MANAGEPAY SYSTEMS BERHAD
(887689-D)

MP@Y™
Simple - Trusted - Complete

ANNUAL REPORT 2015

payment & cashless solutions

complete 360° solutions

online security solutions

public key infrastructure

OUR MISSION

To revolutionize the way business works and functions by integrating new internet enabled technologies and traditional business applications that will effectively eliminate the constraints of distance and time

OUR VISION

To be the most trusted provider of managed payment services and its related systems and technologies that ensure the security and freedom of our corporate enterprises and their customers.

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CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors, I have great pleasure in presenting the Annual Report and Audited Financial Statements of ManagePay Systems Berhad ("MPay") and its subsidiaries ("Group") for the financial year ended 31 December 2015.

ECONOMICS AND BUSINESS ENVIRONMENT

Tan Sri Dato' Sri Dr. Zeti Abdul Aziz in her Governor Statement made in the Bank Negara Malaysia Annual Report 2015 highlighted the global environment has remain highly uncertain due to the changes in the fundamental ways and the conditions never experienced before in the past decades. Due to high degree of openness of Malaysia economy and the increased integration with the international financial system, our domestic economy is significantly affected by both the global and regional developments. Despite the challenges, the Malaysia economy has proven to be resilient and was sustained by a well-diversified economy and sustain a respectable growth.

The Malaysia economy grew by 5.0% in 2015 (2014: 6.0%), supported by continued expansion of domestic demand (2015: 5.1%, 2014: 5.9%) primarily driven by the private sector. Dr. Zeti also said that Bank Negara Malaysia has continued it organizational transformation and modernization to remain relevant and effective in its management of the new challenges.

The World Bank in its publication dated 12.01.2015 reported that since more than 50% of small and medium sized businesses (SMEs) worldwide lack the adequate access to credit, the international community is proposing reform that will help countries strengthen their financial infrastructure and make it easier for SMEs to borrow funds needed to operate and expand. In the same publication, the World Bank says that advances in technology (ICT) and data collection are making these reforms possible as they have opened new approaches to accessing finance and enabled new players to provide financial services such as telcos, payment companies and crowdfunding.

The financial technology (fintech) which is based on innovative production or distribution of financial services thereby disrupting existing industries and/or expanding its reach to new markets helps lowering cost to receive information and data about clients, is providing alterative channel to reduce service delivery cost across (cell phones, cards and internet) and is helping SMEs better manage their business through real-time, affordable services.

The level of fintech adoption among digitally active consumers is set to grow significantly in 2016. Such disruption will make traditional financial services companies to revisit their product development, distribution communication and innovation strategies to compete effectively with the new market entrants.

The overarching advantage provided by most fintech solutions is the ability to make consumer's lives easier. By leveraging technology to deliver value and convenience, fintech firms have targeted those services with the most friction in the delivery process as well as those with the greatest financial margins. A co-existence and collaboration between the new and old market players will be inevitable. There is much that traditional financial services firms can learn from how fintech firms think about the customer proposition and harness technology to deliver a compelling service".

According to Financial Sector Blueprint 2011-2020 released by Bank Negara Malaysia (BNM), e-Payments for greater economic efficiency is one (1) of the nine (9) focus areas under the Blueprint to drive Malaysia's transition to a high value-added, high-income economy with adequate safeguards to preserve financial stability. BNM will work towards accelerating the migration to e-Payments. BNM targets to increase the number of e-payment transactions per capita from forty-four (44) transactions to two hundred (200) transactions, and reduce cheques by more than half from two hundred seven (207) million to one hundred (100) million per year. Measures to achieve this aim will include providing the right price signals to encourage the switch from paper-based payments to e-Payments, and facilitating wider outreach of e-Payments infrastructure, such as point-of-sale terminals and mobile phone banking.

CHAIRMAN'S STATEMENT (cont'd)

On 23rd December 2014, BNM issued the Payment Card Reform Framework (Framework) as a standard under the Financial Services Act 2013 and the Islamic Financial Services Act 2013, with the objective of fostering an efficient, transparent and competitive payment card industry in Malaysia. The Framework seeks to ensure that the cost of accepting payment cards is fair and reasonable through the establishment of an objective and transparent mechanism for the reimbursement of fees among payment card network participants.

The Framework also introduces a series of measures which are designed to address other distortions in the payment card market in order to promote greater usage and acceptance of cost-effective payment cards. Such measures would improve the price signals and empower merchants to accept cost-effective payment cards. The Framework would be implemented in phases commencing from 15 January 2015, with the majority of the measures including the interchange fee ceilings, becoming effective from 1 July 2015.

As reported in MPay 2013 annual report, the Group's wholly-owned subsidiary, ManagePay Services Sdn Bhd ("MPSB"), had on 25 January 2013 received a letter of notification from Bank Negara Malaysia that MPSB has complied with the requirements of section 5(3) of the Payment Systems Act 2003 to operate its payment systems. Since then, MPay has been deploying credit card terminals to merchants and conducting daily settlement for the merchants ("MPAY Payment System"), where MPay operates as a Third (3rd) Party Acquirer ("TPA").

On 7 February 2014, the Company had announced the private placement of up to ten percent (10%) of its issued and paid-up share capital to finance the development of the e-Money technology. The aforementioned private placement was completed on 18 June 2014. e-Money is a digital equivalent of cash, stored on an electronic device or remotely at a server and the e-Money technology enables users of the system to purchase e-Money from MPay using traditional money. The users of e-Money will be able to utilise the e-Money at approved merchants and MPay would redeem the e-Money with traditional money and provide support services to the merchants ("e-Money Project").

Subsequently, on 24 February 2015, the Company announced that MPSB had again received a Letter of Approval dated 18 February 2015 from BNM for the issuance e-Money via MPay Balance and MPay MasterCard ("MPAY Issuer Project"). Subject to the terms and conditions stated in the Letter of Approval, MPSB can package an end-to-end eco-system to major retailers in Malaysia, ranging from issuing gift and payroll cards, to acquiring these cards in the form of e-Payment from merchants who wish to accept this e-Money.

The MPAY Issuer Project is also expected to complement the Company's existing TPA merchant aggregation business which was rolled out in 2013, by creating a retention program to encourage business to business purchases among the merchants recruited under the MPAY Payment System (retail outlet merchants and mobile merchants) and MDEX (e-commerce and m-commerce merchants) and subsequently integrating these merchants together into one (1) single trading community. Such integration will allow the end-consumers easy access to products and services information of the entire community and is expected to eventually increase the sales revenue of each participating merchant.

Additionally, the MPAY Issuer Project is expected to provide a platform for the Group to expand internationally by entering into strategic partnerships with other service provider(s) in the region for the issuance of MPay Balance and MPay MasterCard and subsequently prepaid card for other card scheme such as VISA and Union Pay International (UPI) within Southeast Asia.

All these projects set the stage for the Group to play a daily role in the consumers' financial lives, in particular finance technologies and services. Among all the technologies, the Group believes the mobile technology is disrupting the payments industry and hence the Group strives to be at the forefront of this disruption. The Group also believes that Mobile technology is driving this payment transformation so speedily that approximately one in three of the payment transactions processed by 2020 will be made through mobile technology. The mobile phone has evolved from a device used for voice communications and text messaging to a smart computing device that can be used for banking and for remote or point-of-sale payments.

Apart from mobile technology, another finance technology that will affect Malaysia payment industry is security, in particular, the Chip and Pin. Along with the Payment Card Reform Framework, BNM is boldly driving measures to further enhance the security of payment cards by mandating the Chip and Pin implementation for both domestic debit card and international scheme card by 2016. To comply, the industry will see tremendous activities involving banks investing in Card Management System host upgrade, re-carding of existing Chip and Sign card and replacing or upgrading existing 230,000 EDCPOS terminals that do not support the latest PIN security standard.

CHAIRMAN'S STATEMENT
(cont'd)

However, within next two to three quarters, the Group's earning may be impacted as the bank customers are busy preparing the internal purchasing procedure to upgrade the systems and procure the technical services required, the Group should be benefiting over the industry's requirement on 100,000 units EDCPOS/MPOS/IPOS each year from 2016 to 2019, of which MPay Group is confident in securing some of these banks' projects.

Mobile devices are subject to the same security threats as PCs, such as malware — software containing malicious code — and vulnerabilities in applications and operating system software that hackers can exploit. Whether it is e-payment or m-payment, e-banking or m-banking, BNM's guideline requires issuers and acquirers to implement measures to authenticate cardholders for online or mobile transactions. Issuers are required to adopt strong authentication method, such as dynamic password/PIN, multi-factor authentication (e.g. mobile PKI), etc., to mitigate the risk of unauthorised use of cards for online transactions.

As such, the Group will focus on developing the application of multi-factor or out-of-band authentication for financial and payment transactions. Out-of-band authentication means that a transaction which begins on a PC has to be authenticated using a mobile device. This involves a customer logging on to PC Internet banking and receiving an authentication request on his or her cellphone via SMS that he or she needs to sign off with a PIN. The Group believes all providers of online banking and payment services should be following BNM guidelines for multi-factor authentication before the consumers become confident of the benefits of mobile banking and payment, and finance technology and service providers, in particular MPay, will proliferate in businesses throughout the world.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2015, our Group recorded revenue of RM8.743 million, representing a decrease of 17.40% as compared to RM10.584 million recorded in the previous financial year.

The payment services revenue recorded decrease of 17.23% from RM10.245 million in the previous financial year to RM8.479million for the financial year ended 31 December 2015, whereas, the non-payment services revenue recorded RM0.339 million in the previous financial year to RM0.264 million for the financial year ended 31 December 2015. This revenue difference is mainly due to the earlier completion of one of the key project in the SME segment.

Our Group recorded loss before tax of RM10.955 million for the current financial year ended 31 December 2015 compare to profit before tax of RM2.581 million in the financial year ended 31 December 2014. This was mainly due to one off provision of RM7.213 million for impairment of older Chip and Sign technology related inventory and fixed asset.

For the financial year ended 2015, the Group continues to maintain a relatively strong balance sheet with a cash and cash equivalent balance and short term funds (Investment in cash and income management funds in Malaysia) of RM76.799 million after successfully raised RM29.967 million from private placement of 130.293 million shares at RM0.23 each share and conversion of warrant of RM35.501 million or 177.504 million shares at RM0.20 each share.

Despite the relatively large trade receivables amount of RM9.030 million, the Group is of the opinion that the risk of non-payment is low as the trade receivables are due mainly from financial institutions and government link corporations.

ACQUISITION OF MANAGEPAY INTERNATIONAL PTE LTD

MPay had on 30 October 2015, acquired 1 ordinary share fully paid, representing 100% of the issued and paid-up share capital of ManagePay International Pte. Ltd. ("MIPL"), for a total cash consideration of Singapore Dollar One (SGD1.00) ("Acquisition"). Subsequent to the Acquisition, MIPL becomes a wholly-owned subsidiary of MPay.

Rationale for the Acquisition

The intended activity of MPI is to deploy MPay Managed Payment System (MPS), Mobile Point of Sales System (MPOS), Integrated Point of Sales System (iPOS) and to provide third party acquiring (TPA) services in Singapore .The Acquisition of MPI will enable MPay to execute any contract of service for the business activities in Singapore.

ACQUISITION OF 29.5% INTEREST IN TRUSTGATE BERHAD

MPay had on 20 January 2016 purchase of 8,849,997 ordinary shares of RM0.10 each in Trustgate Berhad ("Trustgate"), representing 29.50% equity interest in Trustgate for a total cash consideration of RM1,800,000 and Trustgate become associate company of MPay thereof.

Rationale for the Acquisition

MSC Trustgate, 94.43% owned subsidiary of Trustgate, being one of only three licensed Certificate Authorities approved by MCMC (Malaysian Communications and Multimedia Commission), has been in the business of providing Cyber Security products and services for more than 10 years in Malaysia and has established strong clientele which includes major financial institutions in Malaysia. The Acquisition will enable MPay to tap into a trusted and proven platform for securing IoT devices and infrastructure in Malaysia for the near future. In addition to providing MPay Group with additional revenue source, the Acquisition will enable MPay Group to derive business synergies through the cross selling and bundling of product offerings. The Acquisition will enable MPay to offer its existing customers a proven security product solution to preserve the integrity of the clients' data and infrastructure. At the same time it allows access to the SSL enterprise customers' base of MSC Trustgate for cross-selling of online payment gateway services as well as bank customers for the cross-selling of payment and finance technologies (Fintech) of MPay.

PROSPECTS

The building blocks to ensure that MPay sustains its leadership position in the Electronic Payment Solutions industry have been steadily put in place. The Group has stepped up its efforts to introduce Third Party Acquiring services ("TPA") in the year 2013 and Third Party Processing ("TPP") services in the year 2014. It will further enhance its efforts in e-Money service in year 2015 to enable the Group to offer end-to-end payment services vide the issuance of payment instruments, such as Visa or MasterCard powered payment cards to business communities.

The Board of Directors is of the view that, the Group is moving towards developing a sustainable multiple source of income streams in the coming years by providing TPA services, TPP services and e-Money services in relation to the acceptance of electronic payment services in Malaysia.

Premised on all of the above, and given the outlook of the finance industry and business aligned to the payment card reform framework advocated by BNM, the Group intends to raise the necessary funds for the upgrade of Chip & Pin system as well as the development of the e-Money system vide the Proposed Private Placement. The management expects the Group to be well positioned to capture the growth of the payment industry by offering end-to-end e-Payment and e-Money solutions to large retailers, shopping complexes, business communities in the next 5 years.

ENVIRONMENTAL, SOCIAL AND GOVERMANCE (ESG)

As part of the Company's commitment in contributing to the well-being of the community in which we operate, our Group will embark on our Environmental, Social and Governance (ESG) responsibilities through activities within the Group's business units and sponsored events outside its ordinary course of business activities.

As a corporation, our Group plays a vital role in sharing and promoting the principles of ESG due to growing concerns of social and economic issues that surround us. ESG not only consists of doing the right thing, but also to behave responsibly as an organisation and encouraging our customers as well as our business partners and employees to follow the same values.

CHAIRMAN'S STATEMENT
(cont'd)

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to the management and staff of our Group for their contribution to our Group during the financial year under review.

My appreciation also goes to my fellow Directors for their committed efforts during the year towards achievement of our corporate objectives.

Finally, I would like, on behalf of our Group, to thank our valued shareholders, customers and business associates and the authorities for their support rendered to our Group for the financial year ended 31 December 2015.

Thank you.

Dato' Dr Mohd Aminuddin Bin Mohd Rouse
(Independent Non-Executive Chairman)

CORPORATE STRUCTURE
as at 31 March 2016

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MANAGEPAY SYSTEMS BERHAD
(887689-D)

- 100% MANAGEPAY SERVICES SDN BHD (516641-W)
  - 50% MANAGEPAY GTF SDN BHD (1072839-A)
- 100% MANAGEPAY TECHNOLOGIES SDN BHD (523495-V)
- 100% MANAGEPAY MARKETING SDN BHD (523502-A)
- 100% MANAGEPAY CARDS SDN BHD (1023164-W)
- 100% MANAGEPAY INNOVATION SDN BHD (1023156-P)
- 100% MANAGEPAY RESOURCES SDN BHD (1023181-W)
- 100% MANAGEPAY INTERNATIONAL PTE LTD (201536897-C) (Acquired on 30 October 2015)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr Mohd Aminuddin Bin Mohd Rouse
(Independent Non-Executive Director, Chairman)

Chew Chee Seng
(Managing Director/ Chief Executive Officer)

Cheong Chee Yun
(Independent Non-Executive Director)

Dato' Mohamad Kamarudin Bin Hassan
(Independent Non-Executive Director)

Chin Shea Fong
(Non-Independent Non-Executive Director)

AUDIT COMMITTEE

Cheong Chee Yun (Chairman of Committee)
Dato' Dr Mohd Aminuddin Bin Mohd Rouse
(Member of Committee)
Dato' Mohamad Kamarudin Bin Hassan
(Member of Committee)

REMUNERATION COMMITTEE

Dato' Mohamad Kamarudin Bin Hassan
(Chairman of Committee)
Chew Chee Seng (Member of Committee)
Cheong Chee Yun (Member of Committee)

NOMINATION COMMITTEE

Cheong Chee Yun (Chairman of Committee)
Dato' Mohamad Kamarudin Bin Hassan
(Member of Committee)
Chin Shea Fong (Member of Committee)

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Chan Su San (MAICSA 6000622)

REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel No. : (603) 7720 1188
Fax No. : (603) 7720 1111

HEAD OFFICE

Wisma MPSB
Lot 109 – 113, Jalan USJ 21/10
47630 Subang Jaya
Selangor Darul Ehsan
Tel No. : (603) 8023 1880
Fax No. : (603) 8023 1889
Website : http://www.managepay.com

AUDITORS

Baker Tilly Monteiro Heng
Baker Tilly MH Tower
Level 10, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur
Tel No. : (603) 2297 1000
Fax No. : (603) 2282 9980

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No. : (603) 2783 9299
Fax No. : (603) 2783 9222

PRINCIPAL BANKERS

Public Bank Berhad

OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

ACE Market of
Bursa Malaysia Securities Berhad
STOCK NAME : MPAY
STOCK CODE : 0156
SECTOR : Technology

DIRECTORS' PROFILE

DATO' DR MOHD AMINUDDIN BIN MOHD ROUSE

Dato' Dr Mohd Aminuddin Bin Mohd Rouse, aged 70, a Malaysian, is an Independent Non-Executive Chairman of ManagePay Systems Berhad ("MPay" or "Company"). He was first appointed to our Board on 2 February 2012 and re-designated as the Chairman of MPay on 22 November 2013. He was appointed as a member of the Audit Committee of MPay on 11 September 2013.

He obtained his Bachelor of Science (Hons.) in Biochemistry from the University of Malaya in 1969 and his PhD in Agricultural Chemistry from the University of Adelaide in 1974. Dato' Dr Mohd Aminuddin began his career as the Head and lecturer at the Department of Biochemistry and Microbiology before becoming the professor of Biochemistry and Deputy Dean at Universiti Pertanian Malaysia in 1977. Prior to joining Berjaya Group Berhad as the Group Director in 1994, he was the Director of Manufacturing and Agribusiness for Guthrie Berhad Group. He was the Group Chief Executive Officer of Konsortium Perkapalan Berhad cum President and Chief Executive Officer of PSNL Berhad. In November 1997, he assumed the position of Executive Chairman, Indah Water Konsortium Sdn Bhd and was President and Chief Executive Officer of Malaysian Technology Development Corporation Sdn Bhd. He retired as a director from Konsortium Logistics Bhd in 2007.

Currently, Dato' Dr Mohd Aminuddin is a director of Star Publications (Malaysia) Berhad, Ajiya Berhad, Tanco Holdings Berhad, Karambrunai Corp Berhad, Trustgate Berhad and Group and a trustee of Star Foundation.

Dato' Dr Mohd Aminuddin does not have any family relationship with any director and/or major shareholder of our Company nor any conflict of interest in any business arrangement involving MPay. He has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any. He attended three (3) board meetings out of five (5) board meetings held during the financial year ended 31 December 2015.

CHEW CHEE SENG

Chew Chee Seng, aged 48, a Malaysian, is the Managing Director and Chief Executive Officer of MPay and also is the founder of MPay and its subsidiaries ("our Group"). He was first appointed to our Board on 5 April 2010. He is also a member of the Remuneration Committee of MPay. He sits on the board of all the subsidiaries of MPay.

In 1992, he graduated with an honours degree in Bachelor of Science in Computer Science and a general study degree in Business Management from Universiti Sains Malaysia. In the same year of graduation, Mr Chew began his career as an instrument engineer cum observer in Schlumberger Limited, a company incorporated in United States and listed on the New York Stock Exchange. Thereafter, he was employed by Dataprep Holdings Berhad as the Account Manager of the Government and Education Division in 1994 and subsequently promoted to Business Manager in 1995 and Senior Manager for the Managed Telecommunication Network Division in 1997 where he played an important role in marketing and strategic planning. He was then appointed as an alternate director of Asia IP Malaysia Sdn Bhd, a joint venture of Dataprep Holdings Berhad and Hong Kong based Millennium Group Ltd. As the founder of our Group, he has been instrumental in our development, growth and success. He is primarily responsible for the formulation and implementation of the overall business strategies and policies of our Group. In June 2000, he founded Multimedia Prospect Sdn Bhd (now known as ManagePay Services Sdn Bhd) and assumed the role of Chief Executive Officer.

He has no directorship in other public companies.

He is the brother-in-law of Chin Shea Fong, a director of MPay. He does not have any conflict of interest in any business arrangement involving MPay. He has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any. He attended all the five (5) board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE (cont'd)

CHEONG CHEE YUN

Cheong Chee Yun, aged 54, a Malaysian, is an Independent Non-Executive Director of MPay. He was first appointed to our Board on 5 April 2010. He is also the Chairman of Audit Committee and Nomination Committee and a member of the Remuneration Committee of MPay.

He is a chartered accountant member of the Malaysian Institute of Accountants, a member of the Certified Practising Accountant Australia (CPA Australia) and also a member of the Institute Bank-Bank Malaysia.

In 1985, he graduated with a Bachelor of Accounting (Hons) from Universiti Malaya. In the same year, he started his career as an executive officer with RHB Bank Berhad (then known as D&C Bank). He was involved in all branch operational aspects, corporate banking, trade financing and international banking matters and last held a managerial position. Thereafter, he joined a PC assembly and monitor manufacturer, KT Technology Sdn Bhd as Financial Controller in 1998. He then joined a software development and system integration company known as Object Solutions Sdn Bhd as director in 1999. In 2001, he joined Saferay (M) Sdn Bhd a manufacturer and exporter of Architectural Mouldings as an executive director. In 2003, he was also appointed a non-executive Director in CS Opto Semiconductors Sdn Bhd but had resigned in 2012. In 2006, he was appointed as operational director in Eastmont Sdn Bhd, a building construction services company.

Currently, he is also an independent non-executive director for Samchem Holdings Bhd. He also holds the post as director of Enco Holdings Sdn Bhd a green renewable energy outfit. He has also recently been appointed as a director to Kencana Bio Energy Pte Ltd, Singapore which owns biomass electrical power plants.

He does not have any family relationship with any director and/or major shareholder of our Company nor any conflict of interest in any business arrangement involving MPay. He has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any. He attended all the five (5) board meetings held during the financial year ended 31 December 2015.

DATO' MOHAMAD KAMARUDIN BIN HASSAN

Dato' Mohamad Kamarudin Bin Hassan, aged 60 is an Independent Non-Executive Director of MPay. He was first appointed to our Board on 18 April 2014.

He obtained his MBA (Majoring in Finance) in Oklahoma City University, United States in year 1988 and graduated his Diploma in Public Management from the National Institute of Public Administration (INTAN) in year 1979. In year 1978 he graduated his Bachelor of Economics (Majoring in Business Administration) from University of Malaya.

He began his career with the Administrative and Diplomatic Service in 1979 with first posting to the Macro-economic Division of the Economic Planning Unit in the Prime Minister's Department. In May 1985, he was transferred to Pejabat Setiausaha Kerajaan Pulau Pinang In 1987, he was transferred to the Ministry of International Trade and Industry (MITI) where he had served in various divisions of the Ministry. From 1992 to 1994, he was posted to the Malaysian Embassy in Washington DC, United States as an Economic Counsellor. From January 2006 until his retirement on 31 August 2013, he was seconded to Malaysia External Trade Development Corporation (MATRADE) as the Deputy Chief Executive Officer.

Dato' Mohamad Kamarudin was a member of the Board of Directors of Malaysian Handicraft Development Corporation ("MHDC") from 2007 until August 2013 where he was also appointed as the Chairman of the Audit Committee of MHDC.

In June 2014, Dato' Mohamad Kamarudin was appointed a consultant to the International Finance Corporation (IFC), a member of the World Bank Group, where his service and expertise were contracted on a project-based basis on matters pertaining to capacity-building of foreign institutions and human resource, particularly in the area of trade and investment promotion

Dato' Mohamad Kamarudin is also a Director of CCM Duopharma Biotech Berhad, Muhibbah Engineering (M) Berhad and Lion Diversified Holdings Berhad, Malaysian Pacific Industries Berhad and Trustgate Berhad and Group.

He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest in any business arrangement involving MPay. He has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any. He attended all the five (5) board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE (cont'd)

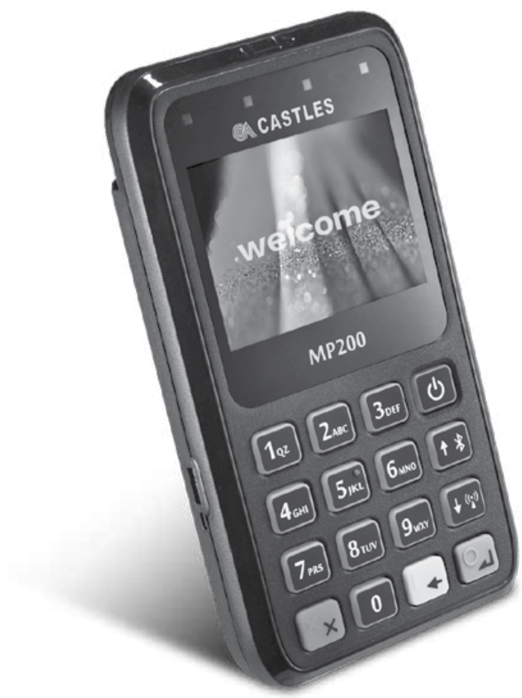
CHIN SHEA FONG

Chin Shea Fong, aged 53 is an Non-Independent Non-Executive Director of MPay. He was first appointed to our Board on 15 August 2014.

He holds Bachelor of Commerce (Honour Business Administration), University of Windsor, Ontario, Canada.

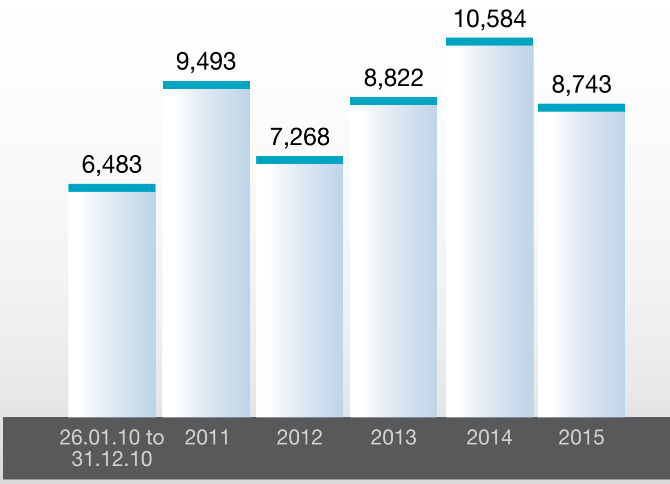
Mr. Chin began his career in 1983 with Mulpha Trading Sdn Bhd as Sales Executive and was promoted as Area Sales Executive in 1984. He was then joined Ericsson Telecommunication Sdn Bhd as Sales and Marketing Executive from 1986 to 1989. Prior to joining Imagetech Group as Marketing Manager and Director (1992-1994) and Chief Executive Officer (CEO) from 1994 to 2005), he was the Sales Manager of Facit Malaysia Sdn Bhd. Mr Chin presently is the CEO and Director of E Combi Pte Ltd, E Combi Service Pte Ltd and E Combi Malaysia Sdn Bhd.

He is the brother-in-law of Chew Chee Seng, Managing Director/Chief Executive Officer of MPay Group of companies. He does not have any conflict of interest in any business arrangement involving MPay. He has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any. He attended all the five (5) board meetings held during the financial year ended 31 December 2015.

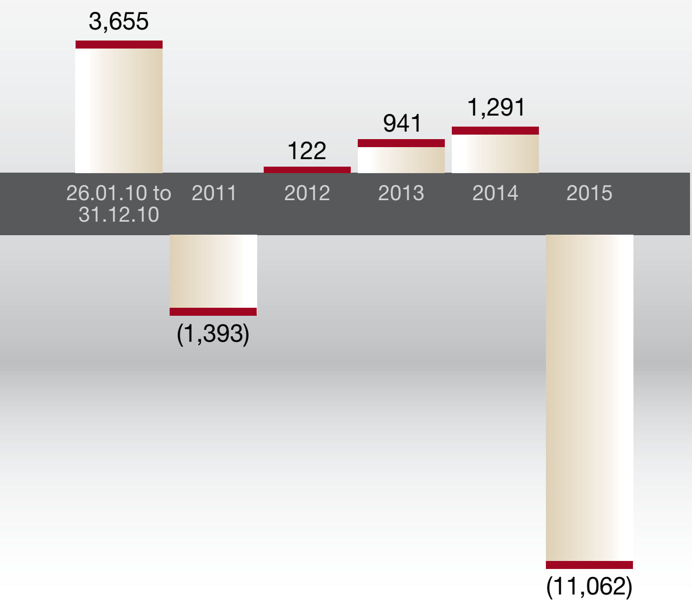


GROUP FINANCIAL SUMMARY

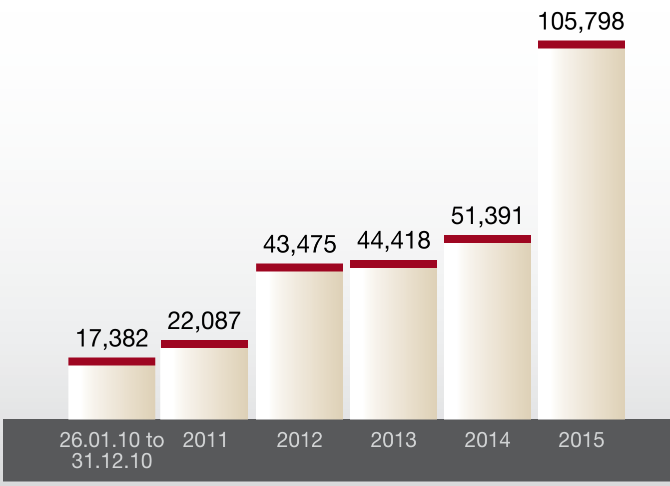
REVENUE (RM'000)



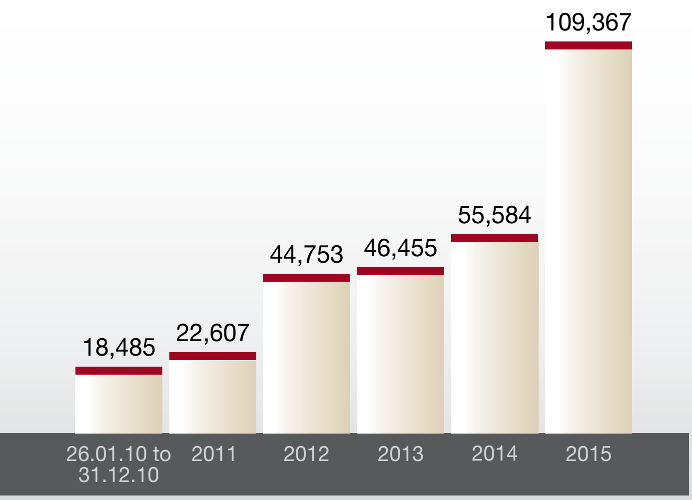
PROFIT FOR THE YEAR (RM'000)



NET EQUITY FUNDS (RM'000)



TOTAL ASSETS (RM'000)



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of ManagePay Systems Berhad ("our Board") recognises the importance of enhancing shareholders' value through adopting high standards of corporate governance in managing the business affairs of the Company. In its efforts to discharge its duties in ensuring an appropriate and sound governance system, accountability and integrity is implemented within ManagePay Systems Berhad ("our Company" or "MPay") and its subsidiaries ("our Group").

In manifestation of its commitment for good corporate governance as enumerated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") released by the Securities Commission in late March 2012, appropriate measures have been or are being taken by the Company to apply the MCCG 2012. Our Company has applied the Principles of the MCCG 2012 and where specific Recommendations of the MCCG 2012 was not observed, the non-observation, including the reasons are included in this Statement.

Principle 1 - Establish clear roles and responsibilities of the Board and Management

The core responsibilities of our Board include reviewing and approving the Group's significant policies, and monitoring the Management's performance in implementing the policies and managing businesses. Our Board identifies the business risks faced by our Group and evaluates whether or not the businesses are properly managed. Our Board has also recommended the fees of the Directors of the Company for shareholders' approval.

Our Board has established Board committees namely, Audit Committee, Remuneration Committee and Nomination Committee to review specific matters within their respective terms of reference as approved by our Board. Matters reviewed and examined by the respective Board committees would be recommended to the Board for consideration and/or approval. Notwithstanding the above, our Board is responsible for decision making.

Board Charter

The Board Charter sets out the principles for the operation of our Board and our Group that describes the functions of our Board and those functions delegated to Management of our Company.

Our Board has primary responsibility to shareholders for the welfare of our Company. Our Board is responsible for guiding and monitoring the business and the affairs of our Company. Our Company recognises the importance of our Board in providing a sound base for good corporate governance in the operations of our Company.

The Board Charter is established to promote standards of corporate governance and is designed to provide guidance and clarity for Directors and management with regard to the role of the Board and its committees. The Board Charter does not overrule or pre-empt the statutory requirements and other relevant statutes. The Board Charter shall form an integral part of each Director's duties and responsibilities.

The Board reviews its Board Charter periodically and updates the Board Charter in line with the changes in regulations and best practices of our Group that may impact the Board in the discharge of its responsibilities.

The Board Charter is available at our Company's website at www.managepay.com.

Code of Conduct and Ethics for Directors

Our Directors continue to adhere to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. In addition, our Board has established a Code of Conduct and Ethics for Directors that aims to outline the standards of business conduct and ethical behaviour which our Directors should possess in discharging their duties and responsibilities, and to enhance the high standards of personal integrity and professionalism of the Directors.

The Code of Conduct and Ethics is available at our Company's website at www.managepay.com.

The Code of Conduct and Ethics is based on the following principles:

- Compliance with legal and regulatory requirements, and Company policies;
- Observance of the Board Charter;
- Duty to act in the best interest of the Company;
- Honesty and integrity;
- No conflict of interests;
- No-profit rules; and
- Relationship with stakeholders.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Principle 1 - Establish clear roles and responsibilities of the Board and Management (Cont'd)

Sustainability of Business

Our Group is mindful of the importance of business sustainability and, in developing the business operations and corporate strategy of our Group which have direct and indirect impact to the work place, communities and environment. Our Group's activities on corporate social responsibility during the financial year are disclosed on pages 30 of the Annual Report.

Supply of Information to our Board

Our Board has full access to all information necessary for them to discharge its responsibilities. Our Board is provided with the relevant agenda papers and a set of Board papers in sufficient time prior to every Board meeting to enable them to obtain further information and explanation, where necessary. Our Board papers circulated amongst others, include quarterly reports, annual financial statements and minutes of meetings of all Committees of our Board, updates from all regulatory bodies, internal and external audit reports. Our Directors also have unrestricted access to seek independent professional advice and services of the Sponsor (tenure completed on 31 December 2015), Company Secretaries, senior management staff as well as independent professional advisers to enable them to discharge their duties affectively.

Our Board is regularly updated and advised by the Company Secretaries, who are qualified, experienced and competent, on new statutory and regulatory requirements and the implications to the Company and Directors in discharging their duties and responsibilities. The Company Secretaries attend all Board and Board Committees meetings and ensure that meetings are properly convened, proper and accurate records of the proceedings and resolutions passed by our Board are taken and maintained accordingly.

Principle 2 – Strengthen Composition of the Board

Board Composition and Independence

Our Board currently has five (5) members comprising three (3) Independent Non-Executive Directors, one (1) Non Independent Non-Executive Director and an Executive Director. Our Board has complied with the ACE Market Listing Requirements of Bursa Securities where at least two (2) or one-third (1/3) of the Board (whichever is the higher) are Independent Directors. Our Board will, from time to time, examine its size with a view to determining the impact of the number of members upon its effectiveness.

Our Board members who are from varied backgrounds, collectively bring with them extensive experience and expertise in areas such as legal, accounting/auditing, manufacturing, general management/business, taxation, human resource, banking/finance, information technology, marketing/sales. A brief profile of each Director is presented on pages 9 to 11 of the Annual Report.

Nomination Committee - Selection and Assessment of Directors

The Nomination Committee was established on 6 April 2010. The Nomination Committee met once during the financial year ended 31 December 2015 which were attended by all the members. The Nomination Committee members are as follows:

Chairman

Cheong Chee Yun	- Independent Non-Executive Director

Member

Dato' Mohamad Kamarudin Bin Hassan	- Independent Non-Executive Director
Chin Shea Fong	- Non-Independent Non-Executive Director

Principle 2 – Strengthen Composition of the Board (Cont'd)

Nomination Committee - Selection and Assessment of Directors (Cont'd)

Our Nomination Committee, in its terms of reference, is tasked with the duty of recommending new suitable candidates to fill vacancies within our Board and its committees. Our Nomination Committee reviews the candidates based on the required mix of skills, knowledge, expertise, experience, professionalism and integrity of the candidates before giving recommendation to our Board for endorsement and approval on appointment of new members to our Board. The Nomination Committee also assists our Board to review annually, the required mix of skills and experience core competencies as well as character, experience, integrity, competency and time commitment of our Directors. Our Nomination Committee also assists our Board in its annual assessment of the effectiveness of our Board as a whole and the Board Committees.

Our Nomination Committee held one (1) meeting during the financial year ended 31 December 2015. During the financial year, our Nomination Committee assisted our Board in its annual assessment of the effectiveness of our Board as a whole, our Board Committees as well as the contribution of each individual Director and assessment on the independence of the Independent Directors. Our Nomination Committee also assisted the Board to review annually, the character experience, integrity, competency and time commitment of the Chief Executive Officer/Managing Director and Financial Controller of our Company.

Our Nomination Committee also reviewed the candidates based on the required mix of skills, knowledge, expertise, experience, professionalism and integrity of the candidates before giving recommendation to our Board to approve the appointment of the new candidates as the Directors and/or Financial Controller of our Company.

Boardroom diversity

Our Board does not have a specific policy for nomination and/or appointment of women candidates on Board. New candidature would be evaluated based on the candidates' suitability, competency, character, time commitment, integrity, skills and experience in meeting our Group's needs without limiting to gender, age or ethnicity. Our Board would also take into account the personal qualities and background of the candidate.

Remuneration Committee – Directors' Remuneration

The Remuneration Committee was established on 6 April 2010. The Remuneration Committee met once during the financial year ended 31 December 2015 which was attended by all the members. The Remuneration Committee members are as follows:

Chairman
Dato' Mohamad Kamarudin Bin Hassan - Independent Non-Executive Director

Members
Chew Chee Seng - Managing Director/Chief Executive Officer
Cheong Chee Yun - Independent Non-Executive Director

Our Remuneration Committee recommends to the Board the remuneration framework and remuneration package of the Executive Director and key management personnel. The Executive Director is remunerated based on his experience, responsibilities and performance.

The annual fees of the Non-Executive Directors for their services as Directors are tabled to our Board for its recommendation to the shareholders' for approval at the Annual General Meeting.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Principle 2 – Strengthen Composition of the Board (Cont'd)

Remuneration Committee – Directors' Remuneration (Cont'd)

The aggregate remuneration for the Directors for the financial year ended 31 December 2015 with categorisation into appropriate components is as follows:

	Directors' Fees (RM)	Salaries (RM)	Bonuses (RM)	Benefits in kind (RM)	Commission (RM)	Total (RM)
Executive Director	24,000	183,113	8,742	–	–	215,855
Non-Executive Directors	69,600	104,400	–	–	–	174,000

Range of Remuneration (RM)	Executive	Non-Executive	Total
Less than 50,000	–	4	4
50,001 to 100,000	–	–	–
100,001 to 150,000	–	–	–
150,001 to 200,000	–	–	–
200,001 to 250,000	1	–	1
250,001 to 300,000	–	–	–
300,001 to 350,000	–	–	–
350,001 to 400,000	–	–	–

Our Company did not disclose each Director's remuneration separately as required as our Board is of the view that the disclosure of the remuneration in the above categories and bands is sufficient.

Principle 3 – Strengthen Composition of the Board

The roles of Chairman and Managing Director/Chief Executive Officer ("MD/CEO") are distinctive as the Chairman is responsible for ensuring Board's effectiveness and conduct of the Board meetings to ensure matters being deliberated and no Board member dominates discussion. The MD/CEO has overall responsibilities over the operating units, organisational effectiveness, developing business and corporate strategies as well as implementation of Board's policies and decisions.

The Board recognises the importance of independence, thus the recommendation in line with the MCCG 2012, where the Board should comprise a majority of Independent Directors in the event the Chairman of the Board is a Non-Independent Non-Executive Director was included in the Board Charter.

The Independent Non-Executive Directors provide independent judgement, views and advice for the interest of our Group as well as our shareholders and investors. The Board had assessed the independence of its Independent Non-Executive Directors based on criteria developed by the Nomination Committee during the financial year.

To be in line with the MCCG 2012, the Board Charter provides that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, our Board, may and subject to the annual assessment conducted by the Nomination Committee, recommend for an Independent Director who has served a consecutive or cumulative term of nine (9) years to remain as an Independent Director. In making the recommendation, our Board shall justify its decision to retain the Independent Director and seeks approval from the shareholders at annual general meeting.

During the financial year under review, none of the Independent Directors have served for a cumulative term of nine (9) years.

Principle 4 – Foster Commitment

Our Board held five (5) meetings during the financial year ended 31 December 2015. The members of the Board and their attendance at the meetings held during the financial year ended 31 December 2015 are as follows:

Directors	Designation	Attendance	Percentage (%)
Dato' Dr Mohd Aminuddin Bin Mohd Rouse	Independent Non-Executive Chairman	3/5	60%
Chew Chee Seng	Managing Director/ Chief Executive Officer	5/5	100%
Cheong Chee Yun	Independent Non-Executive Director	5/5	100%
Dato' Mohamad Kamarudin Bin Hassan	Independent Non-Executive Director	5/5	100%
Chin Shea Fong	Non-Independent Non-Executive Director	5/5	100%

Notes:

Our Board had set a policy for Directors to notify the Chairman of the Board before accepting any new directorships in other public listed companies. This is to obtain time commitment from Directors to perform his duties and responsibilities in our Company.

Directors' Training

Our Board acknowledges the importance of continuous education and training to keep abreast with regulatory updates and developments in the market place to enable them to discharge their duties and responsibilities more effectively. Our Directors continue to identify and attend appropriate training that may be required from time to time to keep themselves abreast with current developments in the industry as well as the current changes in laws and regulations.

The training programmes or workshops attended by our Directors during the financial year ended 31 December 2015 are tabulated as follows:

Attended by	**Training programmes or Workshops**
Dato' Dr Mohd Aminuddin Bin Mohd Rouse	▪ Driving Corporate Performance in 2015
Chew Chee Seng	▪ –
Cheong Chee Yun	▪ Future of Auditor Reporting - The Game Changer for Boardroom
Dato' Mohamad Kamarudin Bin Hassan	▪ Comprehending Financial Statements for Directors and Senior Management ▪ Qualified Risk Director Program: Brown Belt by Institute of Enterprise Risk Practitioners ▪ Visionary Briefing Highlighting Mega Trends Impacting the Future of CCM Group ▪ Corporate Financial Reporting - Are you making the right decision
Chin Shea Fong	▪ A Practical Insight and Managing Shareholders' Expectations

Principle 5 – Uphold integrity in financial reporting

Our Board is committed to presenting a balanced and meaningful assessment of the Group's financial performance and prospects in its quarterly financial results and annual financial statements to shareholders.

Quarterly financial results and annual financial statements are reviewed by the Audit Committee to ensure information to be disclosed therein gives a true and fair view of the financial position of the Group and of the Company for approval by our Board. In preparing the financial statements, the Directors have ensured that financial statements have been drawn up in accordance with the applicable approved accounting standards and provisions of the Companies Act, 1965 prior to their release to the regulators.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Principle 5 – Uphold integrity in financial reporting (Cont'd)

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 98.

Our Audit Committee is also tasked to assess the suitability and independence of the external auditors of our Group. Written confirmation and/or assurance is obtained from the external auditors confirming that they are, and have been independence throughout the conduct of the audit engagement of our Group is in accordance with the applicable accounting standards and regulators.

During the financial year, our Audit Committee met once with the external auditors in the absence of Executive Board members and Management staff.

Principle 6 – Recognise and manage risks

Risk Management

Our Board through the internal audit function has identified all key functional components within our Group and conducted a basic risk assessment exercise with the purpose of prioritising key areas for internal audit review. Areas with higher risk levels are selected as internal audit priority and incorporated into the internal audit plan. Reviews are then carried out based on resources allocated, focusing on areas that required immediate mitigation and rectification.

Internal Audit Function

Our Group outsourced its internal audit function to a professional services firm that reports directly to our Audit Committee. The internal audit function is to provide our Audit Committee and Board with the assurance they require pertaining to the adequacy and effectiveness of internal control systems.

The results of the audits and recommendations for improvement were presented at the Audit Committee's meeting. The scope of work performed by the internal audit function during the financial year is provided in the Statement of Internal Control of our Group set out on pages 27 to 29 of the Annual Report.

Principle 7 – Ensure timely and high quality disclosure

Our Group acknowledges the importance of timely and equal dissemination of material information to regulators, shareholders, investors and the public at large. Such information is disseminated through our Company's annual reports, quarterly financial reports, press releases and public announcements made to Bursa Securities to provide an overview of our Group's performance and operations to shareholders.

Our Board recognises the importance of timely and high quality disclosure thus a corporate disclosure policies and procedures ("CDPP") was formalised to ensure timely and accurate disclosures relating to our Group to the regulators, shareholders and stakeholders.

In formulating the CDPP, our Company has taken into account the recommendations contained in the MCCG 2012 and its disclosure obligations contained in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The CDPP sets out the Investor Relations ("IR") structure and parties responsible for the implementation of IR programme and strategy for the release of material information to regulators, shareholders and stakeholders.

In addition, our Group's website, www.managepay.com provides a comprehensive avenue for the shareholders and public to access up-to-date information including our Company's announcements, financial information, share prices, and press releases of our Group.

Principle 8 – Strengthen relationship between Company and shareholders

Shareholder participation at general meeting

The Annual General Meeting ("AGM") remains the principal forum for dialogue with shareholders and investors. The key element of our Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both individual and institutional shareholders on all issues relevant to our Company at the AGM. Shareholders are also encouraged to participate in a question and answer session regarding our Group's financial statements and business activities. At the last AGM, our Chairman invited the shareholders to pose questions where our Board dealt with the questions raised. The Chairman also highlighted to the shareholders at the last AGM of their right to demand for a resolution to be voted by poll.

Shareholders are notified of the AGM together with a copy of our Company's Annual Report at least 21 days before the date of the AGM. All the resolutions set out in the notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the last AGM was announced to Bursa Securities on the same day the AGM was held.

Communication and engagement with shareholders

To ensure shareholders and investors can obtain information relating to our Company and assisting the shareholders in exercising their rights, they can access our Group's information through our website www.managepay.com or pose their queries by contacting and/or email our Company.

OTHER DISCLOSURES

1) Share Buy-Back

Our Company did not undertake any share buy-back during the financial year ended 31 December 2015.

2) Options or Convertible Securities

There were no options or convertible securities issued or exercised during the financial year ended 31 December 2015.

3) Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2015.

4) Sanctions and/or penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2015.

5) Non-Audit Fees

There were no non-audit fees paid to external auditors by the Company and its subsidiaries for the financial year ended 31 December 2015.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

OTHER DISCLOSURES (CONT'D)

6) Recurrent Related Party Transactions

Recurrent related party transactions of a revenue and trading nature of the Group conducted during the financial year ended 31 December 2015 were as follows:

Related Parties involved with MPay and/or its subsidiaries	Relationship	Nature of Transactions	Amount (RM'000)
Chew Chee Seng ("CCS")	Note 1	1) Rental paid by MPay to CCS for use of our head office Wisma MPSB, Jalan USJ21/10, 47630 Subang Jaya, Selangor Darul Ehsan ("Head Office")	51
		2) Rental paid by ManagePay Services Sdn Bhd ("MPSB") to CCS for use of Head Office	27
		3) Rental paid by ManagePay Technologies Sdn Bhd ("MTSB") to CCS for use of Head Office	27
		4) Rental paid by ManagePay Marketing Sdn Bhd ('MMSB") to CCS for use of Head Office	27
		5) Rental paid by ManagePay Innovation Sdn Bhd ('MISB") to CCS for use of Head Office	6
		6) Rental paid by ManagePay Cards Sdn Bhd ('MCSB") to CCS for use of Head Office	6
		7) Rental paid by ManagePay Resources Sdn Bhd ('MRSB") to CCS for use of Head Office	6
Chin Shea Swong ("CSS")	Note 2	Rental paid by MPSB to CSS for use of premise at No. 9 Neo Cyber, Lingkaran, Cyber Point Barat, 63000 Cyberjaya, Selangor Darul Ehsan for use as research and development office	30.3
Ng Kim Eng ("NKE")	Note 3	Rental paid by MTSB to NKE for use of premise at No. 11-1 Neo Cyber, Lingkaran, Cyber Point Barat, 63000 Cyberjaya Selangor Darul Ehsan for use as research and development office	30.3

Notes:

1) CCS is the Managing Director/Chief Executive Officer and substantial shareholder of MPay. CCS is also Director of MPSB, MTSB, MMSB, MISB, MCSB & MRSB wholly-owned subsidiary companies of MPay.
2) CSS is the spouse of CCS.
3) NKE is the mother of CCS.

7) Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' or major shareholders' interest either subsisting at the end of the financial year ended 31 December 2015 or entered into since the end of the previous financial year.

8) Profit Guarantee

The Company did not receive any profit guarantee during the financial year ended 31 December 2015.

9) List of Properties

Location	Description And Existing Use	Tenure (Expiry Date)	Age of Building	Land Area	Built Area	Net Book Value ('000)	Date of Acquisiti on
Lot 109, USJ 21/10, Subang Jaya	Management office	Freehold	16 years	186 sq m	186 sq m	2,480	30 Dec 2013

OTHER DISCLOSURES (CONT'D)

10) Variation in Results

There were no variances of 10% or more between the results for the financial year and the unaudited results previously announced.

There were no profit forecasts or projections issued by the Group during the financial year ended 31 December 2015.

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

During the financial year ended 31 December 2015, a total of 89,100,000 options were offered on 10 December 2015 pursuant to the ESOS at an exercise price of RM0.25. Details of the offer of the share options are as follows:-

No.	Description of Options under the ESOS		
1.	Date of offer of the options	:	10 December 2015
2.	Exercise price of options offered	:	RM0.25
3.	Number of options or shares offered	:	89,100,000
4.	Market price of the Company's security on the date of offer	:	RM0.29
5.	Number of options or shares offered to each director **Managing Director:** 1. Mr Chew Chee Seng **Non-Executive Directors:** 1. Dato' Dr. Mohd Aminuddin Bin Mohd Rouse 2. Dato' Mohamad Kamarudin Bin Hassan 3. Cheong Chee Yun	 : : : :	 8,800,000 2,000,000 1,500,000 1,500,000
6.	Number of options or shares offered to each director in the subsidiaries or related party 1. Chin Shea Swong 2. Chew Lean Mei	 : :	 6,000,000 3,000,000
7.	Vesting period of the options or shares offered	:	First 20%: 10 December 2015 – 9 December 2016 Second 20%: 10 December 2015 – 9 December 2017 Third 20%: 10 December 2015 – 9 December 2018 Fourth 20%: 10 December 2015 – 9 December 2019 Fifth 20%: 10 December 2015 – 9 December 2020

12) Directors' Responsibility Statement on Financial Statements

The Board is responsible for ensuring that the financial statements of our Group give a true and fair view of the state of affairs of our Group and of the Company as at the end of the accounting period and of their profit or loss and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of our Group and to prevent and detect fraud and other irregularities.

AUDIT COMMITTEE REPORT

MEMBERSHIP

The members of the Audit Committee for the financial year ended 31 December 2015 are as follows:

	Designation	No. of meetings attended
Chairman		
Cheong Chee Yun	Independent Non-Executive Director	5/5
Members		
Dato' Dr Mohd Aminuddin Bin Mohd Rouse	Independent Non-Executive Director	3/5
Dato' Mohamad Kamarudin Bin Hassan	Independent Non-Executive Director	5/5

TERMS OF REFERENCE

1. OBJECTIVE

The primary function of the Audit Committee ("AC") is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

1.1 Review and assess the Group's processes relating to its risks and control environment;

1.2 Review and assess the Group's quarterly and year-end financial reporting;

1.3 Review and assess the internal and external audit processes and;

1.4 Review and assess the conflict of interest situations and related party transactions.

2. COMPOSITION

The AC shall be appointed by the Board from among its members who fulfill the following requirements:-

2.1 the Committee must be composed of not fewer than three (3) members;

2.2 all the members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors;

2.3 the members of AC shall elect a Chairman from among their number who shall be an Independent Non-Executive Director;

2.4 all members of the Audit Committee shall be financially literate and at least one member of the Committee:-

2.4.1 must be a member of the Malaysian Institute of Accountants; or

2.4.2 if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience; and

- he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

- he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

2.4.3 fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities");

TERMS OF REFERENCE (CONT'D)

2. COMPOSITION (CONT'D)

2.5 no Alternate Director shall be appointed as a member of the Committee; and

2.6 subject to any regulatory disqualification, members of the Committee shall not be removed except by the Board. In the event of any vacancy in the Committee, the Board shall within three (3) months fill the same so as to comply with all regulatory requirements. In any event the Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years.

3. SECRETARY

The Company Secretary shall be the Secretary of the Committee.

4. QUORUM

The quorum for all meetings of the Committee shall not be less than two (2) members, a majority of whom shall be Independent Non-Executive Directors.

5. MEETINGS AND ATTENDANCE

5.1 Meetings shall be held not less than four (4) times a year.

5.2 The meeting shall normally be attended by the Executive in charge of Finance, Internal Audit and Corporate Governance. Other Board Members and employees may attend meetings only upon the invitation of the Audit Committee.

5.3 The external auditors are normally invited to attend meetings as and when necessary.

5.4 However, at least twice a year, the Committee shall meet with the external auditors without any executive Board member present. The external auditors may also request additional meeting if they consider it necessary.

5.5 The Secretary shall on the requisition of the members of the Audit Committee summon a meeting of the Committee and, except in the case of an emergency, reasonable notice of every Committee meeting shall be given in writing.

6. AUTHORITY

The Committee shall have authority to investigate any matter within its terms of reference.

The Committee is authorised to seek any information it requires from employees, who are required to co-operate with any request made by the Committee, and it shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of Executive Directors and employees of the Company, whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the ACE Market Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to the Bursa Securities.

AUDIT COMMITTEE REPORT (cont'd)

TERMS OF REFERENCE (CONT'D)

7. RESPONSIBILITY AND DUTIES

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

7.1 Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.

7.2 Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.

7.3 Ensure that the internal audit function is independent of the activities it audits and the internal auditors shall report directly to the Committee. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company.

7.4 Review any appraisal or assessment of the performance of members of the internal audit function.

7.5 Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning.

7.6 Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in control or procedures that are identified.

7.7 Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

7.8 Review major audit findings and the management's response during the year with management, external auditors, including the status of previous audit recommendations.

7.9 Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

7.10 Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.

7.11 Review the appointment and performance of external auditors, the audit fee, any question of resignation or dismissal, any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment before making recommendations to the Board and recommend the nomination of a person or persons as external auditors.

7.12 Review the Internal Audit Charter, budget and staffing of the internal audit functions.

7.13 Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.

7.14 Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcation, frauds and thefts and management's response.

AUDIT COMMITTEE REPORT (cont'd)

TERMS OF REFERENCE (CONT'D)

7. RESPONSIBILITY AND DUTIES (CONT'D)

7.15 Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:-

7.15.1 changes in or implementation of major accounting policy changes;

7.15.2 the going concern assumption;

7.15.3 significant adjustments arising out of audit and unusual events; and

7.15.4 compliance with accounting standards and other legal requirements.

7.16 Review procedures in place to ensure that the Group complies with the Companies Act 1965, ACE Market Listing Requirements of Bursa Securities and other legislative and reporting requirements.

7.17 Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.

7.18 Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the activities or work performed in fulfilling the Committee's primary responsibilities, including details of relevant training attended by each Committee member.

7.19 Review the annual enterprise risk profile of the group (including risk registers) and evaluate the Risk Manager's risk assessments of the group and his plans to mitigate business risks as identified from time to time.

7.20 Discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include:

7.20.1 Management consulting;

7.20.2 Strategic decision;

7.20.3 Internal audit; and

7.20.4 Policy and standard operating procedures documentation.

7.21 Any other activities, as authorised by the Board.

The Chairman of the Committee shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Terms of Reference of the Audit Committee is available at our Company's website at www.managepay.com.

AUDIT COMMITTEE REPORT (cont'd)

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The Committee met five (5) times during the financial year ended 31 December 2015. The main activities undertaken by the Audit Committee during the financial year ended 31 December 2015 are as follows:

1) Reviewed the Group's quarterly reports and annual audited financial statements prior to submission to the Board of Directors for consideration and approval for release to Bursa Securities and/or the Securities Commission.

2) Reviewed the external auditors' scope of work, audit plan and matters arising from the audit and impact of new changes to accounting standards and regulatory requirements.

3) Reviewed the internal audit reports on findings and recommendations and management's responses.

4) Reviewed related party transactions within the Group.

INTERNAL AUDIT FUNCTION

The Group's Internal Audit function is outsourced to an independent professional firm that reports directly to the Audit Committee. The role of the Internal Auditor is to undertake independent and systematic reviews of the operation of the companies within the Group to ensure proper systems of internal controls are in place.

The Company also appointed a full time internal auditor in September 2015 to enhance the internal control.

ACTIVITY OF THE INTERNAL AUDIT THAT WAS CARRIED OUT DURING THE FINANCIAL YEAR INCLUDED:

Issued report on the results of the internal audit reviews, identifying weaknesses with suggested recommendations for improvements to management for further action.

The total cost incurred for the Internal Audit function for the financial year ended 31 December 2015 amounted to RM 18,220.00.

EMPLOYEES' SHARE ISSUANCE SCHEME ("ESOS")

The establishment of an ESOS was approved at the Extraordinary General Meeting of the Company held on 18 June 2014. The ESOS was implemented on 3 November 2014 and the duration is for a period of five (5) years. On 10 December 2015, a total of 89,100,000 options were offered to eligible employees and Directors of the Company at the option price of RM0.25.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board affirms the Statement on Risk Management and Internal Control prepared in reference to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board is committed to develop an effective risk management framework and maintain a sound system of internal control. Each business unit/functional group has implemented its own control processes under the leadership of the Managing Director, who is responsible for good business and regulatory governance. The following statement outlines the nature and scope of the group's risk management and internal control in 2015.

BOARD OF DIRECTORS' RESPONSIBILITIES

The Board affirms its responsibility to oversee that effective systems of risk management and internal control are in place to assist the Group in meeting its objectives.

The Board meets on quarterly basis or on a more frequent basis, if required, to review our Group's risk management and internal control activities based on the scope collectively agreed by the Board and Senior Management. The Board through the Audit Committee ("AC") supported by an internal audit function that is independent of the activities it audits, conducted annually assessments as to whether risks that may hinder the Group from achieving its objectives, are being adequately evaluated, managed and controlled. Issues as well as actions agreed by our management to address them were tabled and deliberated during the Audit Committee meetings. Minutes of the Audit Committee meetings which recorded deliberations held during these meetings were presented to the Board.

The Board recognises the need to embed risk management in all aspects of the company's activities and setting levels of acceptable risk appetite to aid decision making and governance processes. The Board affirms the need for a more formal risk management framework and processes that are capable to provide reasonable assurance that risks are managed within tolerable ranges.

The Board has received assurance from the Managing Director and Financial Controller that the Group's risk management will continuously improve and maintain a sound and effective systems of risk management and internal control systems are operating adequately and effectively in all material respect. In pursuing those objectives, the role of management is to implement the Board's policies, decisions and guidelines on risks and controls that include the identification, evaluation and treatment of risks with appropriate counter measures.

The Board however, recognises that these systems are designed to manage, rather than eliminate, the risk of not adhering to the Group's policies and achieving goals and objectives. Therefore, the systems provide reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

Control Environment

The Board affirms its tone at the top regarding the importance of internal control and expected standards of conduct that will provide discipline, process and structure throughout the Group. The Board promotes transparency by providing communication channels for all levels within the organization to facilitate and ensure integrity and ethics are upheld at all times.

The Board reviews management performances on annually basis and exercises oversight for the development and performance of internal control. Management has attested its commitment to refine the currently established internal control, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

The Board and management are committed to attract, develop and retain competent individuals in alignment with objectives. Individuals are held accountable for their internal control responsibilities in the pursuit of objectives.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

BOARD OF DIRECTORS' RESPONSIBILITIES (CONT'D)

Risk Assessment

The Board through the internal audit function has identified all key functional components within the Group and conducted a basic risk assessment exercise with the purpose of prioritising key areas for internal audit review. In this regard, risks were assessed using qualitative measures based on the significance of their impact to the Group and the likelihood of occurrence. The product of impact and likelihood were evaluated on a scale, indicating the level of attention required.

Areas with higher risk levels are selected as internal audit priority and incorporated into the internal audit plan. Reviews are then carried out based on resources allocated, focusing on areas that required immediate mitigation and rectification. Agreed management action plans are tabled to the Board via Audit Committee.

Control Activities

The Board oversees the establishment of policies and procedures to ensure that management's directives to mitigate risks for the achievement of objectives are carried out. Control activities are performed at all levels within the Group and at various stages within business processes, and over the technology environment.

Control activities are continuously evolving and improved to ensure that they better anticipate and mitigate risks to increase the Group's chances in meeting objectives. Together with resources, capabilities are continuously being evaluated to ensure that they are able to match the Group's strategic goals.

Monitoring Activities

The Board adopts the policy of ongoing and separate evaluations to ascertain whether key internal controls exist and that they are operating effectively. For ongoing evaluations, the Board ensures that management at all levels is competent and has sufficient knowledge to understand evaluation purpose and procedures, giving thoughtful consideration on information they receive. By focusing on relationships, inconsistencies or other relevant implications, issues are raised immediately and corrective actions followed up consistently.

For separate and periodical evaluations, the Board engages a professional service firm that is independent of the activities it audits to perform internal audit for the Group. The internal auditor review the audit areas based on scope and resources set by the board.

During the financial year ended 31 December 2015, the internal auditor performed reviews based on the audit plan or areas that require immediate attention. All internal audit reports are communicated to management for response and will be tabled to the Audit Committee upon completion of their audit at least once a year. Internal audit reports provided assurance on the effectiveness of the internal control system of the areas under review. Management action plans are monitored periodically to ensure agreed counter measures and improvements are fully implemented

In order to improve the monitoring activities, the Board has approved to recruit a full time internal auditor from September 2015. This has helped to ensure the monitoring activities can be exercised throughout the period.

REVIEW OF THIS STATEMENT

Pursuant to Rule 15.23 of the ACE Market Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the 2015 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statements are inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control. This statement has been approved by the Board.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

CONCLUSION

The Board is of the view that the system of internal control and risk management is operational for the year under review and sufficient to provide information related the status of the Group's assets, shareholders' investment, the interests of customers, regulators, employees and other stakeholders.

The Board has appraised the effectiveness, adequacy and integrity of the system of internal control in operation during the financial year through the monitoring process set out above. However, it must be made clear that any system of internal control, no matter how well designed, implemented and monitored, does not eliminate the possibility of human error, collusion or the deliberate circumvention of control procedures. The Board remains committed towards building a sound system of internal controls within an effective risk management framework. The Board acknowledges that internal controls must continuously improve to support the Group in achieving its key objectives.

STATEMENT OF ENVIRONMENTAL SOCIAL AND GOVERNANCE

The Group recognises that its business operations have direct and indirect impact on the communities and therefore engaging and adopting Environmental, Social and Governance (ESG) as one of the commitments of the Group.

The Workplace

The Group acknowledges the importance of having a quality working environment as we understand that a good working environment would raise the efficiency and productivity of employees besides improving the quality of life for our employees.

Besides, the Group recognises its workforce as valuable human capital essential for the sustainable success of its operations. Motivating and developing the workforce is a continuous and unrelenting corporate responsibility. All employees in the Group are encouraged to seek self improvement through training programmes to enhance their skills and abilities which would offer excellent opportunities for career development.

The Community

In carrying out its business activities, the Group is mindful of its responsibilities as a corporate citizen. The Group is focused on assisting the Small and Medium Sized Enterprises ("SMEs") business community through providing Information Communication Technology related education with the help of SME Corporation Malaysia, which is set up by Ministry of International Trade and Industry Malaysia to become the central point of reference for information and advisory services for all SMEs in Malaysia.

MPay has always been an avid supporter of local sports. The Group will remain as the title sponsor of 4th Annual Datuk Theng Book Malaysia Media badminton tournament and renowned badminton brand FLEET as the premier sponsor. Badminton championships at the T-Angle Badminton Hall in Puchong on Aug 30 2015.The Group won a 4th Placing under VIP Category.

On 29 November 2015, The Group joined MRCA Charity Run 2015, organized by Malaysia Retail Chain Association. MRCA Charity Run 2015 combines workplace health management and social commitment pursuing the objective of networking athletes for companies, organisations and members, while promoting general welfare and to raise fund for charitable homes. The Group Managing Director, Mr. Chew Chee Seng be 1st runner for the group of 5 members and bring the team toward success journey.

The Environment

The Group is fully commited to ensure that its processess are managed, maintained and refined in line with its business needs to meet all legal and regulatory commitments on the environment. All these efforts are to ensure that the environment is protected for future generations and sustainability of local communities are safeguarded.

Staff are encouraged to fully maximize the benefits of Information Communications Technology such as e-mail, instant messaging, etc for communication and only print hard copies of documents when necessary. Besides, staffs are encouraged to print on both sides of the papers to minimize paper usage while unwanted papers and recyclable items are collected and sent to be recycled.

Conclusion

The Group views ESG as a contribution to society, environment and human resource which will enable our organisation to generate value and in turn share with the providers of the values.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial year	(11,061,999)	(6,514,473)
Other comprehensive income	–	–
Total comprehensive loss for the financial year	(11,061,999)	(6,514,473)
Loss for the year attributable to:		
Owners of the Company	(11,059,277)	(6,514,473)
Non–controlling interests	(2,722)	–
	(11,061,999)	(6,514,473)
Total comprehensive loss attributable to:		
Owners of the Company	(11,059,277)	(6,514,473)
Non–controlling interests	(2,722)	–
	(11,061,999)	(6,514,473)

DIVIDEND

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 31st December 2015.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

CONTINGENT AND OTHER LIABILITIES

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

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

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

In the opinion of the directors, no contingent liabilities or other liabilities of the Group and of the Company have 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT (cont'd)

ISSUE OF SHARES AND DEBENTURES

During the year, the Company increased its issued and paid up share capital from RM40,266,858/- to RM71,046,558/- by way of Private Placement ("Placement Shares") of 130,293,200 new ordinary shares of RM0.10/- each at an issue price of RM0.23 per share for capital expenditure and other operating expenses relating to the development of a new payment system ("e-Money Project") and by way exercise of Warrant ("Warrant Shares") of 177,503,800 new ordinary shares of RM0.10/- each at an exercise price of RM0.20 per share for capital expenditure and other operating expenses relating to Payment Technology.

The Placement Shares and Warrant Shares rank pari passu in all respects with the existing issued and fully paid up ordinary shares of RM0.10/- each in the Company except that they shall not entitled to any dividend, right, allotment and/or other distribution that may be declared, made or paid prior to the date of allotment and issuance of the Placement Shares and Warrant Shares.

During the financial year, the Company had not issued any debentures.

2012/2015 WARRANTS ("Warrants")

On 7th August 2012, the Company increased its issued and paid up share capital by way of renounceable rights issue of 183,031,190 new ordinary shares of RM0.10 each together with 183,031,190 free new detachable warrants at an issue price of RM0.12 per rights shares. The warrants issued are constituted under a Deed Poll executed and constituted by the Company.

The salient terms of the warrants are as follows:-

(a) Each warrant entitles the registered holder, at any time during the exercise period to subscribe for one new ordinary share at an exercise price of RM0.20, subject to adjustments in accordance with the provision of the Deed Poll.

(b) The exercise price for the warrants is fixed at RM0.20 per new ordinary share of the Company, subject to further adjustments (where applicable) in accordance with the provision of the Deed Poll.

(c) Warrants may be exercised at any time within 3 years commencing from and including the date of issue of the warrants and ending at 5pm on the expiry date. The expiry date is a day falling immediately before the 3rd anniversary of the date of issuance of the warrants and if such date is not a market day, then on the preceding market day.

(d) The new ordinary shares to be issued pursuant to the exercise of the warrants upon allotment and issue, rank pari passu in all respect with the existing ordinary shares of the Company except that the new ordinary shares shall not entitled to any dividends, rights, allotment and/or other distribution that may be declared, made or paid prior to the date of allotment and issuance of the rights shares.

The subscription rights of the warrants had expired on the 6 August 2015 and subsequently removed from the official list of Bursa Securities on 7 August 2015.

DIRECTORS

The directors of the Company in office since the date of the last report are:-

Chew Chee Seng
Cheong Chee Yun
Chin Shea Fong
Dato' Dr. Mohd Aminuddin Bin Mohd Rouse
Dato' Mohamad Kamarudin Bin Hassan

DIRECTORS' INTERESTS

According to the register of directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares and warrants in the Company during the financial year ended 31st December 2015 are as follows:-

	Number of Ordinary Shares of RM0.10/- each			
	At 1.1.2015	**Addition**	**Disposal**	**At 31.12.2015**
The Company				
Direct Interests				
Dato' Dr. Mohd Aminuddin Bin Mohd Rouse	300,000	–	–	300,000
Chew Chee Seng	121,003,838	16,000,000	1,000,000	136,003,838
Chin Shea Fong	35,080,516	–	–	35,080,516
Indirect Interests				
Chew Chee Seng #	100,000	50,000	–	150,000
Dato' Dr. Mohd Aminuddin Bin Mohd Rouse *	–	735,000	–	735,000

	Number of Warrants			
	At 1.1.2015	**Addition**	**Disposal**	**At 31.12.2015**
The Company				
Direct Interests				
Dato' Dr. Mohd Aminuddin Bin Mohd Rouse	100,000	–	100,000	–
Chew Chee Seng	19	–	19	–
Chin Shea Fong	58	–	58	–
Indirect Interests				
Chew Chee Seng #	50,000	–	50,000	–

Deemed interested by virtue of his relationship with Chew Lean Mei, his sister.

* *Deemed interest by virtue of his relationship with Wan Irnada Tiara Bt Mohd Aminuddin, his daughter.*

By virtue of their shareholdings in the Company, the above mentioned directors are deemed to have an interest in shares of the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in notes to the financial statements) by reason of a contract made by the Company or its related corporations with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party or any of its related corporations 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.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT EVENT

The significant event during and subsequent to the financial year of the Group and of the Company is disclosed in Note 31 and Note 32 to the financial statements.

AUDITORS

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

On behalf of the Board,

DATO' DR. MOHD AMINUDDIN BIN MOHD ROUSE
Director

CHEW CHEE SENG
Director

Kuala Lumpur

Date: 8th April 2016

STATEMENTS OF FINANCIAL POSITION
as at 31st December 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	11,110,562	16,247,518	200,909	232,028
Investment in subsidiaries	6	–	–	13,101,738	13,511,783
Intangible assets	7	7,419,686	6,979,993	–	–
Total non-current assets		18,530,248	23,227,511	13,302,647	13,743,811
Current assets					
Inventories	8	618,837	4,361,390	–	–
Trade receivables	9	9,029,639	10,318,693	–	–
Other receivables, deposits and prepayments	10	4,364,804	1,503,849	775,468	403,300
Amount due from subsidiaries	11		–	45,157,915	22,218,721
Tax recoverable		25,152	6,364	25,152	6,338
Short term funds	12	47,269,403	–	21,124,620	–
Deposits placed with licensed banks		23,940,445	13,780,440	22,880,483	12,780,440
Cash and bank balances		5,588,704	2,385,725	756,900	453,855
Total current assets		90,836,984	32,356,461	90,720,538	35,862,654
TOTAL ASSETS		109,367,232	55,583,972	104,023,185	49,606,465
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13(a)	71,046,558	40,266,858	71,046,558	40,266,858
Share premium	13(b)	41,194,723	6,506,227	41,194,723	6,506,227
Warrant reserves	14	–	10,066,715	–	10,066,715
Other reserves	15	–	(10,066,715)	–	(10,066,715)
(Accumulated losses)/ Retained profits		(6,438,806)	4,620,471	(8,657,384)	(2,142,911)
Shareholders' funds		105,802,475	51,393,556	103,583,897	44,630,174
Non-controlling interest		(4,816)	(2,094)	–	–
Total equity		105,797,659	51,391,462	103,583,897	44,630,174

STATEMENTS OF FINANCIAL POSITION (cont'd)

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
LIABILITIES					
Non–current liabilities					
Hire purchase payables	16	62,526	97,869	62,526	97,869
Deferred tax liabilities	17	908,572	1,003,600	2,511	5,897
Total non–current liabilities		971,098	1,101,469	65,037	103,766
Current liabilities					
Trade payables	18	122,122	127,522	–	–
Other payables, deposits and accruals	19	2,035,661	1,752,290	338,908	219,651
Amount due to subsidiaries	11	–	–	–	4,619,160
Hire purchase payables	16	35,343	33,714	35,343	33,714
Tax payable		405,349	1,177,515	–	–
Total current liabilities		2,598,475	3,091,041	374,251	4,872,525
Total liabilities		3,569,573	4,192,510	439,288	4,976,291
TOTAL EQUITY AND LIABILITIES		109,367,232	55,583,972	104,023,185	49,606,465

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31st December 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Revenue	20	8,742,957	10,584,122	–	–
Cost of sales		(4,772,079)	(2,350,924)	–	–
Gross profit		3,970,878	8,233,198	–	–
Other income		2,458,892	1,004,349	1,728,389	1,623,637
Operating and administrative expenses		(17,379,861)	(6,635,992)	(8,237,163)	(2,073,338)
Finance costs	21	(5,227)	(20,611)	(5,227)	(6,857)
(Loss)/Profit before taxation	22	(10,955,318)	2,580,944	(6,514,001)	(456,558)
Taxation	24	(106,681)	(1,289,468)	(472)	(24,558)
(Loss)/Profit for the financial year		(11,061,999)	1,291,476	(6,514,473)	(481,116)
Other comprehensive income		–	–	–	–
Total comprehensive (loss)/income for the financial year		(11,061,999)	1,291,476	(6,514,473)	(481,116)
(Loss)/Profit for the financial year attributable to:-					
Owners of the Company		(11,059,277)	1,294,570	(6,514,473)	(481,116)
Non–controlling interests		(2,722)	(3,094)	–	–
		(11,061,999)	1,291,476	(6,514,473)	(481,116)
Total comprehensive (loss)/ income attributable to:-					
Owners of the Company		(11,059,277)	1,294,570	(6,514,473)	(481,116)
Non–controlling interests		(2,722)	(3,094)	–	–
		(11,061,999)	1,291,476	(6,514,473)	(481,116)
(Loss)/Earnings per ordinary share attributable to owners of the Company (sen)					
- Basic (loss)/earnings per share	25(a)	(2.07)	0.33		
- Diluted (loss)/earnings per share	25(b)	(2.07)	0.24		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31st December 2015

	Attributable to owners of the Company						
	Non-Distributable			*Distributable*			
	Share Capital RM	**Share Premium RM**	**Warrant Reserves RM**	**Other Reserves RM**	**Retained Profits/ (Accumulated losses) RM**	**Non-controlling interest RM**	**Total Equity RM**
Group							
At 1st January 2014	36,606,238	4,484,833	10,066,715	(10,066,715)	3,325,901	1,000	44,417,972
Issue of ordinary shares	3,660,620	2,021,394	–	–	–	–	5,682,014
Total comprehensive income for the financial year	–	–	–	–	1,294,570	(3,094)	1,291,476
At 31st December 2014	40,266,858	6,506,227	10,066,715	(10,066,715)	4,620,471	(2,094)	51,391,462
Issue of ordinary shares	30,779,700	34,688,496	–	–	–	–	65,468,196
Warrant exercised/expired	–	–	(10,066,715)	10,066,715	–	–	–
Total comprehensive loss for the financial year	–	–	–	–	(11,059,277)	(2,722)	(11,061,999)
At 31st December 2015	71,046,558	41,194,723	–	–	(6,438,806)	(4,816)	105,797,659

STATEMENTS OF CHANGES IN EQUITY (cont'd)

	Attributable to owners of the Company					
	Non-Distributable				Distributable	
	Share Capital RM	Share Premium RM	Warrant Reserves RM	Other Reserves RM	Accumulated Losses RM	Total Equity RM
Company						
At 1st January 2014	36,606,238	4,484,833	10,066,715	(10,066,715)	(1,661,795)	39,429,276
Issue of ordinary shares	3,660,620	2,021,394	–	–	–	5,682,014
Total comprehensive loss for the financial year	–	–	–	–	(481,116)	(481,116)
At 31st December 2014	40,266,858	6,506,227	10,066,715	(10,066,715)	(2,142,911)	44,630,174
Issue of ordinary shares	30,779,700	34,688,496	–	–	–	65,468,196
Warrant exercised/expired	–	–	(10,066,715)	10,066,715	–	–
Total comprehensive loss for the financial year	–	–	–	–	(6,514,473)	(6,514,473)
At 31st December 2015	71,046,558	41,194,723	–	–	(8,657,384)	103,583,897

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

STATEMENTS OF CASH FLOWS
for the financial year ended 31st December 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(10,955,318)	2,580,944	(6,514,001)	(456,558)
Adjustments for:-				
Amortisation of software development costs	1,193,793	360,458	–	–
Bad debt written off	1,628	–	–	–
Deposits written off	–	91,205	–	87,380
Depreciation of property, plant and equipment	3,122,225	2,881,537	58,349	27,749
Gain on disposal of property, plant and equipment	–	(14,887)	–	–
Impairment loss on amount owing by subsidiaries	–	–	4,703,445	–
Impairment loss on investment in subsidiary	–	–	715,945	–
Impairment loss on property, plant and equipment	4,087,471	–	–	–
Impairment loss on trade receivables	127,310	–	–	–
Income from short term funds	(731,135)	–	(120,931)	–
Interest expenses	5,227	20,611	5,227	6,857
Interest income	(1,223,323)	(484,003)	(1,141,863)	(474,147)
Property, plant and equipment written off	156,918	784	–	–
Unrealised loss/(gain) on foreign exchange	113,734	(1,453)	(21,175)	–
Write–down of inventories to net realisable value	3,125,126	–	–	–
Operating (Loss)/Profit before Working Capital Changes	(976,344)	5,435,196	(2,315,004)	(808,719)
Changes In Working Capital:-				
Inventories	617,427	(181,910)	–	–
Receivables	(1,762,939)	(649,083)	(372,168)	(389,300)
Payables	277,971	1,026,072	119,257	(3,028)
	(1,843,885)	5,630,275	(2,567,915)	(1,201,047)
Interest received	1,223,323	484,003	1,141,863	474,147
Income received from short term funds	731,135	–	120,931	–
Income tax paid	(999,991)	(134,385)	(30,000)	(112,209)
Tax refunded	7,328	16,715	7,328	–
Net Operating Cash Flows	(882,090)	5,996,608	(1,327,793)	(839,109)

STATEMENTS OF CASH FLOWS (cont'd)

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition in software development	(1,633,486)	(1,935,214)	–	(2,057)
Acquisition of subsidiaries	–	–	(305,900)	–
Investment in short term funds	(47,269,403)	–	(21,124,620)	–
Proceeds from disposal of property, plant and equipment	–	61,420	–	–
Purchase of property, plant and equipment	(2,229,658)	(9,825,198)	(27,230)	–
Net Investing Cash Flows	(51,132,547)	(11,698,992)	(21,457,750)	(2,057)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(5,227)	(20,611)	(5,227)	(6,857)
Net repayment to subsidiaries	–	–	(32,261,799)	(6,459,319)
Proceeds from issuance of ordinary shares	65,468,196	5,682,014	65,468,196	5,682,014
Repayment of hire purchase	(33,714)	(32,084)	(33,714)	(32,084)
Net Financing Cash Flows	65,429,255	5,629,319	33,167,456	(816,246)
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,414,618	(73,065)	10,381,913	(1,657,412)
Effect of changes in exchange rate	(51,634)	–	21,175	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	16,166,165	16,239,230	13,234,295	14,891,707
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	29,529,149	16,166,165	23,637,383	13,234,295
ANALYSIS OF CASH AND CASH EQUIVALENTS:-				
Deposits placed with licensed banks	23,940,445	13,780,440	22,880,483	12,780,440
Cash and bank balances	5,588,704	2,385,725	756,900	453,855
	29,529,149	16,166,165	23,637,383	13,234,295

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Managepay Systems Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Wisma MPSB, Lot 113, Jalan USJ 21/10, 47630 Subang Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8th April 2016.

2. BASIS OF PREPARATION

2.1 Basis of Preparation

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

2.2 Adoption of amendments/improvements to MFRS

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

Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standard
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

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

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 clarify the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of amendments/improvements to MFRS (Cont'd)

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarify that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132. They also clarify that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, Amendments to MFRS 3 clarify that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11) in the financial statements of the joint arrangement itself.

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relate to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments also clarify that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 or MFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 clarify the accounting treatment for the accumulated depreciation when an asset is revalued. They clarify that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and

- the accumulated depreciation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 provide a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of amendments/improvements to MFRS (Cont'd)

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 clarify the accounting treatment for the accumulated amortisation when an asset is revalued. They clarify that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

2.3 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
<u>Amendments/Improvements to MFRSs</u>		
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 10	Consolidated Financial Statements	Deferred/ 1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interest in Other Entities	1 January 2016
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 January 2016
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate financial statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2016
MFRS 138	Intangible Assets	1 January 2016

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

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd)

MFRS 9 Financial Instruments

Key requirements of MFRS 9:-

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

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

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

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

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

Amendments to MFRS 11 Joint Arrangements

Amendments to MFRS 11 clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/ liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not re-measured if the joint operator retains joint control.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd)

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improve the effectiveness of disclosures. The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or

- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

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

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

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd)

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

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

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

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

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

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus

- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus

- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less

- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

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

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

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

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

3.1 Basis of consolidation (Cont'd)

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

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

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

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

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

3.1 Basis of consolidation (Cont'd)

(c) Associates (Cont'd)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) Joint arrangements

Joint arrangements arise when the Group and another party or parties are bound by a contractual arrangement, and the contractual arrangement gives the Group and the other party or parties, joint control of the arrangement. Joint control exists when there is contractually agreed sharing of control of an arrangement whereby decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as a "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group accounts for its share of the assets (including its share of any assets held jointly), the liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

- A joint arrangement is classified as "joint venture" when the Group has rights to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method in accordance with MFRS 128 *Investments in Associates and Joint Ventures*.

The Group has assessed the nature of its joint arrangement and determined them to be a joint venture and accounted for its interest in the joint venture using the equity method.

(e) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries, joint ventures and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution.

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

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

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

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

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

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

(b) Translation of foreign operations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

3.4 Financial instrument

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

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

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

(a) Subsequent measurement

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

(i) Financial assets

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

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

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. Gains and losses are recognised in profit or loss through the amortisation process.

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

3.4 Financial instrument (Cont'd)

(a) Subsequent measurement (Cont'd)

(i) Financial assets (Cont'd)

Available-for-sale financial assets

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

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

Unquoted equity instruments carried at cost

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

(ii) Financial Liabilities

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

3.4 Financial instrument (Cont'd)

(b) Financial guarantee contracts

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

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

(c) Regular way purchase or sale of financial assets

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

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

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

(d) Derecognition

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

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

(e) Offsetting of financial instruments

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

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

3.4 Financial instrument (Cont'd)

(f) Hedge accounting

Fair value hedge

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the reporting date is recognised in profit or loss. For a hedged item that is otherwise measured at cost, the gain or loss attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. For a hedged item categorised as available-forsale, the fair value gain or loss attributable to the hedged risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Cash flow hedge

In a cash flow hedge, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are transferred from equity and included in the initial amount of the asset or liability.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

Hedge of a net investment

In a net investment hedge, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

The cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost of assets, other than bearer plants, includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

Cost of bearer plants consists of plantation development costs incurred from the commencement of planting of oil palm seedlings up to the maturity of the crop cultivated. Capitalisation of plantation development and other operating costs ceases upon the commencement of commercial harvesting of the agricultural produce.

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

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

(b) Subsequent costs

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

When bearer plants reached the end of its useful life and is replanted, the carrying amount of the old bearer plants are derecognised.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

Land and building	2%
Furniture and fittings	10% - 20%
Computer hardware and software	10% - 20%
Electrical fittings and renovation	20%
Motor vehicles	20%
Payment hardware and software	10%
Terminals	20%

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

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

3.5 Property, plant and equipment (Cont'd)

(d) Derecognition

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

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

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

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

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

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

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

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

3.7 Other intangible assets

(a) Research and development costs

Research costs are recognised in profit or loss as incurred.

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

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the asset;

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

3.7 Other intangible assets (Cont'd)

(a) Research and development costs (Cont'd)

- it can be demonstrated how the intangible asset will generate future economic benefits;
- adequate resources to complete the development and to use or sell the intangible asset are available; and
- the expenditures attributable to the intangible asset during its development can be reliably measured.

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

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

(b) Licenses

Licenses acquired in a business combination are recognised at fair value at the acquisition date. The licenses have been acquired with the option to renew at little or no cost to the Group. As a result, those licenses are assessed as having an indefinite useful life.

(c) Amortisation

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

	Method	**Useful lives (years)**
Software development costs	Straight-line	5 - 10

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

3.8 Inventories

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

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

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

3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits. Cash and cash equivalents are presented net of bank overdrafts.

3.10 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries, associates and joint ventures) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

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

<u>Loans and receivables and held-to-maturity investments</u>

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

3.10 Impairment of assets (Cont'd)

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

Available-for-sale financial assets

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

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

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

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

Unquoted equity instruments carried at cost

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

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from customers for contract work, deferred tax assets, assets arising from employee benefits, investment properties measured at fair value, biological assets and non-current assets or disposal groups classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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

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

3.10 Impairment of assets (Cont'd)

(b) Impairment of non-financial assets (Cont'd)

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

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

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

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

3.11 Share capital

Ordinary shares

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

3.12 Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any transaction costs that are directly attributable are allocated to the liability and equity components in proportion to the allocated proceeds.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

3.13 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

3.14 Share-based payments

(a) Equity-settled share-based payment

The cost of equity-settled share-based payment is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

Equity-settled share-based payments with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted at the date the Company obtains the goods or the counterparty renders the service.

3.15 Provisions

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

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

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

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

3.16 Revenue Recognition

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:-

(a) Rental Income

Rental income from terminal rental is recognised on a straight line basis over the specific tenure of the respective leases.

(b) Software Development and Integration

Revenue from software development and integration are recognised based on project milestone.

(c) Services Rendered

Revenue from services rendered in respect of merchant acquisition services, payment services, software support, application and maintenance and Europay, Master Card and Visa ("EMV") card personalisation services is recognised in the profit or loss as and when services are rendered and accepted.

(d) Sales of Goods

Revenue from the sale of goods is measured at the fair value of the consideration receivable and is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(e) Interest Income

Interest income is recognised on an accrual basis.

3.17 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The benefit derived from a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.18 Income tax

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

(a) Current tax

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

3.18 Income tax (Cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

3.19 Operating segments

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

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

3.20 Fair value measurements

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

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

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

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

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

3.21 Contingencies

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

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

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Depreciation and useful lives of property, plant and equipment

The Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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

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

(c) Impairment of software development

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

This requires an estimation of the value-in-use of the assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of the cash flows.

(d) Useful lives of other intangible assets

The Group and the Company estimate the useful lives to amortise other intangible assets based on the future performance of the assets acquired and management's judgement of the period over which economic benefits will be derived from the assets. The estimated useful lives of other intangible assets are reviewed periodically, taking into consideration factors such as changes in technology. The amount and timing of recorded expenses for any period would be affected by changes in the estimates. A reduction in the estimated useful lives of the other intangible assets would increase the recorded expenses and decrease the non-current assets.

(e) Impairment of receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group 2015	Land and Building RM	Furniture and Fittings RM	Computer Hardware and Software RM	Electrical Fittings and Renovation RM	Motor Vehicles RM	Payment Hardware and Software RM	Terminals RM	Total RM
Cost								
At 1st January 2015	2,500,000	803,182	6,136,290	817,278	675,802	5,431,744	13,648,233	30,012,529
Additions	–	107,431	663,679	151,995	–	413,018	893,535	2,229,658
Disposals/write-offs	–	–	–	–	–	–	(903,741)	(903,741)
At 31st December 2015	2,500,000	910,613	6,799,969	969,273	675,802	5,844,762	13,638,027	31,338,446
Accumulated Depreciation								
At 1st January 2015	19,998	447,995	3,142,928	379,287	394,966	2,440,228	6,939,609	13,765,011
Depreciation for the financial year	20,000	61,686	723,682	122,732	98,592	205,206	1,890,327	3,122,225
Disposals/write-offs	–	–	–	–	–	–	(746,823)	(746,823)
Impairment loss	–	–	–	–	–	–	4,087,471	4,087,471
At 31st December 2015	39,998	509,681	3,866,610	502,019	493,558	2,645,434	12,170,584	20,227,884
Net Carrying Amounts								
At 31st December 2015	2,460,002	400,932	2,933,359	467,254	182,244	3,199,328	1,467,443	11,110,562

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Group 2014	Land and Building RM	Furniture and Fittings RM	Computer Hardware and Software RM	Electrical Fittings and Renovation RM	Motor Vehicles RM	Payment Hardware and Software RM	Terminals RM	Total RM
Cost								
At 1st January 2014	–	661,746	4,985,114	363,959	675,802	3,249,968	10,340,409	20,276,998
Additions	2,500,000	160,667	1,215,012	459,919	–	2,181,776	3,307,824	9,825,198
Disposals/write-offs	–	(19,231)	(63,836)	(6,600)	–	–	–	(89,667)
At 31st December 2014	2,500,000	803,182	6,136,290	817,278	675,802	5,431,744	13,648,233	30,012,529
Accumulated Depreciation								
At 1st January 2014	–	398,137	2,380,933	281,849	297,419	2,300,127	5,267,359	10,925,824
Depreciation for the financial year	19,998	55,357	795,824	100,460	97,547	140,101	1,672,250	2,881,537
Disposals/write-offs	–	(5,499)	(33,829)	(3,022)	–	–	–	(42,350)
At 31st December 2014	19,998	447,995	3,142,928	379,287	394,966	2,440,228	6,939,609	13,765,011
Net Carrying Amounts								
At 31st December 2014	2,480,002	355,187	2,993,362	437,991	280,836	2,991,516	6,708,624	16,247,518

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

Company	Computer Hardware and Software RM	Motor Vehicles RM	Furnitire and Fittings RM	Total RM
2015				
Cost				
At 1st January 2015	2,057	276,129	–	278,186
Additions	24,730	–	2,500	27,230
Disposals/write-offs	–	–	–	–
At 31st December 2015	26,787	276,129	2,500	305,416
Accumulated Depreciation				
At 1st January 2015	137	46,021	–	46,158
Depreciation for the financial year	2,967	55,226	156	58,349
Disposals/write-offs	–	–	–	–
At 31st December 2015	3,104	101,247	156	104,507
Net Carrying Amounts				
At 31st December 2015	23,683	174,882	2,344	200,909
2014				
Cost				
At 1st January 2014	–	276,129	–	276,129
Additions	2,057	–	–	2,057
Disposals/write-offs	–	–	–	–
At 31st December 2014	2,057	276,129	–	278,186
Accumulated Depreciation				
At 1st January 2014	–	18,409	–	18,409
Depreciation for the financial year	137	27,612	–	27,749
Disposals/write-offs	–	–	–	–
At 31st December 2014	137	46,021	–	46,158
Net Carrying Amounts				
At 31st December 2014	1,920	230,108	–	232,028

As at 31st December 2015, the net carrying amount of assets acquired under hire purchase arrangement was RM174,882/- (2014: RM230,108/-).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INVESTMENT IN SUBSIDIARIES

	Company 2015 RM	Company 2014 RM
Unquoted shares, at cost	14,033,215	13,727,315
Less: Allowance for impairment loss	(931,477)	(215,532)
	13,101,738	13,511,783

The details of the subsidiaries are as follows:-

Name of Company	Principal place of business/ country of incorporation	Effective Equity Interest 2015 %	Effective Equity Interest 2014 %	Principal Activities
Direct subsidiaries				
ManagePay Services Sdn. Bhd. ("MPSB")	Malaysia	100	100	(i) Software development business, marketing of computer software solution, telecommunication and hardware equipment, providing consultancy services in respect of e-commerce, e-business creation, management of web-site and providing maintenance services; and (ii) Provision of merchant acquisition services, deploy connectivity infrastructure and terminal equipment for electronic payment between merchants and financial institutions, provide Electronic Data Capture Point of Sales ("EDCPOS") terminals rentals to merchants.
ManagePay Technologies Sdn. Bhd. ("MTSB")	Malaysia	100	100	(i) Provision of consultancy services in respect of e-commerce, e-business creation, management of web-site, software development, marketing of computer software solution, telecommunication and hardware equipment and providing maintenance services; and (ii) Provision of merchant acquisition services, deploy connectivity infrastructure and terminal equipment for electronic payment between merchants and financial institutions, provide EDCPOS terminals rentals to merchants, hosting of customer loyalty programme for third party.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Principal place of business/ country of incorporation	Effective Equity Interest 2015 %	2014 %	Principal Activities
Direct subsidiaries				
ManagePay Marketing Sdn. Bhd. ("MMSB")	Malaysia	100	100	Provision of information technology services and consultation and outsource services, amongst others, the contracting of the card personalisation services and trading of electronic gadgets.
ManagePay Cards Sdn. Bhd. ("MCSB")	Malaysia	100	100	Deployment of connectivity infrastructure and terminal equipment (including card loyalty program) for electronic payment between merchants and financial institution.
ManagePay Innovation Sdn. Bhd. ("MISB")	Malaysia	100	100	Provision of consultancy services in respect of e-commerce, e-business creation and management of web-site.
ManagePay Resources Sdn. Bhd. ("MRSB")	Malaysia	100	100	Provision of outsource (including third party acquiring and processing services) and incubation services.
ManagePay International Pte Ltd ("MIPL") *	Singapore	100	–	Deploy electronic payment through mobile or integrated point of sales systems. To provide third party acquiring services
Subsidiary of MPSB				
ManagePay GTF Sdn. Bhd. ("MGTFSB")	Malaysia	50	50	Has not commenced operations. It intended business activity is to become an Approved Refund Agent ("ARA") under the Tourist Refund Scheme ("TRS") who will process and refund goods and services tax claims made by outbound tourist.

* *Not audited by Baker Tilly Monteiro Heng.*

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of Subsidiary

On 7 October 2015, the Company acquired 1 ordinary share of SGD 1 each from Mr. Chin Shea Fong (collectively referred to as "MIPL Vendors) representing the entire issued and paid-up share capital in MIPL for a total purchase consideration of SGD 1 satisfied by cash. MIPL is now a wholly-owned subsidiary company of the Company.

On 18 December 2015, the Company has subscribed the entire increase in paid up capital of MIPL for SGD100,000.

7. INTANGIBLE ASSETS

	Software development costs RM
Cost	
At 1st January 2014	9,179,247
Addition during the financial year	1,935,214
At 31st December 2014	11,114,461
Addition during the financial year	1,633,486
At 31st December 2015	12,747,947
Less: Accumulated Amortisation	
At 1st January 2014	3,774,010
Amortisation for the financial year	360,458
At 31st December 2014	4,134,468
Amortisation for the financial year	1,193,793
At 31st December 2015	5,328,261
Carrying Amounts	
At 31st December 2014	6,979,993
At 31st December 2015	7,419,686

Software development costs relates to development work carried out in developing software packages involve in payment e-commerce, card systems, third party acquiring, etc. Costs that are clearly associated with an identifiable and unique product which will be controlled by the Group and has a probable benefit exceeding the cost beyond one year are recognised as software development expenditure. Costs include salaries, reference materials, training and incidental costs specifically attributable to each project.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INVENTORIES

	Group 2015 RM	Group 2014 RM
At Cost		
Terminals and chip reader	618,069	4,361,390
At Net Realisable Value		
Gifts and consumables	768	–
	618,837	4,361,390

	Group 2015 RM	Group 2014 RM
Recognised profit or loss:		
Inventories recognised as cost of sales	512,051	277,207
Write down to net realisable value	3,125,126	–

9. TRADE RECEIVABLES

	Group 2015 RM	Group 2014 RM
Trade receivables	9,268,797	10,430,541
Less: Impairment loss	(239,158)	(111,848)
	9,029,639	10,318,693

(i) The Group's normal trade credit terms are generally 90 days (2014: 90 days). Other credit terms are assessed and approved on a case-to-case basis.

(ii) Included in trade receivables of the Group is an amount of RM7,666,000/- (2014: RM9,501,000/-) which due from a major trade receivable.

(iii) Ageing analysis on trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

	Group 2015 RM	Group 2014 RM
Neither past due nor impaired	815,670	6,784,533
Past due but not impaired:-		
- 1 - 30 days past due but not impaired	43,702	24,090
- 31 - 60 days past due but not impaired	5,069,725	3,510,070
- 61 - 90 days past due but not impaired	10,656	–
- 91 - 120 days past due but not impaired	2,958,420	–
- More than 120 days past due but not impaired	131,466	–
	8,213,969	3,534,160
Impaired	239,158	111,848
	9,268,797	10,430,541

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. TRADE RECEIVABLES (CONT'D)

(iii) Ageing analysis on trade receivables (Cont'd)

Receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group use ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables of the Group that are past due but not impaired are generally unsecured in nature. The Group closely monitors the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the impairment used to record the impairment are as follows:-

	Group	
	2015 **RM**	**2014** **RM**
Individually impaired		
Trade receivables - nominal amounts	239,158	111,848
Less: Impairment loss	(239,158)	(111,848)
	–	–

Movement in impairment:-

	Group	
	2015 **RM**	**2014** **RM**
At 1st January	111,848	151,494
Add: Addition during the financial year	127,310	–
Less: Written off	–	(39,646)
At 31st December	239,158	111,848

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

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	1,362,866	983,085	22,902	–
Deposits	2,623,449	504,373	588,326	402,200
Prepayments	378,489	16,391	164,240	1,100
	4,364,804	1,503,849	775,468	403,300

11. AMOUNT DUE FROM/(TO) SUBSIDIARIES

The amount due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

12. SHORT TERM FUNDS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At fair value through profit or loss				
Investment in cash and income management funds in Malaysia	47,269,403	–	21,124,620	–

13. SHARE CAPITAL AND SHARE PREMIUM

(a) Share Capital

	Group and Company			
	2015		2014	
	Number of Shares unit	RM	Number of Shares unit	RM
Ordinary shares of RM0.10/- each				
Authorised:-				
At 1st January/ 31st December	2,500,000,000	250,000,000	2,500,000,000	250,000,000
Issued and fully paid:-				
At 1st January	402,668,580	40,266,858	366,062,380	36,606,238
Issuance of shares via private placement	130,293,200	13,029,320	36,606,200	3,660,620
Exercise of Warrant	177,503,800	17,750,380	–	–
At 31st December	710,465,580	71,046,558	402,668,580	40,266,858

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. SHARE CAPITAL AND SHARE PREMIUM (CONT'D)

(a) Share Capital (Cont'd)

During the year, the Company increased its issued and paid up share capital from RM40,266,858/- to RM71,046,558/- by way of Private Placement ("Placement Shares") of 130,293,200 new ordinary shares of RM0.10/- each at an issue price of RM0.23 per share for capital expenditure and other operating expenses relating to the development of a new payment system ("e-Money Project") and by way exercise of Warrant ("Warrant Shares") of 177,503,800 new ordinary shares of RM0.10/- each at an exercise price of RM0.20 per share for capital expenditure and other operating expenses relating to Payment Technology.

The Placement Shares and Warrant Shares rank pari passu in all respects with the existing issued and fully paid up ordinary shares of RM0.10/- each in the Company except that they shall not entitled to any dividend, right, allotment and/or other distribution that may be declared, made or paid prior to the date of allotment and issuance of the Placement Shares and Warrant Shares.

(b) Share Premium

	Group and Company	
	2015 RM	2014 RM
At 1st January	6,506,227	4,484,833
Premium arising from:-		
Issuance of shares via private placement	16,938,116	2,021,394
Exercise of Warrant	17,750,380	–
At 31st December	41,194,723	6,506,227

14. WARRANT RESERVES

On 7th August 2012, the Company increased its issues and paid up share capital from RM18,303,119/- to RM36,606,238/- by way of renounceable rights issue of 183,031,190 new ordinary share of RM0.10/- shares each together with 183,031,190 free new detachable warrants at an issue price of RM0.12/- per rights shares on the basis of one right share together with one free warrant for every one existing ordinary share of RM0.10/- each.

The Company had recognised the value of the warrants by debiting the other reserves account and crediting the same amount in full to the warrant reserves.

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

Fair value of warrant at a day prior to the listing date (9th August 2012)	:	RM0.055/-
Share price on the day prior to the listing date (9th August 2012)	:	RM0.135/-
Exercise price	:	RM0.20/-
Expiry date	:	6th August 2015 (3 years)
Volatility	:	74.82%
Dividend	:	No dividend
Risk free interest rate	:	3.434% per annum

The subscription rights of the warrants had expired on the 6 August 2015 and subsequently removed from the official list of Bursa Securities on 7 August 2015.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. OTHER RESERVES

Other reserves shall be set off against the warrant reserves upon the full exercise or expiry of the warrants.

16. HIRE PURCHASE PAYABLES

	Group and Company 2015 RM	2014 RM
Future minimum hire purchase payments		
- not later than one year	38,941	38,941
- later than one year and not later than five years	64,902	103,843
	103,843	142,784
Future finance charges	(5,974)	(11,201)
Present value of hire purchase liabilities	97,869	131,583
Represented by:-		
Current liabilities		
- not later than one year	35,343	33,714
Non-current liabilities		
- later than one year and not later than five years	62,526	97,869
	97,869	131,583

17. DEFERRED TAX LIABILITIES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1st January	1,003,600	935,006	5,897	2,500
Recognised in profit or loss during the financial year (Note 24)	(95,028)	68,594	(3,386)	3,397
At 31st December	908,572	1,003,600	2,511	5,897

18. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The normal trade credit term granted to the Group ranges from 60 days to 90 days (2014: 60 days to 90 days).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other payables	1,522,241	1,456,646	271,408	164,651
Deposits	171,528	164,290	–	–
Accruals	271,553	131,354	67,500	55,000
Deferred income	70,339	–	–	–
	2,035,661	1,752,290	338,908	219,651

Included in other payables of the Group is an amount payable for merchants proceeds amounting to RM1,228,475/- (2014: RM1,142,661/-).

Deferred income represents the grant receivable from the government.

20. REVENUE

	Group	
	2015 RM	2014 RM
Payment Services	8,478,804	10,245,001
Non-payment Services	264,153	339,121
	8,742,957	10,584,122

21. FINANCE COSTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest expenses:-				
- bank overdrafts	–	13,754	–	–
- hire purchase liabilities	5,227	6,857	5,227	6,857
	5,227	20,611	5,227	6,857

22. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation has been arrived at:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
After charging:-				
Amortisation of software development	1,193,793	360,458	–	–
Auditor's remuneration:				
- Statutory				
- current year	131,300	118,000	58,500	55,000
- Non Statutory	9,000	8,000	9,000	8,000
Bad debt written off	1,628	–	–	–
Depreciation of property, plant and equipment	3,122,225	2,881,537	58,349	27,749
Deposits written off	–	91,205	–	87,380
Directors of the Company				
- fees	128,160	68,400	93,600	44,400
- salaries, bonuses and allowances	632,511	437,848	281,579	193,976
- defined contribution plans	50,100	34,200	14,676	13,672
Impairment loss on amount owing by subsidiaries	–	–	4,703,445	–
Impairment loss on investment in subsidiaries	–	–	715,945	–
Impairment loss on property, plant and equipment	4,087,471	–	–	–
Impairment loss on trade receivables	127,310	–	–	–
Property, plant and equipment written off	156,918	784	–	–
Staff costs:-				
- salaries, bonuses and allowances	3,065,461	2,274,891	1,314,039	987,646
- defined contribution plans	363,036	231,617	119,211	91,897
- social security contribution	31,366	20,819	8,592	5,169
- wages	–	9,662	–	–
- other staff related expenses	60,338	52,337	–	4,037
Unrealised loss on foreign exchange	113,743	–	–	–
Rental expenses:-				
- premises	217,900	132,400	51,500	48,000
- others	–	18,060	–	–
Write-down of inventories to net realisable value	3,125,126	–	–	–
And crediting:-				
Income from short term funds	731,135	–	120,931	–
Gain on disposal of property, plant and equipment	–	14,887	–	–
Gain on foreign exchange:				
- realised	49,264	14,690	113,596	14,690
- unrealised	–	1,453	21,175	–
Interest income	1,223,323	484,003	1,141,863	474,147

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. DIRECTORS' REMUNERATION

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors of the Company				
Executive Directors:-				
- fees	58,560	24,000	24,000	–
- salaries, bonuses and allowances	528,111	332,304	177,179	127,376
- defined contribution plans	50,100	34,200	14,676	13,672
	636,771	390,504	215,855	141,048
Non-Executive Directors:-				
- fees	69,600	44,400	69,600	44,400
- allowances	104,400	105,544	104,400	66,600
	174,000	149,944	174,000	111,000
Total directors' remuneration	810,771	540,448	389,855	252,048

24. TAXATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Income tax				
- current year	(427,350)	(1,169,008)	–	(20,324)
- over/(under) provision in prior year	225,641	(51,866)	(3,858)	(837)
	(201,709)	(1,220,874)	(3,858)	(21,161)
Deferred taxation (Note 17)				
- current year	176,575	(67,296)	3,150	(1,730)
- (under)/over provision in prior year	(81,547)	(1,298)	236	(1,667)
	95,028	(68,594)	3,386	(3,397)
	(106,681)	(1,289,468)	(472)	(24,558)

The income tax is calculated at the statutory tax rate of 25% of the estimated taxable profit for the fiscal year.

24. TAXATION (CONT'D)

ManagePay Technologies Sdn. Bhd., a wholly-owned subsidiary, was granted pioneer status by Multimedia Super Corridor Status ("MSC Status") under the provisions of the Promotion of Investments Act, 1986 in Malaysia for a period of 10 years or an investment tax allowance for up to five years and no duties on the importation of multimedia equipment. By virtue of this pioneer status, certain statutory income of the subsidiary's pioneer activities during the pioneer period is exempted from income tax.

The reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
(Loss)/Profit before taxation	(10,955,318)	2,580,944	(6,514,001)	(456,558)
Taxation at applicable tax rate of 25%	2,738,830	(645,236)	1,628,500	114,140
Tax effects arising from:-				
- non-deductible expenses	(2,287,267)	(494,464)	(1,625,218)	(136,194)
- non-taxable income	106	–	–	–
- deferred tax liabilities recognised in different tax rate	(35,161)	–	–	–
- reversal of deferred tax assets not recognised in the financial statements	(667,283)	(96,604)	(132)	–
- over/(under) provision in prior years	144,094	(53,164)	(3,622)	(2,504)
	(106,681)	(1,289,468)	(472)	(24,558)

Deferred tax assets have not been recognised for the following items:-

	Group	
	2015 RM	**2014 RM**
Deductible temporary differences	(439,145)	(8,277)
Unutilised tax losses	(2,916,055)	(566,576)
	(3,355,200)	(574,853)
Potential deferred tax assets not recognised at 24%	(805,248)	(137,965)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per ordinary share

Basic (loss)/earnings per ordinary share is calculated by dividing the profit for the financial year attributable to the owners of the Company by the weighted average number of ordinary shares in issued during the financial year.

	Group 2015 RM	Group 2014 RM
(Loss)/Profit for the financial year attributable to owners of the Company	(11,059,277)	1,294,570
Weighted average number of shares	535,272,708	395,547,922
Basic (loss)/earnings per ordinary share (sen)	(2.07)	0.33

(b) Diluted (loss)/earnings per ordinary share

Diluted (loss)/earnings per share amounts are calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group 2015 RM	Group 2014 RM
(Loss)/Profit for the financial year attributable to owners of the Company	(11,059,277)	1,294,570
Weighted average number of shares	535,272,708	395,547,922
Effect of dilution for: Convertible warrants	–	151,627,118
	535,272,708	547,175,040
Diluted (loss)/earnings per ordinary share (sen)	(2.07)	0.24

26. SIGNIFICANT RELATED PARTY DISCLOSURE

(a) Identification of related parties

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

The Company has a related party relationship with:-

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

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

(iii) close members of the family of a directors.

(b) Significant related party transactions

During the financial year under review, the significant related party transactions were as follows:-

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Management fee charged to subsidiaries	–	–	(352,000)	(352,000)
Technical fee charged to subsidiaries	–	–	–	(300,000)
Office rental charged by a director	155,100	120,000	51,500	48,000
Office rental charged by persons related to a director	61,100	57,600	–	–
Acquisition of ordinary shares of subsidiaries from a director and person related to a director	3	–	3	–
Sales of goods to a company related to a directors	(763,748)	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. SIGNIFICANT RELATED PARTY DISCLOSURE (CONT'D)

(c) Key management personnel compensation

Key management personnel compensation, which includes director's remuneration as disclosed in Note 23, are as follows:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short term employees benefits	2,801,785	2,369,596	969,567	844,963
Post-employment benefits	272,828	239,832	83,594	68,042
	3,074,613	2,609,428	1,053,161	913,005

Key management personnel comprise persons including the directors and members of senior management team of the Company, having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

27. BANK GUARANTEE

	Company	
	2015 RM	2014 RM
Unsecured		
Bank guarantee for a subsidiary in respect of:-		
- performance of contract	100,000	100,000

28. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Board of directors/respective Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their payment services and non-payment services provided.

The Group's operating segments are classified according to the nature of activities as follows:-

Payment services : Involved in terminal services, third party acquiring, payment services, business outsourcing services and loyalty management services.

Non-payment services : Involved in the software security, Information Communications and Technology (ICT) services and trading of gadgets.

<u>Measurement of Reportable Segments</u>

Segmental information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Transactions between reportable segments are measured on the basis that is similar to those external customers.

Segment profit or loss is profit earned or loss incurred by each segment without allocation of income tax expense, which is managed on a group basis.

All the Group's assets and liabilities are allocated to reportable segments other than current and deferred tax assets and liabilities.

28. OPERATING SEGMENTS (CONT'D)

Group 2015	Payment Services RM	Non-payment Services RM	Total RM
REVENUE	8,478,805	264,152	8,742,957
RESULTS			
Segment operating results	3,722,891	247,987	3,970,878
Other unallocated income			2,458,892
Unallocated corporate expenses			(17,379,861)
Finance costs			(5,227)
Loss before taxation			(10,955,318)
Taxation			(106,681)
Loss after taxation			(11,061,999)
Non-controlling interest			2,722
Loss attributable to owners of the Company			(11,059,277)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Segment assets #	24,355,310	1,110,661	25,465,971
Tax assets			25,152
Unallocated corporate assets			83,876,109
Total assets			109,367,232
Segment liabilities ^	265,587	–	265,587
Tax liabilities			1,313,922
Unallocated corporate liabilities			1,990,064
Total liabilities			3,569,573
OTHER INFORMATION			
Capital expenditure	3,408,320	248,078	3,656,398
Depreciation and amortisation	4,119,991	196,027	4,316,018
Impairment loss on property, plant and equipment	4,087,471	–	4,087,471
Property, plan and equipment written off	156,918	–	156,918

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. OPERATING SEGMENTS (CONT'D)

Group 2014	Payment Services RM	Non-payment Services RM	Total RM
REVENUE	10,245,001	339,121	10,584,122
RESULTS			
Segment operating results	7,958,335	274,863	8,233,198
Other unallocated income			1,004,349
Unallocated corporate expenses			(6,635,992)
Finance costs			(20,611)
Profit before taxation			2,580,944
Taxation			(1,289,468)
Profit after taxation			1,291,476
Non-controlling interest			3,094
Profit attributable to owners of the Company			1,294,570
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Segment assets #	37,502,294	447,271	37,949,565
Tax assets			6,364
Unallocated corporate assets			17,628,043
Total assets			55,583,972
Segment liabilities ^	127,522	–	127,522
Tax liabilities			2,181,115
Unallocated corporate liabilities			1,883,873
Total liabilities			4,192,510
OTHER INFORMATION			
Capital expenditure	9,817,585	10,807	9,828,392
Depreciation and amortisation	3,061,996	179,999	3,241,995
Deposit written off	91,205	–	91,205
Property, plan and equipment written off	47,317	–	47,317

\# Segment assets comprise total current and non-current assets, less tax recoverable.

^ Segment liabilities comprise total current and non-current liabilities, less tax payable and deferred tax liabilities.

Geographical Information

The Group operates principally in Malaysia and has not ventured into any operations outside Malaysia during the financial year.

29. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

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

	2015 RM	2014 RM
Group		
Financial Assets:		
Loan and receivables		
Trade receivables	9,029,639	10,318,693
Other receivables and deposits	3,986,315	1,487,458
Short term funds	47,269,403	–
Fixed deposits placed with licensed banks	23,940,445	13,780,440
Cash and bank balances	5,588,704	2,385,725
Total financial assets	89,814,506	27,972,316
Financial Liabilities:		
At amortised cost		
Trade payables	122,122	127,522
Other payables and accruals	1,864,133	1,588,000
Hire purchase payables	97,869	131,583
Total financial liabilities	2,084,124	1,847,105
Company		
Financial Assets:		
Loan and receivables		
Other receivables and deposits	611,228	402,200
Amount due from subsidiaries	45,157,915	22,218,721
Short term funds	21,124,620	–
Fixed deposits placed with licensed banks	22,880,483	12,780,440
Cash and bank balances	756,900	453,855
Total financial assets	90,531,146	35,855,216
Financial Liabilities:		
At amortised cost		
Other payables and accruals	338,908	219,651
Amount owing to subsidiaries	–	4,619,160
Hire purchase payables	97,869	131,583
Total financial liabilities	436,777	4,970,394

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value measurement

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

Fair value of quoted equity instrument is determined directly by reference to their published market bid price at the reporting date.

There have been no transfers between Level 1 and Level 2 during the financial year.

The table below analyses financial instruments carried at fair value shown in the statement of financial position.

		Fair value of financial instruments carried at fair value			
2015	**Carrying mount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Group	**RM**	**RM**	**RM**	**RM**	**RM**
Financial Assets					
Short term funds	47,269,403	–	47,269,403	–	47,269,403
Company					
Financial Assets					
Short term funds	21,124,620	–	21,124,620	–	21,124,620

(c) Financial risk management

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

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

(i) Credit risk

Trade and other receivables

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

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

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Trade and other receivables (Cont'd)

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

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

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

Credit risk concentration profile

As at the reporting date, there was no significant concentration of credit risk other than a major trade receivables with total outstanding amount of RM7,666,000/- (2014: RM9,501,000/-).

Other receivables

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

(ii) Liquidity risk

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

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(ii) Liquidity risk (Cont'd)

Maturity analysis

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

		Contractual undiscounted cash flows			
2015 Group Financial Liabilities	**Carrying amount RM**	**On Demand or Within 1 Year RM**	**1 - 5 Years RM**	**More than 5 Years RM**	**Total RM**
Trade payables	122,122	122,122	–	–	122,122
Other payables, accruals and deposits	2,035,661	2,035,661	–	–	2,035,661
Hire purchase payables	97,869	38,941	64,902	–	103,843
	2,255,652	2,196,724	64,902	–	2,261,626
2015 Company Financial Liabilities					
Other payables, accruals and deposits	338,908	338,908	–	–	338,908
Amount due to subsidiaries	–	–	–	–	–
Hire purchase payables	97,869	38,941	64,902	–	103,843
	436,777	377,849	64,902	–	442,751
2014 Group Financial Liabilities					
Trade payables	127,522	127,522	–	–	127,522
Other payables, accruals and deposits	1,752,290	1,752,290	–	–	1,752,290
Hire purchase payables	131,583	38,941	103,843	–	142,784
	2,011,395	1,918,753	103,843	–	2,022,596
Company Financial Liabilities					
Other payables, accruals and deposits	219,651	219,651	–	–	219,651
Amount due to subsidiaries	4,619,160	4,619,160	–	–	4,619,160
Hire purchase payables	131,583	38,941	103,843	–	142,784
	4,970,394	4,877,752	103,843	–	4,981,595

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(iii) Foreign currency risk

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

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. The Group's and the Company's policy is to hedge all material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current account in foreign currencies.

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

	2015	2014
Group	**USD**	**USD**
Financial Assets:		
Trade receivables	34,451	34,451
Other receivables and deposits	1,931,400	–
Cash and bank balances	2,044,498	5,939
	4,010,349	40,390
Financial Liabilities:		
Trade payables	98,442	98,442
	98,442	98,442
Company		
Financial Assets:		
Cash and bank balances	101,085	4,731
Total financial assets	101,085	4,731

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(iii) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The Group's and the Company's principal foreign currency exposure relates mainly to United States Dollar ("USD").

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

	Increase / (Decrease)			
	Strengthen (15%)		Weaken (15%)	
	2015 RM	2014 RM	2015 RM	2014 RM
Group's net loss				
US Dollar	(586,786)	8,708	586,786	(8,708)

	Increase / (Decrease)			
	Strengthen (15%)		Weaken (15%)	
	2015 RM	2014 RM	2015 RM	2014 RM
Company's net loss				
US Dollar	15,163	710	(15,163)	(710)

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rate available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

The Group is not exposed to significant interest rate risk as the interest-bearing financial instruments other than fixed deposits with financial institutions carry fixed interest rate and are measured at amortised cost. As such, sensitivity analysis is not presented.

30. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

The Group and the Company manage their capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

The Group and the Company monitor the level of dividends to be paid to shareholders. The Group's and the Company's objective are to pay out regular dividends to the shareholders based on the level of the Group's profitability and cash flows.

The capital structure of the Group and of the Company consists of equity attributable to the owner of the Group and of the Company, comprising share capital, retained earnings and total liabilities.

The debt-to-equity ratio is as follows:-

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Total liabilities	3,569,573	4,192,510	439,288	4,976,291
Equity attributable to the owner of the Company	105,797,659	51,391,462	103,583,897	44,630,174
Debt-to-equity ratio	3%	8%	0%	11%

31. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

(a) Multimedia Development Corporation Sdn. Bhd. Product Development & Commercialisation Grant

On 15th January 2015, the Company announced that they received a Letter of Offer from Multimedia Development Corporation Sdn Bhd ("MDeC") to grant ManagePay Technologies Sdn. Bhd., a wholly-owned subsidiary of the Company, in relation to the MPAY Collection on Delivery (COD) Solutions and Services ("COD Project") for a maximum sum RM749,185/-.

The purpose of the grant is to develop and commercialise COD Project which is designed to support the growth of e-commerce in Malaysia. It allows the sale of goods by mail or online order where credit cards or debit cards payment is made via MPAY Mobile POS on delivery rather than in advance. If the goods are not paid for, they are returned to the retailer.

(b) Approval for Issuing Designated Payment Instrument from Bank Negara Malaysia

The Company had on 24th February 2015 announced receipt of Letter of Approval ("LOA") from Bank Negara Malaysia ("BNM") by ManagePay Services Sdn. Bhd. ("MPSB"), a wholly-owned subsidiary of the Company, in relation to the approval for issuing designated payment instrument.

In the said LOA, MPSB is to issue electronic money (e-money) via the proposed online wallet ("MPAY Balance") and prepaid card ("MPAY MasterCard"). The MPAY Balance and MPAY MasterCard comes with a respective wallet limit of RM10,000/- per account holder.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR (CONT'D)

(c) Private Placement

On 25 March 2015, the Company proposed to undertake a Private Placement which will entail the issuance of new ordinary shares of RM0.10 each in the Company ("MPay Share(s)" or "Share(s)"), of up to thirty percent (30%) of the issued and paid-up share capital of the Company ("Placement Shares") to third (3rd) party investor(s) to be identified later.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement would depend on the issued and paid-up share capital of the Company, after taking into consideration the number of outstanding Warrants being exercised prior to the implementation of the Proposed Private Placement.

The Placement Shares shall, upon allotment and issue, rank pari passu in all respects with the existing MPay Shares except that the holder of the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Placement Shares and the Placement Shares will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.

The necessary application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

The net proceeds of the Private Placement is to be utilised for capital expenditure, capital fund requirement and working capital in the MPAY Issuer Project.

(d) Warrant 2012/2015

As stated in Note 14 to the financial statements, the subscription rights of the warrants had expired on the 6 August 2015 and subsequently removed from the official list of Bursa Securities on 7 August 2015.

Total Warrant Issued	183,031,190
Total Warrant Exercised	177,503,800
Total Warrant Unexercised	5,527,390

32. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

(a) Acquisition of 29.50% equity interests in Trustgate Berhad.

The Company had on 20 January 2016 purchase of 8,849,997 ordinary shares of RM0.10 each in Trustgate Berhad ("Trustgate"), representing 29.50% equity interest in Trustgate for a total cash consideration of RM1,800,000/- and Trustgate become associate company of the Company thereof.

MSC Trustgate.Com Sdn. Bhd., 94.43% owned subsidiary of Trustgate, being one of only three licensed Certificate Authorities approved by Malaysian Communications and Multimedia Commission ("MCMC"), has been in the business of providing Cyber Security products and services for more than 10 years in Malaysia and has established strong clientele which includes major financial institutions in Malaysia. The Acquisition will enable the Company to tap into a trusted and proven platform for securing Iot devices and infrastructure in Malaysia for the near future. In addition to providing the Group with additional revenue source, the Acquisition will enable the Group to derive business synergies through the cross selling and bundling of product offerings. The Acquisition will enable the Company to offer its existing customers a proven security product solution to preserve the integrity of the clients' data and infrastructure. At the same time it allows access to the SSL enterprise customers' base of MSC Trustgate for cross-selling of online payment gateway services as well as bank customers for the cross-selling of payment and finance technologies (Fintech) of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25th March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.07 and 2.23 of Bursa Malaysia ACE Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained profits or accumulated losses of the Group and the Company as at 31st December 2015 are as follows:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
The retained profits/(accumulated losses) of the Group and of the Company:-				
- Realised	3,634,740	14,901,755	(8,764,116)	(1,221,673)
- Unrealised	(795,862)	(1,003,600)	106,732	(921,238)
	2,838,878	13,898,155	(8,657,384)	(2,142,911)
Add: Consolidation adjustments	(9,277,684)	(9,277,684)	–	–
	(6,438,806)	4,620,471	(8,657,384)	(2,142,911)

The determination of realised and unrealised profits is complied based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

STATEMENT BY DIRECTORS

We, **DATO' DR. MOHD AMINUDDIN BIN MOHD ROUSE** and **CHEW CHEE SENG**, being two of the Directors of **ManagePay Systems Berhad**, do hereby state that in the opinion of the Directors, the financial statements set out on pages 37 to 96 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2015 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out on page 97 to the financial statements have been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

DATO' DR. MOHD AMINUDDIN BIN MOHD ROUSE
Director

CHEW CHEE SENG
Director

Kuala Lumpur

Date: 8th April 2016

STATUTORY DECLARATION

I, **NG WEE KANG**, being the officer primarily responsible for the financial management of **ManagePay Systems Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements 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 in Malaysia.

NG WEE KANG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 8th April 2016.

Before me,

ZULKIFLA MOHD DAHLIM (W541)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
to the members of ManagePay Systems Berhad

Report on the Financial Statements

We have audited the financial statements of ManagePay Systems Berhad, which comprise the statements of financial position as at 31st December 2015 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 96.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

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

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT (cont'd)

Other Reporting Responsibilities

The supplementary information set out in page 97 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

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

Kuala Lumpur
Date: 8th April 2016

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2016

Authorised Share Capital	:	RM250,000,000.00
Issued and Paid-Up Share Capital	:	RM71,046,558.00
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote per share

Size of Shareholdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares held	% of Issued Capital
Less than 100	7	0.18	126	0.00
100 to 1,000	199	5.06	127,200	0.02
1,001 to 10,000	1,035	26.31	7,460,100	1.05
10,001 to 100,000	2,105	53.51	87,759,400	12.35
100,001 to 35,523,278 (*)	585	14.87	479,114,916	67.44
35,523,279 (**) and above	3	0.07	136,003,838	19.14
TOTAL	3,934	100.00	710,465,580	100.00

Remark: * - Less than 5% of issued shares
** - 5% and above of issued shares

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER PURSUANT TO THE COMPANIES ACT, 1965 AS AT 31 MARCH 2016

	No. of Shares			
	Direct		Indirect	
Name	**No. of Shares Held**	**% of Issued Capital**	**No. of Shares Held**	**% of Issued Capital**
Dato' Dr Mohd Aminuddin Bin Mohd Rouse	300,000	0.04	735,000[2]	0.10
Chew Chee Seng	136,003,838	19.14	150,000[1]	0.02
Cheong Chee Yun	–	–	–	–
Dato' Mohamad Kamarudin Bin Hassan	–	–	–	–
Chin Shea Fong	35,080,516	4.94		

Note:

1. *Deemed interested in the shares held by sister, Chew Lean Mei pursuant to Section 6A of the Companies Act, 1965.*

2. *Deemed interested in the shares held by his daughter, Wan Irnada Tiara Bt Mohd Aminuddin pursuant to Section 6A of the companies Act, 1965.*

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

	Direct		Indirect	
Name	**No. of Shares Held**	**% of Issued Capital**	**No. of Shares Held**	**% of Issued Capital**
Chew Chee Seng	136,003,838	19.14	150,000[1]	0.02

Note:

1. *Deemed interested in the shares held by sister, Chew Lean Mei pursuant to Section 6A of the Companies Act, 1965.*

THIRTY LARGEST SHAREHOLDERS
as at 31 March 2016

	Name of Shareholders	No. of Shares	% of Issued Capital
1.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW CHEE SENG	56,000,000	7.88
2.	CHEW CHEE SENG	40,003,838	5.63
3.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW CHEE SENG	40,000,000	5.63
4.	REDGIANT ANALYTICS ASIA SDN BHD	26,466,800	3.73
5.	SOON KIAN HENG	23,026,400	3.24
6.	CHIN CHEE THOY	20,000,000	2.82
7.	YAU AH LAN @ FARA YVONNE	20,000,000	2.82
8.	CHIN SHEA FONG	19,600,254	2.76
9.	CARTABAN NOMINEES (TEMPATAN) SDN BHD (RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND)	16,400,000	2.31
10.	TAN ENG PING	16,324,800	2.30
11.	ANDREW CHIA WEI JUN	12,000,000	1.69
12.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD (CIMB COMMERCE TRUSTEE BERHAD – KENANGA GROWTH FUND)	11,323,700	1.59
13.	CHIN SHEA FONG	10,480,262	1.47
14.	CITIGROUP NOMINEES (ASING) SDN BHD (EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED)	9,950,000	1.40
15.	HSBC NOMINEES (TEMPATAN) SDN BHD (HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT ASIA)	9,500,000	1.34
16.	LING SWEE LEONG (LIN RUILONG)	8,244,200	1.16
17.	CHU HONG KEONG	8,000,000	1.13
18.	CONNECT IOT SDN BHD	7,490,000	1.05
19.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA EN TET JOSEPH	7,300,000	1.03
20.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH TAI CHEONG @ CHIN TAI CHEONG	7,200,000	1.01
21.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SIEW CHAN	7,000,000	0.99
22.	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KAI WUN ROBIN	5,360,000	0.75
23.	LIM THENG SIAN	5,306,000	0.75
24.	CARTABAN NOMINEES (TEMPATAN) SDN BHD (RHB TRUSTEES BERHAD FOR KAF VISION FUND)	5,000,000	0.70
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN SHEA FONG	5,000,000	0.70
26.	LEE JONG WENG	4,495,800	0.63
27.	LOH YUEN WENG	3,416,800	0.48
28.	HITI HOLDINGS SDN BHD	3,000,000	0.42
29.	NG YEW CHOY	2,751,600	0.39
30.	LIM TENG HOOI	2,550,000	0.36
	TOTAL	413,190,454	58.16

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be convened and held at Poolside Cove, Sunway Lagoon Club, No. 3, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 27 May 2016 at 9.30 a.m..

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and the Auditors thereon. (Note 8)

2. To approve the payment of Directors' fees for the financial year ending 31 December 2016. Ordinary Resolution 1

3. To re-elect Mr Cheong Chee Yun who is retiring pursuant to Article 77 of the Articles of Association of the Company. Ordinary Resolution 2

4. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129 of the Companies Act, 1965:-

   "That Dato' Dr Mohd Aminuddin Bin Mohd Rouse, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." Ordinary Resolution 3

5. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. Ordinary Resolution 4

As Special Business

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

6. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES**

   "That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting 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 to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue." Ordinary Resolution 5

7. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

   "That subject to the provisions of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 29 April 2016, which are necessary for the day-to-day operations; and are undertaken in the ordinary course of business of the Company and its subsidiaries, on arms length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

That such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Proposed Shareholders' Mandate is passed, at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM;

(ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the "Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

And that the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate." Ordinary Resolution 6

8. PROPOSED GRANTING OF OPTIONS TO CHIN SHEA FONG, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR, UNDER THE EMPLOYEES' SHARE OPTION SCHEME ("ESOS") OF THE COMPANY

"THAT pursuant to the ESOS of the Company approved by the shareholders of the Company at the Extraordinary General Meeting held on 18 June 2014, the Board of Directors be and is hereby authorised at any time, and from time to time, during the existence of the ESOS to offer and grant to Chin Shea Fong, Non-Independent Non-Executive Director of the Company, options to subscribe for new ordinary shares of RM0.10 each in the Company ("MPay Shares") under the ESOS subject always to the following provisions:-

(a) the Directors and senior management must not participate in the deliberation or discussion of their own allocation of new MPay Shares to be issued under the ESOS;

(b) not more than ten percent (10%) of the MPay Shares available under the ESOS shall be allocated to any Director or employee, who either singly or collectively through persons connected with such Director or employee, holds twenty percent (20%) or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company; and

also subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the ESOS and any prevailing guidelines issued by Bursa Malaysia Securities Berhad ("Bursa Securities"), the ACE Market Listing Requirements of Bursa Securities or any other relevant authorities as amended from time to time.

AND THAT the Directors of the Company be and are hereby authorised to issue and allot such number of new MPay Shares to him pursuant to the exercise of such options." Ordinary Resolution 7

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
CHAN SU SAN (MAICSA 6000622)
Company Secretaries

Selangor Darul Ehsan

Date: 29 April 2016

Notes:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead at the same meeting. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

2. *Where a member of the Company appoints two (2) proxies, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointments shall be invalid.*

3. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. *If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.*

5. *The instrument appointing a proxy shall be signed by the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*

6. *The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power of attorney or authority, shall be deposited at the Company's Share Registrar's Office at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available a Record of Depositors as at 20 May 2016 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.*

8. *The Audited Financial Statements in Agenda 1 is meant for discussion only as approval from shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda is not put forward for voting by shareholders of the Company.*

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

EXPLANATORY NOTES ON SPECIAL BUSINESS

9. Ordinary Resolution 5
Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares

The Company had, during its Fifth Annual General Meeting ("AGM") held on 26 June 2015, obtained its shareholders' approval for the general mandate ("General Mandate"), for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act") which will lapse at the conclusion of the Sixth AGM. The Company did not issue any shares pursuant to this mandate obtained.

Ordinary Resolution 5 proposed under item 6 of the Agenda, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The authority will provide flexibility to the Company for any fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s) or undertaking(s), working capital and/or acquisitions.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares pursuant to this mandate, the Company will make an announcement in respect thereof.

10. Ordinary Resolution 6
Proposed Shareholders' Mandate

The Ordinary Resolution 6 proposed under item 7 of the Agenda, if passed, will benefit the Company by facilitating the Company and its subsidiaries to enter into transactions with Related Parties specified in Section 2.3 of the Circular to Shareholders dated 29 April 2016 in the ordinary course of the Group's business on commercial terms, in a timely manner and will enable the Group to continue to carry out recurrent related party transactions necessary for the Group's day-to-day operations.

Details of the Proposed Shareholders' Mandate are set out in the Circular to Shareholders dated 29 April 2016 which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2015.

11. Ordinary Resolution 7
Proposed Granting of ESOS Options to Chin Shea Fong, a Non-Independent Non-Executive Director

In accordance with the ACE Market Listing Requirements of Bursa Securities, Ordinary Resolution 7 is to seek shareholders' approval for the Company to offer and grant ESOS options to Chin Shea Fong, a Non-Independent Non-Executive Director of the Company to participate in the ESOS in accordance with the By-Laws of the ESOS.

Mr Chin Shea Fong, being an interested party in the resolution shall abstain from deliberation and voting in respect of his direct and indirect shareholdings in the Company on this resolution. He will also ensure that persons connected to him will abstain from voting on their direct and/or indirect shareholdings in the Company, if any, on this resolution.

MP@y™

MANAGEPAY SYSTEMS BERHAD
(Company No.: 887689-D)

CDS account no.

PROXY FORM

I/We ....

NRIC/Company No. ....

of ....

being a member of the Company, hereby appoint ....

NRIC No./Passport No. ....

of ....

or failing whom, ...

NRIC No./Passport No. ....

of ....

or failing him/her *the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Sixth Annual General Meeting of the Company to be held at Poolside Cove, Sunway Lagoon Club, No. 3, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 27 May 2016 at 9.30 a.m. and at each and every adjournment thereof.

* **Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.**

My/our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1 Approval of payment of Directors' Fees for the financial year ending 31 December 2016		
Ordinary Resolution 2 Re-election of Mr Cheong Chee Yun as Director		
Ordinary Resolution 3 Re-appointment of Dato' Dr Mohd Aminuddin Bin Mohd Rouse as Director		
Ordinary Resolution 4 Re-appointment of Messrs Baker Tilly Monteiro Heng as auditors of the Company and to authorise the Directors to fix the Auditors' remuneration		
Ordinary Resolution 5 Authority under Section 132D of the Companies Act,1965 for the Directors to allot and issue shares		
Ordinary Resolution 6 Proposed Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature		
Ordinary Resolution 7 Proposed Granting of ESOS Options to Chin Shea Fong		

In case of a vote by a show of hands, my proxy ....
(one name only) shall vote on my/our behalf.

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

....
Signature/Common Seal

Number of shares held: ....

Date: ....

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead at the same meeting. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company appoints two (2) proxies, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointments shall be invalid.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy shall be signed by the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power of attorney or authority, shall be deposited at the Company's Share Registrar's Office at Tricor Investor and Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 20 May 2016 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.

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Stamp

REGISTRAR OF MANAGEPAY SYSTEMS BERHAD (Company No.: 887689-D)
Tricor Investor and Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Malaysia

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