant approved accounting standards and have been prepared on a going concern basis.

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

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

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

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

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

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

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

Audit Committee (cont'd)

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

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

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

The Group has outsourced its internal audit function to an independent consultant firm. The internal audit function covers all material controls including financial, operational and risk management functions.

The internal audit findings are reported to the AC every quarter and the corrective actions are taken by the relevant departments. The AC also decides on internal audit function amongst others;

- Appointment of the internal auditors;
- Scope of work of internal auditors;
- Performance evaluation; and
- Budget.

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

Communication with Stakeholders

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

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

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

Conduct of General Meeting

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

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

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

Conduct of General Meeting (cont'd)

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

The Company sends out the Notice of AGM and Annual Report to shareholders at least twenty-eight (28) days before the meeting as required under MMLR in order to facilitate full understanding and evaluation of the issues involved. As for special business items appearing in the Notice of AGM, a full explanation is provided to the shareholders on the effect of the proposed resolution emanating from the special business item.

All resolutions set out in the notice of general meetings will be carried out by poll voting. The Board will make announcement of the detail results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

AUDIT COMMITTEE **REPORT**

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

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

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2019.

COMPOSITION AND MEETINGS

The AC held four (4) meetings during the financial year ended 31 December 2019. The details of the attendance as follows:-

Name of Directors	Designation / Directorship	Number of meeting attended
Lok Choon Hong	Chairman of Committee/Independent Non-Executive Director	4/4
Datuk Mat Noor Bin Nawi (appointed on 27 September 2019)	Member of Committee/Independent Non-Executive Director	1/1
Pn Mohaini Binti Mohd Yusof (appointed on 18 June 2019)	Member of Committee/Independent Non-Executive Director	2/2
Aaron Sim Kwee Lein (demised on 3 July 2019)	Chairman of Committee/Independent Non-Executive Director	2/2
Ng Kim Huat (retired on 22 May 2019)	Member of Committee/Independent Non-Executive Director	2/2

SUMMARY OF WORK OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2019, the AC has carried out the work as set out in the terms of reference detailed below:-

(a) Reviewed the scope of work of the external auditors and audit plans for the year;

(b) Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's responses;

(c) Reviewed the nomination of the proposed change in auditors;

(d) Reviewed the internal auditors' scope of work;

(e) Checked with the internal auditors on any findings which require the Committee's attention;

(f) Reviewed the internal control policy and internal control system;

(g) Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval; and

(h) Reviewed the annual financial statements before recommending for approval by the Board.

The terms of reference of the AC is available on the Company's website at www.excelforce.com.my.

INTERNAL AUDIT FUNCTIONS

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

In developing the scope of the internal audit function, the Audit Committee has satisfied that:-

(a) the person responsible for internal audit has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively;

(b) internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and

(c) the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.

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

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

(a) internal control environment of Sales and Marketing function;

(b) internal control environment of Finance and Accounts and Procurement function;

(c) internal control environment of Project Management function; and

(d) internal control environment of Research and Development and System Design.

The fee (inclusive of sales and services tax) paid to the professional firm in respect of internal audit function for the financial year ended 31 December 2019 was RM37,355.00.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The Board of Directors ("the Board") of the Excel Force MSC Berhad ("the Company') is pleased to present the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control system of Excel Force MSC Berhad and its subsidiaries ("the Group") for the financial year ended 31 December 2019 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirement of Bursa Malaysia Security Berhad ("MMLR"), Malaysia Code on Corporate Governance ("MCCG") and "Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers".

BOARD RESPONSIBILITY

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

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

RISK MANAGEMENT COMMITTEE OF THE MANAGEMENT ("RMCM")

Risk Management Committee of the Management is established at the management level to assist the Audit Committee ("AC") and the Board in implementing and ensuring efficient and effective risk management of the Company. RMCM conducts its meeting once every two (2) months and additional meetings may be called at any time as and when necessary. The roles and responsibilities of the committee are defined in the terms of reference of RMCM.

RISK MANAGEMENT

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

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

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

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

INTERNAL AUDIT FUNCTIONS

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

INTERNAL AUDIT FUNCTIONS (CONT'D)

Sterling reviews and addresses critical business processes, identifies risks and internal control gaps, assesses the effectiveness and adequacy of the existing state of internal control of the Group and recommends possible improvements to the internal control process. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group.

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

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

For the financial year ended 31 December 2019, four (4) internal audit reviews had been carried out by Internal Auditors: -

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
January - March 2019	May 2019	Excel Force MSC Berhad	• Sales and Marketing Function
April - June 2019	August 2019	Excel Force MSC Berhad Insage (MSC) Sdn Bhd	• Finance and Accounts and Procurement Function
July - September 2019	November 2019	Excel Force MSC Berhad	• Project Management
October - December 2019	February 2020	Excel Force MSC Berhad	• Research and Development • System Design

Follow up status reviews were also carried out to ensure weaknesses identified have been or are being addressed. During the financial year under review, Sterling presented their follow up status reports on previously reported audited findings in respect of the following functional scopes of the Group:

Reporting Month	Name of Entity	Functional Scopes
May 2019	Excel Force MSC Berhad	• Research and Development and Quality Assurance reported in February 2019 • Customer Service and Management Information Services functions reported in November 2018. • Project Management functions reported in August 2018.
August 2019	Excel Force MSC Berhad	• Sales and Marketing function reported in May 2019 • Customer Service and Management Information Services functions reported in November 2018.
November 2019	Excel Force MSC Berhad	• Finance & Account and Procurement functions reported in August 2019 • Customer Service and Management Information Services functions reported in November 2018.
February 2020	Excel Force MSC Berhad	• Customer Service and Management Information Services functions reported in November 2018. • Finance & Account and Procurement function reported in August 2019 • Project Management functions reported in November 2019

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

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

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

RISK MANAGEMENT FRAMEWORK

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

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

ASSURANCE FROM MANAGEMENT

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Bursa Securities Listing Requirements paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 : Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants. AAPG 3 does not required external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on their procedures performed, the external auditor has reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is it factually inaccurate.

CONCLUSION

For the financial year 31st December 2019 and up to the date of approval of this statement, the Board is of the opinion that the risk management and internal control system currently in place are adequate and effective to safeguard the Group's interests and assets.

For the coming year, the Board will continually assess the adequacy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary. This statement is made in accordance with the resolution passed by the Board dated 18 May 2020.

ADDITIONAL COMPLIANCE **INFORMATION**

MATERIAL CONTRACTS

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

STATUTORY AUDIT AND NON-STATUTORY AUDIT FEES

The amount of audit and non- audit fees incurred for the services render by external auditors of the Group for the financial year ended 31 December 2019 are as follows:-

	Group RM	Company RM
Audit fees	56,000	51,500
Non-audit fees	5,000	5,000

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

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

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

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposal during the financial year ended 31 December 2019.

FINANCIAL **STATEMENTS**

DIRECTORS' REPORT	39
STATEMENT BY DIRECTORS	44
STATUTORY DECLARATION	44
INDEPENDENT AUDITORS' REPORT	45
STATEMENTS OF FINANCIAL POSITION	48
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	49
STATEMENTS OF CHANGES IN EQUITY	51
STATEMENTS OF CASH FLOWS	55
NOTES TO THE FINANCIAL STATEMENTS	57

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal Activities

The principal activities of the Company are the development, provision and maintenance of software application solutions for the financial services industry. The principal activities of its subsidiary companies are disclosed in Note 9 to the financial statements.

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

Financial Results

	Group RM	Company RM
Profit for the financial year, attributable to owners of the parent	6,471,450	6,169,969

Reserves and Provisions

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

Dividends

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

	RM
First interim single-tier dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2019 on 19 September 2019	3,076,892
Second interim single-tier dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2019 on 18 December 2019	2,951,892
	6,028,784

The Board of Directors does not recommend any final dividend in respect of the current financial year.

Issue of Shares and Debentures

During the financial year, the Company issued 200,896,425 new ordinary shares for a total cash consideration of RM68,304,785 arising from the exercise of warrants at an exercise price of RM0.34 per ordinary share.

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

There was no issuance of debentures during the financial year.

Treasury Shares

During the financial year, the Company repurchased 35,000,000 ordinary shares of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.56 per share. The total consideration paid for the repurchased, including transaction costs, was RM19,440,808. The repurchased transactions were financed by internal generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 in Malaysia.

As at 31 December 2019, the Company held 35,000,000 treasury shares out of the total 615,378,375 issued ordinary shares. Further relevant details are disclosed in Note 18 to the financial statements.

Warrants

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

During the financial year, a total of 200,896,425 warrants were exercised before the expiry date of the warrants on 17 July 2019 ("Expiry Date") which resulted in 200,896,425 new ordinary shares being allotted, issued and listed. As at Expiry Date, 4,925,887 unexercised warrants become null, void and ceased to be exercisable and the same amount was removed from the official list of Bursa Malaysia Securities Berhad with effect from 18 July 2019.

The salient terms of the Warrants are disclosed in Note 16 to the financial statements.

Options Granted Over Unissued Shares

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

Directors

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

Dato' Dr. Norraesah Binti Haji Mohamad *
Wong Kok Chau *
Gan Teck Ban
Eng Shao Hon *
Lok Choon Hong
Mohaini Binti Mohd Yusof (appointed on 18 June 2019)
Wong Thean Soon (alternate Director to Dato' Dr. Norraesah Binti Haji Mohamad) (appointed on 9 July 2019)
Datuk Mat Noor Nawi (appointed on 27 September 2019)
Wang Kuen-Chung @ Jeff Wang (retired on 23 July 2019)
Ng Kim Huat (retired on 29 May 2019)
Aaron Sim Kwee Lein (demised on 3 July 2019)

* Director of the Company and its subsidiary companies

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

Directors' Interests in Shares

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

	← Number of ordinary shares →			
	1.1.2019/ Date of appointment	**Bought**	**Sold**	**31.12.2019**
Interests in the Company				
Direct interests				
Gan Teck Ban	1,350,000	-	-	1,350,000
Lok Choon Hong	40,000	-	-	40,000
Wong Kok Chau	5,000	1,000	-	6,000
Dato' Dr. Norraesah Binti Haji Mohamad	460,000	-	-	460,000
Wong Thean Soon	20,636,800	15,841,000	-	36,477,800
Indirect interests				
Dato' Dr. Norraesah Binti Haji Mohamad [1]	83,727,400	7,000,000	90,727,400	-
Wong Thean Soon [1]	83,727,400	56,000,000	-	139,727,400

	← Number of Warrants 2014/2019 →			
	1.1.2019/ Date of appointment	**Bought**	**Sold/ Exercised**	**19.7.2019**
Interests in the Company				
Direct interests				
Wong Kok Chau	1,000	-	1,000	-
Wong Thean Soon	15,841,000	-	15,841,000	-
Indirect interests				
Dato' Dr. Norraesah Binti Haji Mohamad [1]	7,000,000	-	7,000,000	-
Wong Thean Soon [1]	7,000,000	-	7,000,000	-

Note:

[1] *Deemed interest pursuant to Section 8 of the Companies Act 2016 in Malaysia by virtue of the shareholdings in Asia Internet Holdings Sdn. Bhd., a company incorporated in Malaysia.*

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or 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 a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 31 to the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than Director who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 33(b) to the financial statements.

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

Indemnity and Insurance Costs

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

Other Statutory Information

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

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

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

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

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

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

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

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

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

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

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

Other Statutory Information (Cont'd)

(d) In the opinion of Directors:

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

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

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

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 9 to the financial statements.

Auditors

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

The details of auditors' remuneration are disclosed in Note 27 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 18 May 2020.

WONG KOK CHAU	ENG SHAO HON

KUALA LUMPUR

STATEMENT **BY DIRECTORS**

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 48 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 18 May 2020.

WONG KOK CHAU	ENG SHAO HON

KUALA LUMPUR

STATUTORY **DECLARATION**

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

I, Liew Kean Fatt (MIA Membership No: 16662), being the officer primarily responsible for the financial management of Excel Force MSC Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 48 to 116 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Kuala Lumpur in the	)	
Federal Territory on 18 May 2020.	)	LIEW KEAN FATT

Before me,

COMMISSIONER FOR OATHS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Excel Force MSC Berhad., which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 116.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matter	**How we addressed the key audit matters**
Impairment assessment on product development costs As at 31 December 2019, the Group recognised product development costs of RM11,318,098 and disclosed their assessment for impairment of product development costs in Note 7 to the financial statements. Significant judgement is involved in estimating the recoverable amount, i.e. the present value of future cash flows generated by product development costs. It involves uncertainties and is significantly affected by assumptions used and judgement made regarding estimates of future cash flows including forecasted revenue growth, profit margin of the products and discount rates.	We evaluated management's assessment of whether there was any indication of impairment on product development costs. We assessed the reasonableness of cash flows forecasts and projections by comparison to historical performance and future outlook, as well as discussion with management. We verified the discount rate by comparison to the Group's cost of capital and relevant risk factors. We performed sensitivity analysis by taking into account the historical forecasting accuracy of the Group to test the key assumptions in the impairment model.

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 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- 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 of the Company's internal control.

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

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

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

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

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

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

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

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

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

Other Matters

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

UHY
Firm Number: AF 1411
Chartered Accountants

LIM GE RU
Approved Number: 03360/03/2022 J
Chartered Accountant

KUALA LUMPUR

18 May 2020

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipement	4	2,490,779	2,746,844	2,488,082	2,741,184
Capital work-in-progress	5	-	8,384,910	-	8,384,910
Right-of-use assets	6	20,096,917	-	20,096,917	-
Product development costs	7	11,318,098	11,090,012	10,235,455	9,719,169
Intangible assets	8	-	-	-	-
Investment in subsidiary companies	9	-	-	500,003	500,003
Other investments	10	13,703,850	-	13,703,850	-
Amount due from a subsidiary company	11	-	-	-	704,005
		47,609,644	22,221,766	47,024,307	22,049,271
Current assets					
Inventories	12	23,992	45,328	23,992	45,328
Trade receivables	13	5,348,287	5,226,119	5,142,026	5,038,996
Other receivables	14	25,658,592	1,413,155	25,639,761	1,393,236
Amount due from subsidiary companies	11	-	-	763,909	485,561
Tax recoverable		3,840	3,710	-	3,660
Deposits, bank and cash balances and short-term funds	15	22,789,063	29,812,581	21,729,766	29,013,216
		53,823,774	36,500,893	53,299,454	35,979,997
Total assets		101,433,418	58,722,659	100,323,761	58,029,268
EQUITY					
Share capital	16	89,303,150	20,998,365	89,303,150	20,998,365
Reserves	17	26,606,333	26,203,684	26,430,525	26,302,567
Treasury shares	18	(19,440,808)	-	(19,440,808)	-
Total Equity		96,468,675	47,202,049	96,292,867	47,300,932
LIABILITIES					
Current liabilities					
Trade payables	20	746,293	265,867	720,233	241,681
Other payables	21	2,353,750	10,184,788	2,258,432	10,105,531
Contract liabilities	22	1,385,993	1,069,955	573,522	381,124
Lease liabilities	23	353,091	-	353,091	-
Tax payable		125,616	-	125,616	-
		4,964,743	11,520,610	4,030,894	10,728,336
Total liabilities		4,964,743	11,520,610	4,030,894	10,728,336
Total equity and liabilities		101,433,418	58,722,659	100,323,761	58,029,268

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

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	24	22,963,144	22,939,010	21,666,643	21,814,047
Cost of sales	25	(8,273,969)	(8,561,277)	(7,505,366)	(7,914,719)
Gross profit		14,689,175	14,377,733	14,161,277	13,899,328
Other income		1,488,611	3,523,798	1,628,971	3,689,594
Administrative expenses		(6,402,804)	(6,792,301)	(6,278,778)	(6,703,499)
Marketing expenses		(29,855)	(26,403)	(29,815)	(26,365)
Net loss on impairment on financial instruments		(36,887)	(84,292)	(36,923)	(80,641)
Other operating expenses		(1,398,619)	(3,063,628)	(1,409,803)	(3,060,895)
Profit from operation		8,309,621	7,934,907	8,034,929	7,717,522
Finance costs	26	(19,511)	-	(19,511)	-
Profit before tax	27	8,290,110	7,934,907	8,015,418	7,717,522
Taxation	28	(1,818,660)	(1,277,545)	(1,818,659)	(1,275,995)
Profit for the financial year		6,471,450	6,657,362	6,196,759	6,441,527

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM**	**RM**	**RM**	**RM**
Other comprehensive loss for the financial year					
Items that will not be reclassified subsequently to profit or loss					
Equity investments measured at fair value through other comprehensive income, representing other comprehensive loss for the financial year		(26,790)	-	(26,790)	-
Total comprehensive income for the financial year		6,444,660	6,657,362	6,169,969	6,441,527
Profit for the financial year attributable to:					
Owners of the parent		6,471,450	6,657,362	6,169,969	6,441,527
Total comprehensive income for the financial year attributable to:					
Owners of the parent		6,444,660	6,657,362	6,169,969	6,441,527
Earnings per share					
Basic earnings per share (sen)	29(a)	1.38	1.61		
Diluted earnings per share (sen)	29(b)	1.38	1.07		

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the parent					
		Non-distributable				Distributable	
	Note	Share Capital RM	Treasury Shares RM	Fair Value Reserve RM	Other Reserve RM	Retained Earnings RM	Total Equity RM
Group							
At 1 January 2019, as previously reported		20,998,365	-	-	(80,745)	26,284,429	47,202,049
Effect of adoption of MFRS 16	2(a)	-	-	-	-	(13,227)	(13,227)
At 1 January 2019, as restated		20,998,365	-	-	(80,745)	26,271,202	47,188,822
Profit for the financial year		-	-	-	-	6,471,450	6,471,450
Other comprehensive loss for the financial year		-	-	(26,790)	-	-	(26,790)
Total comprehensive income for the financial year		-	-	(26,790)	-	6,471,450	6,444,660
Transactions with owners:							
Issuance of ordinary shares	16	68,304,785	-	-	-	-	68,304,785
Share repurchased	18	-	(19,440,808)	-	-	-	(19,440,808)
Dividends to owners of the parent	30	-	-	-	-	(6,028,784)	(6,028,784)
		68,304,785	(19,440,808)	-	-	(6,028,784)	42,835,193
At 31 December 2019		89,303,150	(19,440,808)	(26,790)	(80,745)	26,713,868	96,468,675

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

		← Attributable to owners of the parent →			
		← Non-distributable →		Distributable	
		Share Capital	Other Reserve	Retained Earnings	Total Equity
	Note	RM	RM	RM	RM
Group					
At 1 January 2018, as previously reported		20,743,365	(80,745)	25,909,341	46,571,961
Effect of adoption of MFRS 9	13	-	-	(65,044)	(65,044)
At 1 January 2018, as restated		20,743,365	(80,745)	25,844,297	46,506,917
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,657,362	6,657,362
Transactions with owners:					
Issuance of ordinary shares	16	255,000	-	-	255,000
Dividends to owners of the parent	30	-	-	(6,217,230)	(6,217,230)
		255,000	-	(6,217,230)	(5,962,230)
At 31 December 2018		20,998,365	(80,745)	26,284,429	47,202,049

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

	Note	Non-distributable Share Capital RM	Non-distributable Treasury Shares RM	Non-distributable Fair Value Reserve RM	Distributable Retained Earnings RM	Total Equity RM
Company						
At 1 January 2019, as previously reported		20,998,365	-	-	26,302,567	47,300,932
Effect of adoption of MFRS 16	2(a)	-	-	-	(13,227)	(13,227)
At 1 January 2019, as restated		20,998,365	-	-	26,289,340	47,287,705
Profit for the financial year		-	-	-	6,196,759	6,196,759
Other comprehensive income for the financial year		-	-	(26,790)	-	(26,790)
Total comprehensive income for the financial year		-	-	(26,790)	6,196,759	6,169,969
Transactions with owners:						
Issuance of ordinary shares	16	68,304,785	-	-	-	68,304,785
Share repurchased	18	-	(19,440,808)	-	-	(19,440,808)
Dividends to the owners of parent	30	-	-	-	(6,028,784)	(6,028,784)
		68,304,785	(19,440,808)	-	(6,028,784)	42,835,193
At 31 December 2019		89,303,150	(19,440,808)	(26,790)	26,457,315	96,292,867

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

	Note	Non-distributable Share Capital RM	Distributable Retained Earnings RM	Total Equity RM
Company				
At 1 January 2018, as previously reported		20,743,365	26,124,151	46,867,516
Effect of adoption of MFRS 9	13	-	(45,881)	(45,881)
At 1 January 2018, as restated		20,743,365	26,078,270	46,821,635
Profit for the financial year, representing total comprehensive income for the financial year		-	6,441,527	6,441,527
Transactions with owners:				
Issuance of ordinary shares	16	255,000	-	255,000
Dividends to owners of the parent	30	-	(6,217,230)	(6,217,230)
		255,000	(6,217,230)	(5,962,230)
At 31 December 2018		20,998,365	26,302,567	47,300,932

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

STATEMENTS
OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM**	**RM**	**RM**	**RM**
Cash flows from operating activities					
Profit before tax		8,290,110	7,934,907	8,015,418	7,717,522
Adjustments for:					
Amortisation of product development costs		2,453,044	2,103,599	1,876,429	1,581,267
Depreciation of property, plant equipment		692,004	826,610	689,042	815,346
Depreciation of right-of-use assets		374,442	-	374,442	-
Loss/(Gain) on disposal of:					
- property, plant and equipment		664	(21,998)	664	(22,207)
- assets held for sale		-	(2,283,796)	-	(2,283,796)
Impairment losses on trade receivables		36,923	101,949	36,923	80,641
Reversal of impairment losses on trade receivables		(36)	(17,657)	-	-
Interest income from:					
- deposits with licensed banks		(82,004)	(43,389)	(63,342)	(36,923)
- short-term funds		(1,391,366)	(769,945)	(1,391,366)	(769,945)
- amount due from subsidiary companies		-	-	(77,421)	(90,672)
Finance costs		19,511	-	19,511	-
Property, plant and equipment written off		1	162,538	-	162,538
Unrealised loss/(gain) on foreign exchange		3,749	(4,395)	3,749	(4,395)
Operating profit before working capital changes		10,397,042	7,988,423	9,484,049	7,149,376
Change in working capital:					
Inventories		21,336	(19,468)	21,336	(19,468)
Trade and other receivables		(24,403,710)	(1,117,215)	(24,385,696)	(1,329,459)
Trade and other payables		(7,350,612)	7,908,019	(7,368,547)	7,884,860
Contract liabilities		316,038	265,916	192,398	210,439
Amount due from subsidiary companies		-	-	3,078	(63,217)
		(31,416,948)	7,037,252	(31,537,431)	6,683,155
Cash (used in)/generated from:					
Operations		(21,019,906)	15,025,675	(22,053,382)	13,832,531
Interest paid		(19,511)	-	(19,511)	-
Tax paid		(1,693,174)	(1,567,778)	(1,689,383)	(1,566,578)
Net cash (used in)/from operating activities		(22,732,591)	13,457,897	(23,762,276)	12,265,953

STATEMENTS
OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM**	**RM**	**RM**	**RM**
Cash flows from investing activities					
Additions of product development costs		(2,681,130)	(2,762,433)	(2,392,715)	(2,491,022)
Acquisition of:					
- property, plant and equipment		(437,104)	(367,685)	(437,104)	(367,679)
- capital work-in-progress		-	(8,384,910)	-	(8,384,910)
- right-of-use assets		(11,371,290)	-	(11,371,290)	-
Acquisition of other investments		(13,730,640)	-	(13,730,640)	-
Interest income from:					
- deposits with licensed banks		82,004	43,389	63,342	36,923
- short-term funds		1,391,366	769,945	1,391,366	769,945
Proceeds from disposal of:					
- property, plant and equipment		500	46,675	500	46,575
- assets held for sale		-	15,665,000	-	15,665,000
Repayment from a subsidiary company		-	-	500,000	300,000
Net cash (used in)/from investing activities		(26,746,294)	5,009,981	(25,976,541)	5,574,832
Cash flows from financing activities					
Dividends paid	30	(6,028,784)	(6,217,230)	(6,028,784)	(6,217,230)
Proceeds from issuance of ordinary shares	16	68,304,785	255,000	68,304,785	255,000
Purchase of treasury shares	18	(19,440,808)	-	(19,440,808)	-
Payment of lease liabilities		(375,295)	-	(375,295)	-
Repayment of term loan		-	(4,240,002)	-	(4,240,002)
Net cash from/(used in) financing activities		42,459,898	(10,202,232)	42,459,898	(10,202,232)
Net (decrease)/increase in cash and cash equivalents		(7,018,987)	8,265,646	(7,278,919)	7,638,553
Effect of exchange translation differences on cash and cash equivalents		(4,531)	5,318	(4,531)	5,318
Cash and cash equivalents at the beginning of the financial year		29,812,581	21,541,617	29,013,216	21,369,345
Cash and cash equivalents at the end of the financial year		22,789,063	29,812,581	21,729,766	29,013,216
Cash and cash equivalents at the end of the financial year comprises:					
Deposits, bank and cash balances and short-term funds	15	22,789,063	29,812,581	21,729,766	29,013,216

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

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

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

The registered office of the Company is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activities of the Company are the development, provision and maintenance of software application solutions for the financial services industry. The principal activities of its subsidiary companies are disclosed in Note 9. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. Basis of Preparation

(a) Statement of compliance

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

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

Adoption of new and amended standards

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

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRSs 2015 - 2017 Cycle:	Amendments to MFRS 3
	Amendments to MFRS 11
	Amendments to MFRS 112
	Amendments to MFRS 123

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for:

<u>MFRS 16 *Leases*</u>

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases* (Cont'd)

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 Leases are no longer required. MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the ROU asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows.

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

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

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonable similar characteristics.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Group uses hindsight in determining lease terms for contacts that contain options for extension or termination.

As a result, the leasehold building under capital work-in-progress classification have been reclassified to ROU assets on 1 January 2019 for the Group and for the Company respectively.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases* (Cont'd)

Impact arising from the adoption of MFRS 16 on the financial statements:

Statements of Financial Position

	As previously reported RM	MFRS 16 adjustments RM	As at restated RM
Group			
Non-current assets			
Capital work-in-progress	8,384,910	(8,384,910)	-
Right-of-use asssets	-	9,100,069	9,100,069
Current liability			
Lease liabilities	-	(728,386)	(728,386)
Equity			
Retained earnings	26,284,429	(13,227)	26,271,202
Company			
Non-current assets			
Capital work-in-progress	8,384,910	(8,384,910)	-
Right-of-use asssets	-	9,100,069	9,100,069
Current liabilitiy			
Lease liabilities	-	(728,386)	(728,386)
Equity			
Retained earnings	26,302,567	(13,227)	26,289,340

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases* (Cont'd)

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statements of financial position at 1 January 2019.

	Group and Company RM
Operating lease commitments as at 31 December 2018	754,069
Discounted using the incremental borrowings rate at 1 January 2019	(25,683)
Lease liabilities recognised as at 1 January 2019	728,386

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 3.5%.

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(b) Functional and presentation currency

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

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions

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

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

<u>Satisfaction of performance obligations in relation to contracts with customers</u>

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulation.

The Group recognises revenue over time in the following circumstances:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(b) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and
(c) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

<u>Determining the lease term of contracts with renewal and termination options - Group as lessee</u>

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of office spaces and computer equipment with non-cancellable period included as part of the lease term as these are reasonably certain to include extension options in new leases to provide operational flexibility. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment and right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 6 respectively.

Product development costs

The Group capitalises product development costs for a project in accordance with the accounting policy. Initial capitalisation of product development costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generations of the project, discount rates to be applied and the expected period of benefits. The carrying amount at the reporting date for product development costs is disclosed in Note 7.

Amortisation of product development costs

Changes in the expected level of usage and technological development could impact the economic useful lives, therefore future amortisation charges could be revised.

Impairment of product development costs

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

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

Further details on the assessment for impairment of product development costs are disclosed in Note 7.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of the inventories are disclosed in Note 12.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 19.

Determination of transactions prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods and rendering of services are based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

Provision for expected credit losses of financial assets at amortised cost

The Group reviews the recoverability of its receivables, include trade and other receivables, amounts due from subsidiary companies at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions at the end of each reporting period.

The carrying amounts at the reporting date for receivables are disclosed in Notes 11, 13 and 14 respectively.

The Group uses a provision matrix to calculate expected credit loss for trade and other receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. Information about the expected credit loss is disclosed in Note 13.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Income taxes

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

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2019, the Group and the Company have tax recoverable of RM3,840 (2018: RM3,710) and RM Nil (2018: RM3,660) and tax payable of RM125,616 (2018: RM Nil) and RM125,616 (2018: RM Nil) respectively.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 35(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiary companies

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

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

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

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

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iv) Goodwill on consolidation (Cont'd)

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

(b) Foreign currency transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

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

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) to the financial statements on impairment of non-financial assets.

(i) Recognition and measurement

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

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

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

Capital work-in-progress consists of buildings for intended use as office. The amount is stated at cost until the property, plant and equipment are ready for their intended use.

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

3. Significant Accounting Policies (Cont'd)

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Buildings	2%
Furniture and fittings	10%
Motor vehicles	20%
Computer and software	20%
Office equipment	15%
Renovation	20%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) Leases

Policy applicable from 1 January 2019

<u>As lessee</u>

The Group and the Company recognise a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) to the financial statements on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold building	Over the remaining lease period
Office spaces	Over the lease term
Computer equipment	Over the lease term

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

As lessee (Cont'd)

Capital work-in-progress consists of leasehold buildings under construction for intended use as office. The amount is stated at cost until the right-of-use asset is ready for their intended use.

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable before 1 January 2019

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

<u>As lessee</u>

(i) Finance lease

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

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

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

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

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

<u>As lessor</u>

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

(e) Intangible assets

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

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

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

3. Significant Accounting Policies (Cont'd)

(e) Intangible assets (Cont'd)

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

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognised in profit or loss when the asset is derecognised.

Research and development activities

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

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

Development assets are tested for impairment annually.

Trademarks and copyrights

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

See accounting policy Note 3(k)(i) to the financial statements on impairment of non-financial assets.

3. Significant Accounting Policies (Cont'd)

(f) Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade and other receivables, other investments measured at fair value through other comprehensive income, amount due from subsidiary companies and deposits, bank and cash balances and short-term funds.

(a) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income ("FVTOCI")

<u>Debt instruments</u>

A debt security is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

<u>Equity instruments</u>

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

Financial assets categorised as FVTOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

3. Significant Accounting Policies (Cont'd)

(f) Financial assets (Cont'd)

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

All financial assets not classified as measured at amortised cost or FVTOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment.

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

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(g) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

(h) Offsetting of financial instruments

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

(i) Inventories

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

Cost of inventories comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis.

3. Significant Accounting Policies (Cont'd)

(i) Inventories (Cont'd)

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

(j) Cash and cash equivalents

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

(k) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories 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 asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss.

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

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3. Significant Accounting Policies (Cont'd)

(k) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience and the economic environment.

(l) Share capital

(i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

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

(ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity as treasury shares until the shares are cancelled, reissued or disposed of. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is deducted against the retained earnings of the Company.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration, net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(m) Provision

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

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

3. Significant Accounting Policies (Cont'd)

(m) Provision (Cont'd)

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

(n) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

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

(o) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Sale of goods

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

(b) Rendering of services

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

(ii) Interest income

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

3. Significant Accounting Policies (Cont'd)

(o) Revenue recognition (Cont'd)

(iii) Rental income

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

(p) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax 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.

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

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

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

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

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

(q) Contract liabilities

Contract liabilities represent the Group's and the Company's obligation to transfer goods or services to customers for which the Group and the Company have received the consideration or has billed to the customer. The contract liabilities of the Group and the Company comprise of amount due to customers on contracts which is the excess of billings to-date over the cumulative revenue earned and deferred revenue where the Group and the Company have billed or has collected the payment before the goods are delivered or services are provided to the customers.

(r) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

4. Property, Plant and Equipment

Group	Buildings RM	Freehold Land RM	Furniture and Fittings RM	Motor Vehicles RM	Computer and Software RM	Office Equipment RM	Renovation RM	Total RM
2019								
Cost								
At 1 January 2019	335,605	382,284	253,855	1,343,164	5,234,866	251,470	1,527,996	9,329,240
Additions	-	-	-	300,000	120,349	16,755	-	437,104
Written off	-	-	-	-	(3,338)	-	-	(3,338)
Disposals	-	-	-	-	-	(4,900)	-	(4,900)
At 31 December 2019	335,605	382,284	253,855	1,643,164	5,351,877	263,325	1,527,996	9,758,106
Accumulated depreciation								
At 1 January 2019	117,588	-	144,145	980,947	4,759,953	164,018	415,745	6,582,396
Charge for the financial year	6,211	-	19,117	136,852	218,617	27,843	283,364	692,004
Written off	-	-	-	-	(3,337)	-	-	(3,337)
Disposals	-	-	-	-	-	(3,736)	-	(3,736)
At 31 December 2019	123,799	-	163,262	1,117,799	4,975,233	188,125	699,109	7,267,327
Carrying amount								
At 1 January 2019	211,806	382,284	90,593	525,365	376,644	75,200	828,887	2,490,779

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

Group	Buildings RM	Freehold Land RM	Furniture and Fittings RM	Motor Vehicles RM	Computer and Software RM	Office Equipment RM	Renovation RM	Total RM
2018								
Cost								
At 1 January 2018	335,605	382,284	309,505	1,440,787	4,996,448	261,834	2,262,225	9,988,688
Additions	-	-	2,953	-	240,618	42,230	81,884	367,685
Written off	-	-	(20,084)	-	-	(20,326)	(816,113)	(856,523)
Disposals	-	-	(38,519)	(97,623)	(2,200)	(32,268)	-	(170,610)
At 31 December 2018	335,605	382,284	253,855	1,343,164	5,234,866	251,470	1,527,996	9,329,240
Accumulated depreciation								
At 1 January 2018	111,376	-	143,892	950,204	4,497,521	191,017	701,694	6,595,704
Charge for the financial year	6,212	-	25,399	128,365	264,626	24,467	377,541	826,610
Written off	-	-	(10,305)	-	-	(20,190)	(663,490)	(693,985)
Disposals	-	-	(14,841)	(97,622)	(2,194)	(31,276)	-	(145,933)
At 31 December 2018	117,588	-	144,145	980,947	4,759,953	164,018	415,745	6,582,396
Carrying amount								
At 31 December 2018	218,017	382,284	109,710	362,217	474,913	87,452	1,112,251	2,746,844

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

Company	Buildings RM	Freehold Land RM	Furniture and Fittings RM	Motor Vehicles RM	Computer and Software RM	Office Equipment RM	Renovation RM	Total RM
2019								
Cost								
At 1 January 2019	335,605	382,284	245,943	1,343,164	5,088,023	241,190	1,527,996	9,164,205
Additions	-	-	-	300,000	120,349	16,755	-	437,104
Disposals	-	-	-	-	-	(4,900)	-	(4,900)
At 31 December 2019	335,605	382,284	245,943	1,643,164	5,208,372	253,045	1,527,996	9,596,409
Accumulated depreciation								
At 1 January 2019	117,588	-	136,287	980,948	4,618,425	154,028	415,745	6,423,021
Charge for the financial year	6,211	-	19,117	136,852	215,880	27,618	283,364	689,042
Disposals	-	-	-	-	-	(3,736)	-	(3,736)
At 31 December 2019	123,799	-	155,404	1,117,800	4,834,305	177,910	699,109	7,108,327
Carrying amount								
At 31 December 2019	211,806	382,284	90,539	525,364	374,067	75,135	828,887	2,488,082

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

Company	Buildings RM	Freehold Land RM	Furniture and Fittings RM	Motor Vehicles RM	Computer and Software RM	Office Equipment RM	Renovation RM	Total RM
2018								
Cost								
At 1 January 2018	335,605	382,284	301,593	1,440,787	4,849,611	249,300	2,262,225	9,821,405
Additions	-	-	2,953	-	240,612	42,230	81,884	367,679
Written off	-	-	(20,084)	-	-	(20,326)	(816,113)	(856,523)
Disposals	-	-	(38,519)	(97,623)	(2,200)	(30,014)	-	(168,356)
At 31 December 2018	335,605	382,284	245,943	1,343,164	5,088,023	241,190	1,527,996	9,164,205
Accumulated depreciation								
At 1 January 2018	111,376	-	136,034	950,205	4,367,013	179,326	701,694	6,445,648
Charge for the financial year	6,212		25,399	128,365	253,606	24,223	377,541	815,346
Written off	-	-	(10,305)	-	-	(20,190)	(663,490)	(693,985)
Disposals	-	-	(14,841)	(97,622)	(2,194)	(29,331)	-	(143,988)
At 31 December 2018	117,588	-	136,287	980,948	4,618,425	154,028	415,745	6,423,021
Carrying amount								
At 31 December 2018	218,017	382,284	109,656	362,216	469,598	87,162	1,112,251	2,741,184

5. Capital Work-In-Progress

	Group and Company 2019 RM	2018 RM
At 1 January	8,384,910	-
Effect of adoption of MFRS 16	(8,384,910)	-
At 1 January 2019, as restated	-	-
Additions	-	8,384,910
At 31 December	-	8,384,910

In previous financial year, the Company has entered into a Sale and Purchase Agreement with Cosmopolitan Avenue Sdn. Bhd. to purchase a building for a purchase consideration of RM9,864,600.

6. Right-of-use Assets

	Group and Company				
	Leasehold Building RM	Capital work-in-progress RM	Office Spaces RM	Computer equipment RM	Total RM
Cost					
2019					
At 1 January	-	-	-	-	-
Effect of adoption of MFRS 16	-	8,384,910	1,032,561	90,765	9,508,236
At 1 January 2019, as restated	-	8,384,910	1,032,561	90,765	9,508,236
Additions	11,371,290	-	-	-	11,371,290
Reclassification	8,384,910	(8,384,910)	-	-	-
At 31 December	19,756,200	-	1,032,561	90,765	20,879,526
Accumulated depreciation					
At 1 January	-	-	-	-	-
Effect of adoption of MFRS 16	-	-	372,870	35,297	408,167
At 1 January 2019, as restated	-	-	372,870	35,297	408,167
Charge for the financial year	-	-	344,187	30,255	374,442
At 31 December	-	-	717,057	65,552	782,609
Carrying amount					
At 31 December	19,756,200	-	315,504	25,213	20,096,917

The remaining period of the lease term of leasehold building is 84 years (2018: Nil).

7. Product Development Costs

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cost				
At 1 January	26,736,416	23,973,983	23,152,933	20,661,911
Additions	2,681,130	2,762,433	2,392,715	2,491,022
At 31 December	29,417,546	26,736,416	25,545,648	23,152,933
Accumulated amortisation				
At 1 January	15,646,404	13,542,805	13,433,764	11,852,497
Charge for the financial year	2,453,044	2,103,599	1,876,429	1,581,267
At 31 December	18,099,448	15,646,404	15,310,193	13,433,764
Carrying amount				
At 31 December	11,318,098	11,090,012	10,235,455	9,719,169

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

(b) The Group reviews the carrying amounts of product development costs as at the end of each reporting period to determine whether there is any indication of impairment. If any such indications exist, the recoverable amount of the cash-generating unit ("CGU") is determined based on its value in use. The value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU based on the financial budgets prepared by the management covering a period of five (5) years.

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

(i) The anticipated average annual revenue growth rates used in the cash flow budgets and plans of the CGU at 5% (2018: 2% to 6%) per annum from year 2020 to 2024.

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

(iii) A pre-tax discount rate of 4.80% (2018: 4.80%) per annum has been applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the Group's weighted average cost of capital plus a reasonable risk premium.

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

(c) Sensitivity to changes in assumptions

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

8. Intangible Assets

	Group and Company	
	2019	**2018**
	RM	**RM**
Cost		
At 1 January/31 December	1,010,000	1,010,000
Accumulated amortisation		
At 1 January/31 December	(1,010,000)	(1,010,000)
Carrying amount		
At 31 December	-	-

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

9. Investment in Subsidiary Companies

	Company	
	2019	**2018**
	RM	**RM**
Unquoted shares, at cost		
In Malaysia	620,003	620,003
Less: Accumulated impairment losses	(120,000)	(120,000)
	500,003	500,003

Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2019 %	2018 %	Principal activities
Direct Holding:				
Insage (MSC) Sdn. Bhd.	Malaysia	100	100	Provision of software solutions
E2 Trade Sdn. Bhd.	Malaysia	100	100	Investment holding

10. Other Investments

	Group and Company	
	2019	2018
	RM	RM
Non-current		
Financial assets measured at fair value through other comprehensive income		
Quoted shares	13,703,850	-

The fair value of the listed equity securities was determined by reference to the quoted price in an active market.

11. Amount Due from Subsidiary Companies

		Company	
		2019	2018
		RM	RM
Non-current			
Non-trade related			
Interest bearing	(a)	-	704,005
Current			
Non-trade related			
Interest bearing	(a)	750,469	469,043
Non-interest bearing	(b)	13,440	16,518
		763,909	485,561

(a) This represents loans which is unsecured, bear interest at 6.60% (2018: 6.30% to 6.60%) per annum, have fixed repayment terms ranging from 8 to 9 years (2018: 7 to 9 years) and repayable on demand.

(b) This represents loans which is unsecured, non-interest bearing and repayable on demand.

12. Inventories

	Group and Company	
	2019	2018
	RM	RM
At cost		
Replacement parts	23,992	45,328
Recognised in profit or loss		
Inventories recognised as cost of sales	810,273	344,129

13. Trade Receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Trade receivables	5,546,718	5,387,663	5,305,471	5,165,518
Less: Accumulated impairment losses	(198,431)	(161,544)	(163,445)	(126,522)
	5,348,287	5,226,119	5,142,026	5,038,996

Trade receivables are non-interest bearing and are generally on 60 to 90 days (2018: 60 to 90 days) term. Other credit terms are assessed and approved on a case to case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Lifetime allowance	**Credit impaired**	**Loss allowance**
	RM	**RM**	**RM**
Group			
At 1 January 2019	131,613	29,931	161,544
Impairment losses recognised	36,923	-	36,923
Impairment losses reversed	(36)	-	(36)
At 31 December 2019	168,500	29,931	198,431
At 1 January 2018	-	12,208	12,208
Effect of adoption of MFRS 9	65,044	-	65,044
Impairment losses recognised	80,641	21,308	101,949
Impairment losses reversed [1]	(14,072)	(3,585)	(17,657)
At 31 December 2018	131,613	29,931	161,544
Company			
At 1 January 2019	126,522	-	126,522
Impairment losses recognised	36,923	-	36,923
At 31 December 2019	163,445	-	163,445
At 1 January 2018	-	-	-
Effect of adoption of MFRS 9	45,881	-	45,881
Impairment losses recognised	80,641	-	80,641
At 31 December 2018	126,522	-	126,522

[1] Impairment losses reversed during the financial year when the related amounts were collected.

13. Trade Receivables (Cont'd)

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The aged analysis of trade receivables as at the end of the reporting period are as follows:

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2019			
Neither past due nor impaired	3,711,060	(61,805)	3,649,255
Past due but not impaired			
Less than 30 days	357,466	(11,905)	345,561
31 to 60 days	66,170	(2,912)	63,258
More than 60 days	1,382,091	(91,878)	1,290,213
	1,805,727	(106,695)	1,699,032
Credit impaired			
Individually impaired	29,931	(29,931)	-
	5,546,718	(198,431)	5,348,287
2018			
Neither past due nor impaired	3,453,535	(48,340)	3,405,195
Past due but not impaired			
Less than 30 days	772,029	(21,314)	750,715
31 to 60 days	23,500	(964)	22,536
More than 60 days	1,108,668	(60,995)	1,047,673
	1,904,197	(83,273)	1,820,924
Credit impaired			
Individually impaired	29,931	(29,931)	-
	5,387,663	(161,544)	5,226,119
Company			
2019			
Neither past due nor impaired	3,546,230	(58,880)	3,487,350
Past due but not impaired			
Less than 30 days	342,096	(11,359)	330,737
31 to 60 days	54,770	(2,728)	52,042
More than 60 days	1,362,375	(90,478)	1,271,897
	1,759,241	(104,565)	1,654,676
	5,305,471	(163,445)	5,142,026

13. Trade Receivables (Cont'd)

The aged analysis of trade receivables as at the end of the reporting period are as follows: (Cont'd)

	Gross amount RM	Loss allowance RM	Net amount RM
Company			
2018			
Neither past due nor impaired	3,290,140	(44,990)	3,245,150
Past due but not impaired			
Less than 30 days	756,874	(20,693)	736,181
31 to 60 days	23,500	(964)	22,536
More than 60 days	1,095,004	(59,875)	1,035,129
	1,875,378	(81,532)	1,793,846
	5,165,518	(126,522)	5,038,996

Trade receivables of the Group and of the Company that are past due are creditworthy receivables with good payment records with the Group and the Company. As at 31 December 2019, 67% (2018: 64%) and 67% (2018: 64%) of the trade receivables of the Group and of the Company respectively have never defaulted. These customers maintain a long working relationship with the Group.

As at 31 December 2019, the Group's and the Company's trade receivables of RM1,699,032 (2018: RM1,820,924) and RM1,654,676 (2018: RM1,793,846) were past due. These mainly arose from active corporate clients with healthy business relationship but slower repayment records, in which the management is of the view that the amount are recoverable based on past payment history. The trade receivables that are past due are unsecured in nature.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM29,931 (2018: RM29,931), relate to customers that are in financial difficulties and/or, have defaulted on payments. These balances are expected to be recovered through the debts recovery process.

At the end of the reporting period, the Group and the Company have 3 (2018: 4) customers that owed to the Group and to the Company for approximately 54% (2018: 55%) and 56% (2018: 57%) respectively of all the receivables outstanding.

14. Other Receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	75,357	86,742	68,974	74,511
Deposits	24,199,125	250,722	24,199,125	250,722
Prepayments	1,384,110	1,075,691	1,371,662	1,062,917
GST receivable	-	-	-	5,086
	25,658,592	1,413,155	25,639,761	1,393,236

Included in deposits is an amount of RM23,900,000 (2018: RM Nil) represents refundable deposits paid for renovation of office and acquisition of shares.

15. Deposits, Bank and Cash Balances and Short-Term Funds

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash in hand	7,073	5,935	6,571	5,435
Cash at banks	2,769,396	3,445,180	1,710,601	2,646,315
Deposits with licensed banks	211,019	212,097	211,019	212,097
	2,987,488	3,663,212	1,928,191	2,863,847
Short-term funds				
At fair value through profit or loss				
- Investments in fixed income trust funds in Malaysia	19,801,575	26,149,369	19,801,575	26,149,369
	22,789,063	29,812,581	21,729,766	29,013,216

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

(b) The annual interest rates for short-term funds and deposits with licensed banks of the Group and of the Company that were effective at the end of the reporting period were 0.6% to 7.95% (2018: 0.14% to 5.00%) per annum.

(c) Deposits of the Group and of the Company have an average maturity period of 30 days (2018: 30 days). Bank balances are deposits held at call with banks.

16. Share Capital

	Group and Company			
	Number of Shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid ordinary shares				
At 1 January	414,481,950	413,731,950	20,998,365	20,743,365
Shares issued during the financial year	200,896,425	750,000	68,304,785	255,000
At 31 December	615,378,375	414,481,950	89,303,150	20,998,365

Ordinary shares

During the financial year, the Company issued 200,896,425 new ordinary shares for a total cash consideration of RM68,304,785 arising from the exercise of warrants at an exercise price of RM0.34 per ordinary share.

In previous financial year, the Company issued 750,000 new ordinary shares for a total cash consideration of RM225,000 arising from the exercise of warrants at an exercise price of RM0.34 per ordinary share.

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

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 regards to the Company's residual assets.

16. Share Capital (Cont'd)

Warrants

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

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

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

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

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

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

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

During the financial year, a total of 200,896,425 warrants were exercised before the expiry date of the warrants on 17 July 2019 ("Expiry Date") which resulted in 200,896,425 new ordinary shares being allotted, issued and listed. As at Expiry Date, 4,925,887 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 18 July 2019.

17. Reserves

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Non-distributable					
Fair value reserve	(a)	(26,790)	-	(26,790)	-
Other reserve	(b)	(80,745)	(80,745)	-	-
Distributable					
Retained earnings	(c)	26,713,868	26,284,429	26,457,315	26,302,567
		26,606,333	26,203,684	26,430,525	26,302,567

17. Reserves (Cont'd)

(a) Fair value reserve

Fair value reserve represents the cumulative net change in the fair value of investment in securities measured at FVTOCI until they are derecognised or impaired.

(b) Other reserve

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

(c) Retained earnings

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

18. Treasury Shares

The shareholders of the Company, by a resolution passed in the last Annual General Meeting held on 29 May 2019, renewed their approval for the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

	Group and Company			
	Number of Treasury Shares		Amount	
	2019	**2018**	**2019**	**2018**
	Units	**Units**	**RM**	**RM**
At 1 January	-	-	-	-
Purchase of own shares	35,000,000	-	19,440,808	-
At 31 December	35,000,000	-	19,440,808	-

During the financial year, the Company repurchased 35,000,000 (2018: Nil) of its issued share capital from the open market at an average price of RM0.56 (2018: RM Nil) per share including transaction costs. The purchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

19. Deferred Taxation

	Group and Company	
	2019	**2018**
	RM	**RM**
At 1 January	-	37,042
Over provision in prior years	-	(37,042)
At 31 December	-	-

19. Deferred Taxation (Cont'd)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Deferred tax liabilities	49,899	36,174	49,288	34,924
Deferred tax assets	(49,899)	(36,174)	(49,288)	(34,924)
	-	-	-	-

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

	2019	**2018**
	RM	**RM**
Group		
Deferred tax liabilities		
Accelerated capital allowances		
At 1 January	36,174	40,820
Recognised in profit or loss	(7,267)	(7,130)
Under provision in prior years	20,992	2,484
At 31 December	49,899	36,174

	Unused tax losses	**Other**	**Total**
	RM	**RM**	**RM**
Deferred tax assets			
At 1 January 2019	(1,250)	(34,924)	(36,174)
Recognised in profit or loss	613	6,654	7,267
Over/(Under) provision in prior years	26	(21,018)	(20,992)
At 31 December 2019	(611)	(49,288)	(49,899)
At 1 January 2018	(3,778)	-	(3,778)
Recognised in profit or loss	2,464	4,666	7,130
Over/(Under) provision in prior years	64	(39,590)	(39,526)
At 31 December 2018	(1,250)	(34,924)	(36,174)

19. Deferred Taxation (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows (Cont'd):

	2019 RM	2018 RM
Company		
Deferred tax liabilities		
Accelerated capital allowances		
At 1 January	34,924	37,042
Recognised in profit or loss	(6,628)	(4,666)
Under provision in prior years	20,992	2,548
At 31 December	49,288	34,924
Deferred tax assets		
Others		
At 1 January	(34,924)	-
Recognised in profit or loss	6,628	4,666
Under provision in prior years	(20,992)	(39,590)
At 31 December	(49,288)	(34,924)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unused tax losses	1,285,916	1,931,243	-	-
Other deductible temporary differences	368,154	148,138	368,154	148,138
	1,654,070	2,079,381	368,154	148,138

With effect from year of assessment 2019, unused tax losses are allowed to be carried forward up to maximum of seven consecutive years of assessment under the current year legislation. The other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary company that have a recent history of losses.

20. Trade Payables

Credit term of trade payables of the Group and of the Company ranged from 30 to 90 days (2018: 60 to 90 days) depending on the terms of the contracts.

21. Other Payables

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Other payables	661,658	8,054,497	616,652	8,023,537
Deposits received	78,340	72,300	78,340	72,300
Accruals	1,613,752	2,057,991	1,563,440	2,009,694
	2,353,750	10,184,788	2,258,432	10,105,531

22. Contract Liabilities

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Deferred revenue	1,385,993	1,069,955	573,522	381,124

Deferred revenue represents advance consideration received (or an amount of consideration is due) from the customer in respect of services which are yet to be provided. The deferred revenue will be recognised as revenue when the related services is rendered.

23. Lease Liabilities

	Group and Company 2019 RM
At 1 January 2019	-
Effect of adoption of MFRS 16 [Note 2(a)]	728,386
At 1 January 2019, restated	728,386
Accretion of interest	19,511
Payments of lease	(394,806)
At 31 December	353,091
	-
Presented as:	
Current	353,091

23. Lease Liabilities (Cont'd)

The maturity analysis of lease liabilities of the Group and of the Company at the end of the reporting period:

	Group and Company 2019 RM
Within one year	359,262
Less: Future finance charges	(6,171)
Present value of lease liabilities	353,091

The Group leases various buildings and computers. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

24. Revenue

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers:				
Sales of hardware	990,311	293,932	990,311	293,932
Rendering of services	19,928,776	20,855,438	18,715,869	19,810,034
Maintenance services	2,044,057	1,789,640	1,960,463	1,710,081
	22,963,144	22,939,010	21,666,643	21,814,047
Timing of revenue recognition				
At a point in time	18,681,351	19,108,308	18,622,822	19,049,747
Over time	4,281,793	3,830,702	3,043,821	2,764,300
Total revenue from contracts with customers	22,963,144	22,939,010	21,666,643	21,814,047

Revenue from contracts with customers recognised for the Group and for the Company in the current financial year included RM1,024,909 and RM363,609 (2018: RM804,039 and RM170,685) that were included in the contract liabilities at the beginning of the financial year.

24. Revenue (Cont'd)

Breakdown of the Group's revenue from contracts with customers:

	Application solutions division RM	Maintenance services division RM	Application services provider division RM	Total RM
2019				
Major goods and services				
Sales of hardware	990,311	-	-	990,311
Rendering of services	4,112,938	-	15,815,838	19,928,776
Maintenance services	-	2,044,057	-	2,044,057
Total revenue from contracts with customers	5,103,249	2,044,057	15,815,838	22,963,144
Geographical market				
Malaysia	4,670,411	1,727,980	15,808,038	22,206,429
Singapore	432,838	249,050	-	681,888
Others	-	67,027	7,800	74,827
Total revenue from contracts with customers	5,103,249	2,044,057	15,815,838	22,963,144
Timing of revenue recognition				
At a point in time	3,735,754	1,012,300	13,933,297	18,681,351
Over time	1,367,495	1,031,757	1,882,541	4,281,793
Total revenue from contracts with customers	5,103,249	2,044,057	15,815,838	22,963,144
2018				
Major goods and services				
Sales of hardware	293,932	-	-	293,932
Rendering of services	4,959,143	-	15,896,295	20,855,438
Maintenance services	-	1,789,640	-	1,789,640
Total revenue from contracts with customers	5,253,075	1,789,640	15,896,295	22,939,010
Geographical market				
Malaysia	5,092,406	1,472,446	15,890,247	22,455,099
Singapore	160,669	249,591	6,048	416,308
Others	-	67,603	-	67,603
Total revenue from contracts with customers	5,253,075	1,789,640	15,896,295	22,939,010
Timing of revenue recognition				
At a point in time	3,872,059	1,024,766	14,211,483	19,108,308
Over time	1,381,016	764,874	1,684,812	3,830,702
Total revenue from contracts with customers	5,253,075	1,789,640	15,896,295	22,939,010

25. Cost of Sales

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Hardware	810,273	345,356	810,273	344,129
Amortisation of product development costs	2,453,044	2,103,599	1,876,429	1,581,267
Project costs	1,968,154	2,656,913	1,964,976	2,687,866
Data centre and line expenses	1,023,462	1,017,225	1,023,462	1,017,225
Direct technical staff costs	1,235,840	1,629,094	1,214,252	1,618,025
License fees	306,639	286,281	145,329	143,741
Other expenses	476,557	522,809	470,645	522,466
	8,273,969	8,561,277	7,505,366	7,914,719

26. Finance Costs

	Group and Company	
	2019	**2018**
	RM	**RM**
Interest expenses on lease liabilities	19,511	-

27. Profit before Tax

Profit before tax is derived after charging/(crediting) amongst other, the following items:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration				
- statutory audit	56,000	56,000	51,500	51,500
- non-statutory audit	5,000	5,000	5,000	5,000
Impairment losses on trade receivables	36,923	101,949	36,923	80,641
Reversal of impairment losses on trade receivables	(36)	(17,657)	-	-
Depreciation of property, plant and equipment	692,004	826,610	689,042	815,346
Depreciation of right-of-use assets	374,442	-	374,442	-
Non-executive Directors' fee	142,400	151,000	142,400	151,000
Rental of premises	-	363,074	-	363,074
Interest income from:				
- deposits with licensed banks	(82,004)	(43,389)	(63,342)	(36,923)
- short-term funds	(1,391,366)	(769,945)	(1,391,366)	(769,945)
- amount due from a subsidiary company	-	-	(77,421)	(90,672)
Property, plant and equipment written off	1	162,538	-	162,538
Rental income	-	(385,678)	-	(385,678)
Loss/(Gain) on disposal of:				
- property, plant and equipment	664	(21,998)	664	(22,207)
- assets held for sale	-	(2,283,796)	-	(2,283,796)
Loss/(Gain) on foreign exchange				
- realised	15,408	12,357	15,403	12,366
- unrealised	3,749	(4,395)	3,749	(4,395)

28. Taxation

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Tax expenses recognised in profit or loss				
Current tax provision	1,609,367	1,272,890	1,609,367	1,271,340
Under provision in prior years	209,293	41,697	209,292	41,697
	1,818,660	1,314,587	1,818,659	1,313,037
Deferred tax:				
Over provision in prior years	-	(37,042)	-	(37,042)
	-	(37,042)	-	(37,042)
	1,818,660	1,277,545	1,818,659	1,275,995

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

The salient terms of the Pioneer Status are as follows:

(i) 100% tax exemption on business income;

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

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

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year.

28. Taxation (Cont'd)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Profit before tax	8,290,110	7,934,907	8,015,418	7,717,522
At Malaysian statutory tax rate of 24% (2018: 24%)	1,989,626	1,904,378	1,923,700	1,852,205
Expenses not deductible for tax purposes	648,577	786,016	559,624	694,706
Income not subject to tax	(926,761)	(1,334,983)	(926,761)	(1,330,743)
Deferred tax assets not recognised during the financial year	52,804	55,172	52,804	55,172
Utilisation of previously unrecognised deferred tax assets	(154,879)	(137,693)	-	-
Under/(over) provision in respect of prior years				
- income tax	209,293	41,697	209,292	41,697
- deferred tax	-	(37,042)	-	(37,042)
Tax expense for the financial year	1,818,660	1,277,545	1,818,659	1,275,995

The Group have unused tax losses of RM1,288,462 (2018: RM1,936,452) available for carry forward, to offset against future taxable profits. The said amounts are subject to approval by the tax authorities.

29. Earnings Per Share

(a) Basic earnings per share

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

	Group	
	2019	**2018**
	RM	**RM**
Profit attributable to owners of the parent	6,471,450	6,657,362
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at beginning of the financial year	414,481,950	413,731,950
Shares issued during the financial year	56,622,508	617,397
Less: Treasury shares	(3,597,260)	-
	467,507,198	414,349,347
Basic earnings per ordinary share (in sen)	1.38	1.61

29. Earnings Per Share (Cont'd)

(b) Diluted earnings per share

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

	Group	
	2019	**2018**
	RM	**RM**
Profit attributable to owners of the parent	6,471,450	6,657,362
Weighted average number of ordinary shares in issue used in the calculation of basic earnings per share	467,507,198	414,349,347
Effect of conversion of warrants	-	205,822,312
	467,507,198	620,171,659
Diluted earnings per ordinary share (in sen)	1.38	1.07

30. Dividends

	Group and Company	
	2019	**2018**
	RM	**RM**
Dividends recognised as distribution to ordinary shareholders of the Company:		
In respect of the financial year ended 31 December 2019		
- First interim single-tier dividend of 0.50 sen per ordinary share, paid on 19 September 2019	3,076,892	-
- Second interim single-tier dividend of 0.50 sen per ordinary share, paid on 18 December 2019	2,951,892	-
In respect of the financial year ended 31 December 2018		
- First interim single-tier dividend of 0.75 sen per ordinary share, paid on 28 September 2018	-	3,108,615
- Second interim single-tier dividend of 0.75 sen per ordinary share, paid on 20 December 2018	-	3,108,615
	6,028,784	6,217,230

The Board of Directors does not recommend any final dividend in respect of the current financial year.

31. Staff Costs

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Salaries, wages and other emoluments	7,485,964	7,726,430	7,151,624	7,442,833
Fee	353,935	396,000	353,935	396,000
Defined contribution plans	928,968	962,698	886,504	926,706
Social security contributions	66,351	65,797	61,408	61,394
Other benefits	244,067	235,307	232,579	223,170
	9,079,285	9,386,232	8,686,050	9,050,103

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

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Executive Directors of the Company				
Salaries and other emoluments	1,040,638	1,107,720	1,040,638	1,107,720
Fee	353,935	396,000	353,935	396,000
Defined contribution plans	140,188	157,275	140,188	157,275
Social security contributions	3,116	2,770	3,116	2,770
	1,537,877	1,663,765	1,537,877	1,663,765

32. Reconciliation of Liabilities Arising from Financing Activities

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

	At 1 January	Effect of adoption of MFRS16	Financing cash flow *	At 31 December
	RM	RM	RM	RM
Group and Company				
2019				
Lease liabilities	-	728,386	(375,295)	353,091
2018				
Term loan	4,240,002	-	(4,240,002)	-

* Financing cash flow represents repayment of term loan and payment of lease liabilities in the statements of cash flows.

33. Related Party Disclosures

(a) Identifying related parties

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

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

Related parties of the Group include:

(i) Direct subsidiary companies as disclosed in Note 9; and

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

(b) Significant related party transactions

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Transactions with a subsidiary company				
Application services rendered	-	-	327,540	317,446
Management fee income	-	-	81,600	81,600
Interest receivable	-	-	77,421	90,672
Transactions with a related party				
Rental paid/payable	363,074	363,074	363,074	363,074

(c) Compensation of key management personnel

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, and other emoluments	1,920,843	1,961,993	1,920,843	1,961,993
Fees	353,935	396,000	353,935	396,000
Defined contribution plans	245,881	307,677	245,881	307,677
Social security contributions	7,733	7,319	7,733	7,319
	2,528,392	2,672,989	2,528,392	2,672,989

34. Segment Information

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

The Company has arrived at three (3) reportable segments that are organised and managed separately according to the nature of products and services, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(a)	Application solutions division	Sales of software application and product on an outright purchase basis
(b)	Maintenance services division	Provision of maintenance services
(c)	Application services provider division	Income from outsourcing services charge which is volume and transaction based

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax. Group income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Capital expenditure consist of addition of property, plant and equipment, capital work-in-progress and right-of-use assets.

Segment assets exclude tax assets and segment liabilities exclude tax liabilities. Details are provided in the reconciliations of segment assets and liabilities to the Group position.

	Application solutions division RM	Maintenance services division RM	Application services provider division RM	Total RM
2019				
Revenue				
Total revenue	5,103,249	2,044,057	16,143,378	23,290,684
Inter-segment revenue	-	-	(327,540)	(327,540)
Revenue from external customers	5,103,249	2,044,057	15,815,838	22,963,144
Results				
Segment results	1,519,265	608,527	4,708,459	6,836,251
Interest income	327,437	131,152	1,014,781	1,473,370
Finance cost	(4,336)	(1,737)	(13,438)	(19,511)
Profit before tax				8,290,110
Taxation				(1,818,660)
Profit after tax				6,471,450
Other comprehensive loss				(26,790)
				6,444,660
Assets and liabilities				
Segment assets	22,541,355	9,028,722	69,859,501	101,429,578
Segment liabilities	1,075,431	430,753	3,332,943	4,839,127

34. Segment Information (Cont'd)

	Application solutions division RM	Maintenance services division RM	Application services provider division RM	Total RM
2019				
Other segment information				
Capital expenditure	2,624,256	1,051,121	8,133,017	11,808,394
Depreciation of property, plant and equipment	153,789	61,599	476,616	692,004
Depreciation of right-of-use assets	83,215	33,331	257,896	374,442
Property, plant and equipment written off	-	-	1	1
Amortisation of product development costs	545,156	218,357	1,689,531	2,453,044
Loss on disposal of property, plant and equipment	148	59	457	664
Reversal on impairment losses on trade receivables	(8)	(3)	(25)	(36)
Impairment losses on trade receivables	8,206	3,287	25,430	36,923
Unrealised loss on foreign exchange	833	334	2,582	3,749
2018				
Revenue				
Total revenue	5,253,075	1,789,640	16,213,741	23,256,456
Inter-segment revenue	-	-	(317,446)	(317,446)
Revenue from external customers	5,253,075	1,789,640	15,896,295	22,939,010
Results				
Segment results	2,336,845	777,321	4,007,407	7,121,573
Interest income	186,255	63,454	563,625	813,334
Profit before tax				7,934,907
Taxation				(1,277,545)
Profit after tax				6,657,362
Assets and liabilities				
Segment assets	13,446,746	4,581,090	40,691,113	58,718,949
Segment liabilities	2,638,241	898,806	7,983,563	11,520,610

34. Segment Information (Cont'd)

	Application solutions division RM	Maintenance services division RM	Application services provider division RM	Total RM
2018				
Other segment information				
Capital expenditure	2,004,360	682,853	6,065,382	8,752,595
Depreciation of property, plant and equipment	189,295	64,490	572,825	826,610
Property, plant and equipment written off	37,221	12,681	112,636	162,538
Amortisation of product development costs	481,727	164,117	1,457,755	2,103,599
Gain on disposal of property, plant and equipment	(5,038)	(1,716)	(15,244)	(21,998)
Gain on disposal of assets held for sale	(522,993)	(178,176)	(1,582,627)	(2,283,796)
Reversal on impairment losses on trade receivables	(4,043)	(1,378)	(12,236)	(17,657)
Impairment losses on trade receivables	23,347	7,954	70,648	101,949
Unrealised gain on foreign exchange	(1,006)	(343)	(3,046)	(4,395)

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

	2019 RM	2018 RM
Revenue		
Total revenue for reportable segments	23,290,684	23,256,456
Elimination of inter-segmental revenue	(327,540)	(317,446)
Revenue of the Group per statements of profit or loss and other comprehensive income	22,963,144	22,939,010
Assets		
Total assets for reportable segments	101,429,578	58,718,949
Tax recoverable	3,840	3,710
Assets of the Group per statements of financial position	101,433,418	58,722,659
Liabilities		
Total liabilities for reportable segments	4,839,127	11,520,610
Tax payable	125,616	-
Liabilities of the Group per statements of financial position	4,964,743	11,520,610

Geographical information

Geographical segment information for revenue are disclosed in Note 24.

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

34. Segment Information (Cont'd)

Major customers

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

	Revenue 2019 RM	Revenue 2018 RM	Segment
Company A	3,210,560	2,703,285	Application services provider and application solutions division
Company B	2,631,843	2,790,773	Application services provider and application solutions division
Company C	2,227,872	2,269,634	Application services provider and application solutions division

35. Financial Instruments

(a) Classification of financial instruments

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

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

	At amortised cost RM	At FVTPL RM	At FVTOCI RM	Total RM
2019				
Financial Assets				
Group				
Other investment	-	-	13,703,850	13,703,850
Trade receivables	5,348,287	-	-	5,348,287
Other receivables	24,274,482	-	-	24,274,482
Deposits, bank and cash balances and short-term fund	2,987,488	19,801,575	-	22,789,063
	32,610,257	19,801,575	13,703,850	66,115,682
Company				
Other investment	-	-	13,703,850	13,703,850
Trade receivables	5,142,026	-	-	5,142,026
Other receivables	24,268,099	-	-	24,268,099
Amount due from subsidiary companies	763,909	-	-	763,909
Deposits, bank and cash balances and short-term fund	1,928,191	19,801,575	-	21,729,766
	32,102,225	19,801,575	13,703,850	65,607,650

35. Financial Instruments (Cont'd)

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

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

	At amortised cost RM	At FVTPL RM	At FVTOCI RM	Total RM
2019				
Financial Liabilities				
Group				
Lease liabilities	353,091	-	-	353,091
Trade payables	746,293	-	-	746,293
Other payables	2,353,750	-	-	2,353,750
	3,453,134	-	-	3,453,134
Company				
Lease liabilities	353,091	-	-	353,091
Trade payables	720,233	-	-	720,233
Other payables	2,258,432	-	-	2,258,432
	3,331,756	-	-	3,331,756
2018				
Financial Assets				
Group				
Trade receivables	5,226,119	-	-	5,226,119
Other receivables	337,464	-	-	337,464
Deposits, bank and cash balances and short-term fund	3,663,212	26,149,369	-	29,812,581
	9,226,795	26,149,369	-	35,376,164
Company				
Trade receivables	5,038,996	-	-	5,038,996
Other receivables	325,233	-	-	325,233
Amount due from a subsidiary company	1,189,566	-	-	1,189,566
Deposits, bank and cash balances and short-term fund	2,863,847	26,149,369	-	29,013,216
	9,417,642	26,149,369	-	35,567,011

35. Financial Instruments (Cont'd)

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

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

	At amortised cost RM	At FVTPL RM	At FVTOCI RM	Total RM
2018				
Financial Liabilities				
Group				
Trade payables	265,867	-	-	265,867
Other payables	10,184,788	-	-	10,184,788
	10,450,655	-	-	10,450,655
Company				
Trade payables	241,681	-	-	241,681
Other payables	10,105,531	-	-	10,105,531
	10,347,212	-	-	10,347,212

(b) Financial risk management objectives and policies

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

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

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions and loans to subsidiary companies. There are no significant changes as compared to previous financial year.

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

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

At each reporting date, the Group and the Company assess whether any of the receivables are credit impaired

35. Financial Instruments (Cont'd)

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

(i) Credit risk (Cont'd)

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

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

There are no significant changes as compared to previous financial year.

The Group and the Company have no significant concentration to credit risk except as disclosed in Note 13 and loans to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

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

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

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

	On demand or within 1 year RM	**Total contractual cash flows RM**	**Total carrying amount RM**
2019			
Group			
Non-derivative financial liabilities			
Lease liabilities	359,262	359,262	353,091
Trade payables	746,293	746,293	746,293
Other payables	2,353,750	2,353,750	2,353,750
	3,459,305	3,459,305	3,453,134
Company			
Non-derivative financial liabilities			
Lease liabilities	359,262	359,262	353,091
Trade payables	720,233	720,233	720,233
Other payables	2,258,432	2,258,432	2,258,432
	3,337,927	3,337,927	3,331,756

35. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
2018			
Group			
Non-derivative financial liabilities			
Trade payables	265,867	265,867	265,867
Other payables	10,184,788	10,184,788	10,184,788
	10,450,655	10,450,655	10,450,655
Company			
Non-derivative financial liabilities			
Trade payables	241,681	241,681	241,681
Other payables	10,105,531	10,105,531	10,105,531
	10,347,212	10,347,212	10,347,212

(iii) Market risks

(a) Interest rate risk

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

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

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

35. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(a) Interest rate risk (Cont'd)

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

	2019 RM	2018 RM
Group		
Floating rate instrument		
Financial assets	19,801,575	26,149,369
Fixed rate instrument		
Financial assets	211,019	212,097
Company		
Floating rate instrument		
Financial assets	19,801,575	26,149,369
Fixed rate instrument		
Financial assets	961,488	1,385,145

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's and the Company's profit before tax by RM198,016 and RM198,016 (2018: RM261,494 and RM261,494) respectively, arising mainly as a result of higher/lower interest expenses on floating rate instruments. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

35. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(b) Foreign currency risk

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

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

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

	Denominated in	
	USD	**SGD**
Group and Company	**RM**	**RM**
2019		
Trade receivables	-	24,722
Cash and bank balances	324,109	664
	324,109	25,386
2018		
Trade receivables	-	177,687
Cash and bank balances	370,220	1,309
	370,220	178,996

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

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

	Group and Company			
	2019		**2018**	
	Change in currency rate	**Effect on profit before tax RM**	**Change in currency rate**	**Effect on profit before tax RM**
USD	Strengthened 10%	32,411	Strengthened 10%	37,022
	Weakened 10%	(32,411)	Weakened 10%	(37,022)
SGD	Strengthened 10%	2,539	Strengthened 10%	17,900
	Weakened 10%	(2,539)	Weakened 10%	(17,900)

35. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(c) Fair value of financial instruments

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

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

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value			**Total fair value**	**Total carrying amount**
	Level 1	**Level 2**	**Level 3**		
	RM	**RM**	**RM**	**RM**	**RM**
Group					
2019					
Financial assets					
Quoted shares	13,703,850	-	-	13,703,850	13,703,850
Short-term funds	19,801,575	-	-	19,801,575	19,801,575
	33,505,425	-	-	33,505,425	33,505,425
2018					
Financial asset					
Short-term funds	26,149,369	-	-	26,149,369	26,149,369

35. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(c) Fair value of financial instruments

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (Cont'd).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Total carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Company										
2019										
Financial assets										
Quoted shares	13,703,850	-	-	13,703,850	-	-	-	-	13,703,850	13,703,850
Short-term funds	19,801,575	-	-	19,801,575	-	-	-	-	19,801,575	19,801,575
Amount due from a subsidiary company	-	-	-	-	-	-	800,000	800,000	800,000	750,469
	33,505,425	-	-	33,505,425	-	-	800,000	800,000	34,305,425	34,255,894
2018										
Financial assets										
Short-term funds	26,149,369	-	-	26,149,369	-	-	-	-	26,149,369	26,149,369
Amount due from a subsidiary company	-	-	-	-	-	-	1,300,000	1,300,000	1,300,000	1,173,048
	26,149,369	-	-	26,149,369	-	-	1,300,000	1,300,000	27,449,369	27,322,417

35. Financial Instruments (Cont'd)

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

(i) Policy on transfer between levels

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

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

(ii) Level 1 fair value

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

(iii) Level 2 fair value

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

<u>Non-derivative financial instruments</u>

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as key unobservable inputs used in the valuation method.

<u>Financial instruments not carried at fair value</u>

Type	**Description of valuation technique and inputs used**
Loan to subsidiary companies	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

36. Capital Management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitors capital using a gearing ratio. The Group's and the Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

36. Capital Management (Cont'd)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Lease liabilities	353,091	-	353,091	-
Trade and other payables	3,100,043	10,450,655	2,978,665	10,347,212
	3,453,134	10,450,655	3,331,756	10,347,212
Less: Cash and cash equivalents	(22,789,063)	(29,812,581)	(21,729,766)	(29,013,216)
Net asset	(19,335,929)	(19,361,926)	(18,398,010)	(18,666,004)
Total equity	96,468,675	47,202,049	96,292,867	47,300,932
Gearing ratio (times)	-*	-*	-*	-*

* The gearing ratio is not applicable as the Group and the Company have sufficient cash and cash equivalents to settle the liabilities as at the end of the financial year.

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

37. Capital Commitment

	Group and Company	
	2019	2018
	RM	RM
Authorised and contracted for:		
- Property, plant and equipment	3,227,258	1,479,690

38. Subsequent Event

Effect of outbreak of coronavirus pandemic

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on- going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

39. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 May 2020.

LIST OF **PROPERTIES**

A summary of the Group's properties as at 31 December 2019 is as follows:-

Location	Approximate Built-up Area (square feet)	Brief Description and Existing Use	Current Use	Tenure/ Date of Expiry of Leasehold	Date of Acquisition/ Revaluation	Audited Net Book Value as at 31.12.19	Age of Building (years)
Pusat Dagangan, Phileo Damansara II, 611, Block B, No. 15, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan.	2,583	Office Unit	Business	Freehold	9 February 2004/2011	594,089	19
Lot Z6-01-02, Zone 6, Empire City Damansara, Jalan Damansara, Damansara Perdana, PJU 8, 47820 Petaling Jaya, Selangor Darul Ehsan.	16,441	Commercial Unit	Business	99 years/ 8 June 2104	16 November 2018	9,864,600	1
Lot Z6-01-01A, Zone 6, Empire City Damansara, Jalan Damansara, Damansara Perdana, PJU 8, 47820 Petaling Jaya, Selangor Darul Ehsan.	16,486	Commercial Unit	Business	99 years/ 8 June 2104	31 October 2019	9,891,600	1

ANALYSIS OF **SHAREHOLDINGS**
AS AT 8 MAY 2020

Total number of issued shares	:	615,378,375 ordinary shares (inclusive of 56,000,000 treasury shares)
Class of Shares	:	Ordinary share
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS AS AT 8 MAY 2020

Size of Shareholdings	No. of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	27	512	0.00
100 to 1,000	593	286,084	0.05
1,001 to 10,000	2,253	13,795,710	2.47
10,001 to 100,000	2,031	71,913,365	12.85
100,001 to less than 5% of issued holdings	399	327,342,704	58.52
5% and above of issued holdings	3	146,040,000	26.11
Total	5,306	559,378,375	100.00

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1.	Asia Internet Holdings Sdn Bhd	139,727,400	24.98	-	-
2.	Mohamed Nizam bin Abdul Razak	46,550,700	8.32	-	-
3.	Wong Thean Soon	36,477,800	6.52	*139,727,400	24.98
4.	Datuk Jayakumar A/L Panneer Selvam	27,817,100	4.97	**8,096,100	1.45

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

		Direct Interest		Indirect Interest	
No.	Name	No. of Shares	%	No. of Shares	%
1.	Dato' Dr Norraesah binti Haji Muhamad	460,000	0.08	-	-
2.	Wong Thean Soon (alternate director to Dato' Dr Norraesah)	36,477,800	6.52	*139,727,400	24.98
3.	Wong Kok Chau	6,000	0.00	-	-
4.	Gan Teck Ban	1,350,000	0.24	-	-
5.	Eng Shao Hon	0	0.00	-	-
6.	Lok Choon Hong	40,000	0.01	-	-
7.	Datuk Mat Noor bin Nawi	0	0.00	-	-
8.	Mohaini binti Mohd Yusof	0	0.00	-	-

Notes:
* Deemed interested by virtue of his shareholding in Asia Internet Holdings Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
** Deemed interested by virtue of his shareholding in Cuscapi Berhad and Rosetta Partners Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS
(According to the Register of Depositors as at 8 May 2020)

No.	Name	No. of Shares	% of Issued Share Capital
1.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR ASIA INTERNET HOLDINGS SDN BHD	50,489,300	9.03
2.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ASIA INTERNET HOLDINGS SDN BHD	49,000,000	8.76
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR MOHAMED NIZAM BIN ABDUL RAZAK (PB)	46,550,700	8.32
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG THEAN SOON	21,432,800	3.83
5.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ASIA INTERNET HOLDINGS SDN BHD	19,000,000	3.40
6.	EXACTA CO., LTD	15,620,600	2.79
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT JAYAKUMAR A/L PANNEER SELVAM	15,500,000	2.77
8.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ASIA INTERNET HOLDINGS SDN BHD (MY2599)	12,702,000	2.27
9.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG THEAN SOON (7003171)	12,000,000	2.15
10.	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED GF)	9,470,000	1.69
11.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EDISI FIRMA SDN BHD (MG0065-195)	8,610,900	1.54
12.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ASIA INTERNET HOLDINGS SDN BHD (001-ACCOUNT 2)	8,536,100	1.53
13.	TAN YU WEI	8,482,700	1.52
14.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAYAKUMAR A/L PANNEER SELVAM	7,090,800	1.27
15.	KOH THUAN TECK	6,991,000	1.25
16.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE YOKE FONG	6,549,500	1.17
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG HONG SING	6,420,100	1.15
18.	QUEK TEE KIAM	5,209,500	0.93
19.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	4,400,000	0.79
20.	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED BCF)	3,750,000	0.67
21.	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED MF)	3,600,000	0.64

ANALYSIS OF **SHAREHOLDINGS**

AS AT 8 MAY 2020
(CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)
(According to the Register of Depositors as at 8 May 2020)

No.	Name	No. of Shares	% of Issued Share Capital
22.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA KEE SIONG (CEB)	3,396,850	0.61
23.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG THEAN SOON	3,000,000	0.54
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAH LILY (E-BBB/SNG)	3,000,000	0.54
25.	WONG II LE	2,859,150	0.51
26.	CHIA KEE SIONG	2,410,000	0.43
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HONG HENG SOON	2,400,000	0.43
28.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIANG KAI LOON (010)	2,200,000	0.39
29.	MOHD RADZUAN BIN AB HALIM	2,038,550	0.36
30.	LOW SHIH YUN	2,000,000	0.36

- This page has been left blank intentionally -

- This page has been left blank intentionally -

ExcelFORCE MSC Berhad

[Registration No. 200201003114 (570777-X)]
(Incorporated in Malaysia)

FORM OF **PROXY**

I/We ____
(Full name in block letters)

(NRIC No./Passport No./ Company Registration No. ______________________________)

of ____
(Full address)

being a member /members of **EXCEL FORCE MSC BERHAD**, hereby appoint

Name of Proxy	**NRIC No./Passport No.**	**% of Shareholdings to be Represented**
Address		

and / or failing him / her

Name of Proxy	**NRIC No./Passport No.**	**% of Shareholdings to be Represented**
Address		

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 Eighteenth Annual General Meeting of the Company to be conducted as a virtual meeting through live streaming with online remote voting conducted via a Remote Participation and Voting ("RPV") Facilities from the Broadcast venue at Level 43A, MYEG Tower, Empire City, No.8, Jalan Damansara, PJU 8, 47820 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 24 June 2020 at 2.30 p.m. or at any adjournment thereof.

	ORDINARY RESOLUTIONS	**FOR**	**AGAINST**
1.	Re-election of Dato' Dr Norraesah binti Haji Mohamad		
2.	Re-election of Datuk Mat Noor bin Nawi		
3.	Re-election of Mohaini binti Mohd Yusof		
4.	Payment of Directors' fee and benefits amounting to RM624,000.00 for the period from the 18th AGM up to the 19th AGM of the Company		
5.	Re-appointment of Messrs UHY as Auditors		
6.	Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act, 2016		
7.	Proposed Renewal of Share Buy-Back Authority		

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this _______ day of ____________ 2020

____
Signature(s) of member(s)

Notes:

1. Please refer to the Administrative Guide for the procedures to register and participate in the virtual meeting and vote remotely at this virtual AGM using RPV Facilities provided by Agmo Studio Sdn Bhd via its Vote2U online website at http://web.vote2u.app.
2. 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.
3. A member entitled to attend and vote at this meeting is entitled to appoint a proxy(ies) to attend and vote instead of him/ her. 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.
4. 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.
5. 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 authorized.
6. For the purpose of determining a member who shall be entitled to attend the 18th AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 17 June 2020. Only a depositor whose name appears on the Record of the Depositor as at 17 June 2020 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.
7. To be valid, the proxy form duly completed and signed must be deposited at the Share Registrar's Office, Boardroom Share Registrars Sdn Bhd (Formerly known as Symphony Share Registrars Sdn Bhd), at 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

1st fold here

AFFIX
STAMP
HERE

THE SHARE REGISTRAR

EXCEL FORCE MSC BERHAD

Boardroom Share Registrars Sdn Bhd
(Formerly known as Symphony Share Registrars Sdn Bhd)
11th Floor, Menara Symphony
No 5, Jalan Prof. Khoo Kay Kim
Seksyen13, 46200
Petaling Jaya, Selangor
Malaysia.

2nd fold here

ExcelForce MSC Berhad
(COMPANY NO.: 200201003114 (570777-X))
www.excelforce.com.my

Level 31, MYEG Tower, Empire City,
No. 8, Jalan Damansara PJU 8,
47820 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.

P : +603 7735 2288
F : +603 7735 2289
E : info@excelforce.com.my