

MANAGEPAY SYSTEMS BERHAD (887689-D)

Annual Report **2016**

**Maintaining The
First Mover
Advantage in
FinTech Business**



E-Money Wallet • P2P Financing • P2P Remittance • Mastercard Prepaid

OUR MISSION

To revolutionize the way business works and functions by providing cutting edge payment, security, internet & mobile technologies, integrating with conventional business practuces that effectively eliminate the constraints of distance and time

MP@U

Simple - Trusted - Complete

OUR VISION

An outstanding Regional end-to-end Payment and FinTech solutions and service provider - simple, trusted and complete



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CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

I have great pleasure in presenting, on behalf of the Board of Directors, the Annual Report and Audited Financial Statements of ManagePay Systems Berhad ("MPay") and its subsidiaries ("Group") for the financial year ended 31 December 2016.

Technological trends in the world of financial technology (Fintech) today are birthing many transformational business opportunities. For MPay, the trends have energised our metamorphosis into a Fintech company that is able to address our clients' need for alternative financial services. Our e-Money License with virtual account (Mobile Wallet) and capability to issue MPay Mastercard Prepaid Card has given us an edge, and allows us to operate in a similar vein as a conventional financial services provider.

Last but not least, I would like to express my heartfelt thanks to the management and staff for their continuous commitment and invaluable contribution to the Group, as well as my Board colleagues for their dedication, invaluable advice and undivided support over the past year. My sincere appreciation also goes to our shareholders, customers, bankers, business associates, partners, suppliers and the media for their unwavering support and confidence in our Group.

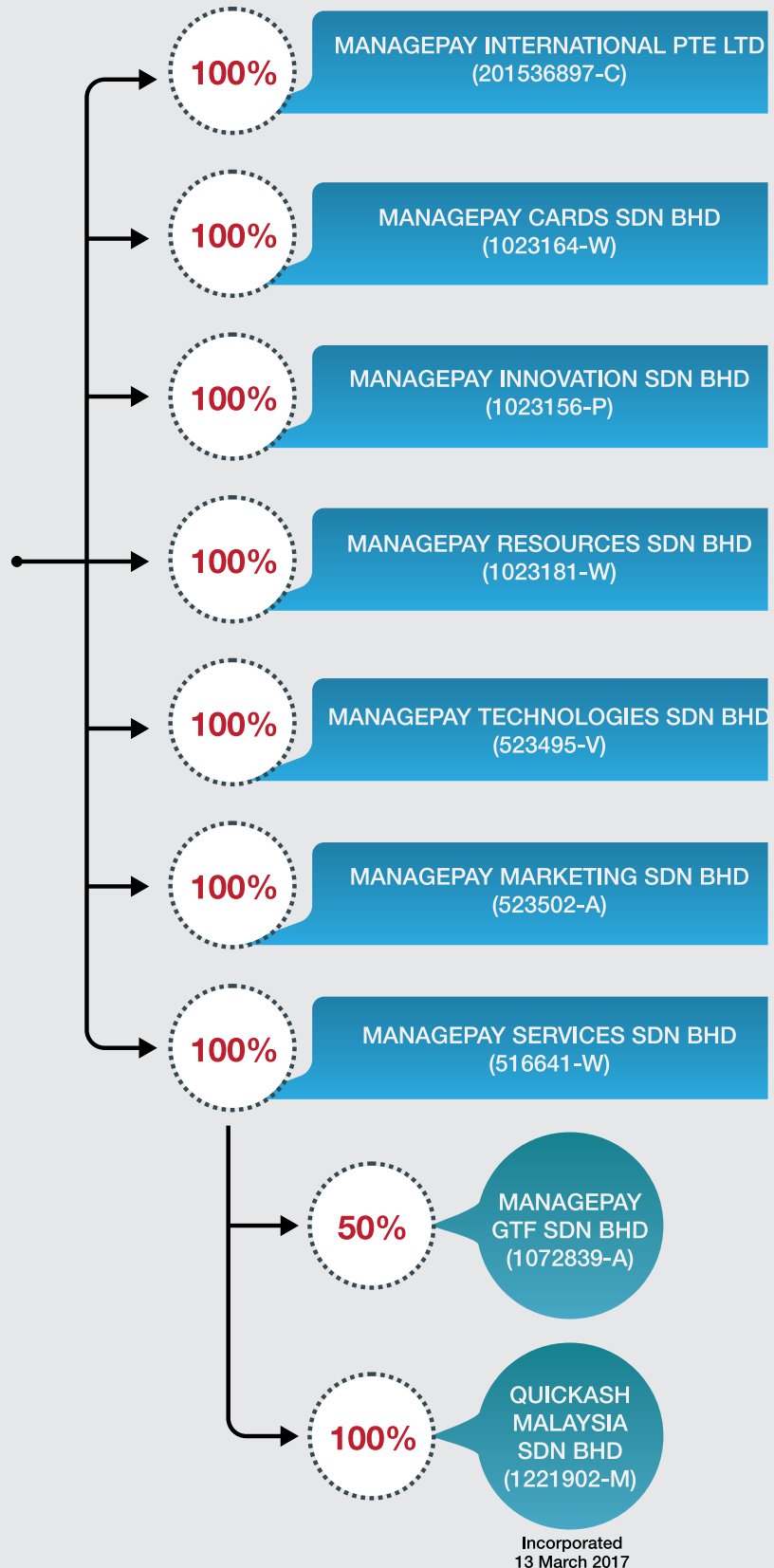
DATO' DR MOHD AMINUDDIN
BIN MOHD ROUSE
Chairman



CORPORATE STRUCTURE

AS AT 24 MARCH 2017

MPay
Simple - Trusted - Complete
MANAGEPAY SYSTEMS BERHAD
(887689-D)



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Dato' 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)

Dato' 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

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

WEBSITE

<http://www.managepay.com>

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 (Male)

Dato' Dr Mohd Aminuddin Bin Mohd Rouse, aged 71, 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 five (5) years, other than traffic offences, if any and has not been imposed any of public sanction or penalty by relevant regulatory bodies during the financial year. He attended all the five (5) board meetings held during the financial year ended 31 December 2016.

DATO' CHEW CHEE SENG (Male)

Dato' Chew Chee Seng, aged 49, 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, Dato' 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 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 other family relationships with any other 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 five (5) years, other than traffic offences, if any and has not been imposed any of public sanction or penalty by relevant regulatory bodies during the financial year. He attended all the five (5) board meetings held during the financial year ended 31 December 2016.

DIRECTORS' PROFILE

(Cont'd)

CHEONG CHEE YUN (Male)

Cheong Chee Yun, aged 55, 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 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 Asian Chartered Institute of Bankers.

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. He joined Enco Holdings Sdn Bhd, a biomass thermal energy solutions provider in 2012 as Head of Finance & Corporate Affairs.

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 five (5) years, other than traffic offences, if any and has not been imposed any of public sanction or penalty by relevant regulatory bodies during the financial year. He attended all the five (5) board meetings held during the financial year ended 31 December 2016.

DATO' MOHAMAD KAMARUDIN BIN HASSAN (Male)

Dato' Mohamad Kamarudin Bin Hassan, aged 61, a Malaysian, is an Independent Non-Executive Director of MPay. He was first appointed to our Board on 18 April 2014. He is also a member of Audit Committee, Nomination Committee and Chairman of the Remuneration Committee of MPay.

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.

DIRECTORS' PROFILE (Cont'd)

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, 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 five (5) years, other than traffic offences, if any and has not been imposed any of public sanction or penalty by relevant regulatory bodies during the financial year. He attended all the five (5) board meetings held during the financial year ended 31 December 2016.

CHIN SHEA FONG (Male)

Chin Shea Fong, aged 54, a Malaysian, is a Non-Independent Non-Executive Director of MPay. He was first appointed to our Board on 15 August 2014. He is also a member of Nomination Committee of MPay.

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 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 also holds the post as director of Exquisite Landmarks Sdn Bhd, Euro Landmark Sdn Bhd, Imagetech Marketing Sdn Bhd and Seong Wee Properties Sdn Bhd.

He is the brother-in-law of Dato' Chew Chee Seng, Managing Director of MPay Group of companies and a substantial shareholder 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 five (5) years, other than traffic offences, if any and has not been imposed any of public sanction or penalty by relevant regulatory bodies during the financial year. He attended all the five (5) board meetings held during the financial year ended 31 December 2016.

KEY SENIOR MANAGEMENT PROFILE

CHIN SHEA SWONG

Group Chief Operating Officer
Aged 49, Female, Malaysian

Qualification : Bachelor of Science majoring in Computer Science and a general study degree in Business Management from Universiti Sains Malaysia

Working experiences : • Over 24 years' experience in the banking and EMV compliances.

Ms Chin joined MPay on 1 June 2006 as Chief Operating Officer to oversee the function of back office operations, in the areas of acquiring/issuing business, internal administrative functions and human resources related matters to meet organisational requirements.

She is the spouse of Dato' Chew Chee Seng, Managing Director of MPay Group of Companies and a substantial shareholder of MPay and sister of Chin Shea Fong, a director of MPay.

NG KIAN SENG

Chief Executive Officer of ManagePay Technologies Sdn Bhd
cum Group Chief Technology Officer
Aged 43, Male, Malaysian

Qualification : Bachelor of Science in Computer Science in Universiti Sains Malaysia

Working experiences : • More than 17 years of experiences in Fintech Solution, Technologies and Business, covering Payment, Card Issuing, E-Commerce, Loyalty and others retail enablement technology solution.
• Leading the technology innovation, to win APICTA Malaysia Best of Financial Application for 2015 and 2016, as well as 2015 APICTA Asia Pacific Region Merit Award on Financial Application.

Mr Ng joined MPay in 16 November 2000 and held the positions of System Analyst, he promoted in 2004 as Senior Project Manager. In year 2009, he was promoted to Group Chief Technology officer and appointed as Chief Executive Officer of MPay subsidiary, ManagePay Technologies Sdn Bhd on 1 July 2013.

He has no family relationship with any Director and/or major shareholder of MPay.

HENG WA SENG

Chief Executive Officer of ManagePay Innovation Sdn Bhd
Aged 43, Male, Malaysian

Qualification : • Master in Business Administration (AUS),
• Bachelor's Degree of Science in Computing (UK)

Working experiences : • More than 13 years of experiences in Smart Card & RFID Solutions Industries, Card Issuing, Cards Personalization Solution, Smart Card hardware/terminals/devices, Payment Solution, prepaid, loyalty & gift card solution integration, Automatic Fare Collection Systems, Access Control Systems.

Mr Heng joined MPay on 1 August 2016 as Chief Executive Officer of MPay subsidiary, ManagePay Innovation Sdn Bhd to develop and implement business strategies and plans to achieve company's objective in above mentioned products and services.

He has no family relationship with any Director and/or major shareholder of MPay.

KEY SENIOR MANAGEMENT PROFILE

(Cont'd)

CHAY CHING KEONG

Group Chief Financial Officer
Aged 52, Male, Malaysian

Qualification : Master of Business Administration (MBA) in University of East London, United Kingdom

Working experiences :

- More than 22 years of experience in the areas of accounting and finance.
- Having worked in various positions in Public Listed Companies, SME companies and Multinational companies.

Mr Chay joined MPay on 1 November 2016 as Chief Financial Officer. He is a Chartered Accountant, member of the Malaysian Institute of Accountants.

He has no family relationship with any Director and/or major shareholder of MPay.

LIM HOOI LENG

General Manager
Aged 58, Female, Malaysian

Qualification : Diploma in Marketing

Working experience :

- Over 30 years experienced in Sales Management implement and carry out the action plan particularly in strategic Business Development which includes sales & marketing planning, project management, process improvement, products & services development, resource-planning

Ms Lim joined MPay on 16 July 2012 as General Manager in charge of overall marketing communications for the group, identify and contacting potential partners to discover and explore business opportunities.

She has no family relationship with any Director and/or major shareholder of MPay.

ONG KOOI HOOI

General Manager
Aged 49, Male, Malaysian

Qualification : Professional Certificate - Institute Bank - Bank Malaysia (IBBM)

Working experience :

- IBBM Certified Credit Professional (Consumer), Level 2.
- 24 years in banking and finance industry (HP/leasing financing, retail banking, SME financing, corporate lending, credit administration and recovery.

Mr Ong joined MPay on 18 December 2013 and held the position of General Manager. In January 2016, he was made the head of the Risk & Compliance Unit. Besides being a liaison person with Bank Negara Malaysia on all compliance matters relating to e-money project, he is also the Statistical Officer for all statistical reporting to Bank Negara Malaysia. He is supported by an AML & Fraud Management Officer (Issuing) and a Designated Compliance & Risk Officer in the day-to-day operational compliance.

He has no family relationship with any Director and/or major shareholder of MPay.

KEY SENIOR MANAGEMENT PROFILE (Cont'd)

TAN YEW LOONG

General Manager
Aged 41, Male, Malaysian

Qualification : Certificate in Microsoft Office Applications in Informatics School of Technology , Malaysia

Working Experience :

- Has been in the card business for almost 20 years. Vast experience in Merchant Acquiring related businesses which compasses of Corporate Billing Solutions, Co-Brands, Campaigns & Programs and many more.

Mr Tan joined MPay on 14 December 2016 as a General Manager, primarily to spearhead the Issuing and Acquiring Sales Division. With this appointment, Mr Tan is responsible on every aspects of e-Payment portfolios, be it on technical specification needs, business customization with respective clients, retaining a good relationship with the existing sponsor Banks among others. Mr Tan will work closely with all internal stakeholders within MPAY in order to achieve the key desirable results.

He has no family relationship with any Director and/or major shareholder of MPay.

LEE KIN HONG

Assistant General Manager
Aged 39, Male, Malaysian

Qualification : Advanced Diploma in Computer Studies

Working Experience :

- More than 19 years of experience with successful accomplishments in software project implementations, support, operations and outsourcing management.
- Possess excellent support and issue resolution skills. Action and results oriented, a hands-on person.
- Vast experience in ERP systems such as Financial, Payroll and Human Capital Management within local and Asia Pacific region.

Mr Lee joined MPay on 1 March 2013 as Senior Project Manager handling PCI DSS Compliance, he was promoted to Assistant General Manager on 1 October 2016 overseeing Technical Compliance, Network & Infrastructure, Third Party Processing and Call Center Departments. He manages day-to-day running of operations with consistent deliverables within service level to internal/external parties and maintains professional and technical knowledge by attending related trainings and workshops and review professional publications. Coordinates efforts of establishing processes, policies and practices.

He has no family relationship with any Director and/or major shareholder of MPay.

Other information

a. Conflict of interest

The Company has entered into related party transactions with parties in which Ms Chin Shea Swong has direct and/or indirect interest. Save for Ms Chin, none of the other Key Senior Management has conflict of interest with the Company.

b. Conviction of offences

None of the Key Senior Management has any conviction for offences within past 5 years other than traffic offences, if any and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

c. Directorships

None of the Key Senior Management holds directorship in public companies or listed issuers.

MANAGEMENT DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

WE EXECUTED OUR BUSINESS TRANSFORMATION INTO A FINTECH COMPANY WITH PERFECTION IN 2016 WITH THE AWARD OF DOMESTIC REMITTANCE LICENSE BY BANK NEGARA MALAYSIA (BNM) AS WELL AS THE INAUGURAL PEER-TO-PEER FINANCING MARKET OPERATOR LICENSE BY SECURITY COMMISSION MALAYSIA (SC).

DATO' CHEW CHEE SENG
Group Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)



2016 ACHIEVEMENTS

- Successfully launched MPay Balance eMoney Virtual Account on 29th April 2016 and subsequently launched MPay MasterCard Prepaid Card on 29th July 2016.
- Start revenue contributions from these two products by end of 4th quarter.
- Awarded Peer-to-Peer Domestic Remittance License by BNM on 25th July 2016.
- Recognised the Peer-to-Peer Financing Market Operator by SC on 3rd November 2016.
- Completed the acquisition of 29.5% of Trustgate Berhad on 20th January 2016.
- Successfully turnaround Trustgate to register a million profits in RM for the year 2016, contributed to MPay's bottom line in 2016.

We achieved these remarkable milestones in our quest to be the most complete FinTech company in Malaysia due to our continued efforts in previous years to develop and promote our financial technologies and services capabilities to various authorities, and striving for operational excellence and industry compliance, both of which have successfully landed MPay with the achievements listed above.

Other key initiatives undertaken include:

- expanding our range of products and services
- enhancing market access and engagement
- improving Corporate Governance ("CG") standards and sustainability practices
- enhancing operational excellence in two key areas, namely refreshing our technology and building our talent pool

2016 also saw us continue to deliver on our FinTech initiatives, which have introduced various improvements in our service level aimed at further enhancing our capabilities to capture the alternate financial services and hence securing our long-term sustainability.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

2016: MAINTAINING OUR FIRST MOVER ADVANTAGE IN FINTECH BUSINESS

MPay's achievements in securing numerous licenses from authorities and ability to launch various products and services in 2016 is the result of the enhancements and the building blocks we have put in place in our financial technical and business capabilities over the last few years. Among the key initiatives implemented over the last few years is compliance to PCIDSS Level 1 since 2013, the highest security standard for payment industries, which has established our reputation as serious provider of FinTech business in Malaysian and the ASEAN region.

We also took deliberate steps over the past few years to grow revenue contributions from new operating licenses obtained from BNM and MCMC namely Third Party Acquiring merchant aggregation business, MPay Balance eMoney Virtual Account business, MPay MasterCard Prepaid Card business, Peer-to-Peer Domestic Remittance business, and National Certificate Authority Digital Signature business via 29.5% stake in Trustgate Berhad. The effort has proven to be fruitful as we managed to secure a few projects with the new capabilities in 2016, namely acquiring of Insurance companies with our mobile POS solution, roll out of 1,907 salary cards for a public listed plantation company and the turnaround of Trustgate Berhad.

Meanwhile, we continued to work towards our strategic goals in 2016 that will take us another step closer towards becoming the trusted and innovative FinTech company in the region.

BUILDING FOR THE FUTURE

In 2016, we continued to implement initiatives designed to strengthen MPay FinTech capabilities for the future. In doing so, we hope to make our products offering more resilient while making the most of our new business opportunities. Our efforts to build for the future must therefore take into account the needs of the alternate financial market at large in anticipation of FinTech developments and trends. Our priorities in 2016 to build for the future were focused on improving the FinTech capabilities and strengthening the sustainability ecosystem of our alternative financial marketplace.

One of the challenges faced by MPay is the lengthy journey involved in launching new products or obtaining new customers for MPay's products and services. In 2016, we focused our efforts on promoting our capabilities to SMEs by having multiple engagement sessions with SMEs through the awareness campaign organised by various authorities namely BNM, MCMC, SMECORP, Matrade and MDeC as building the trust amongst future customers such as mass consumers and SMEs are key to future success of MPay FinTech business.

The present volatile economic conditions are reminders of the importance of a sustainable ecosystem of MPay's FinTech business. We recognise that sustainability is an ongoing business viability practice rather than an overnight achievement, and hence we will continue to enhance our sustainability practices for all MPay Fintech businesses going forward.

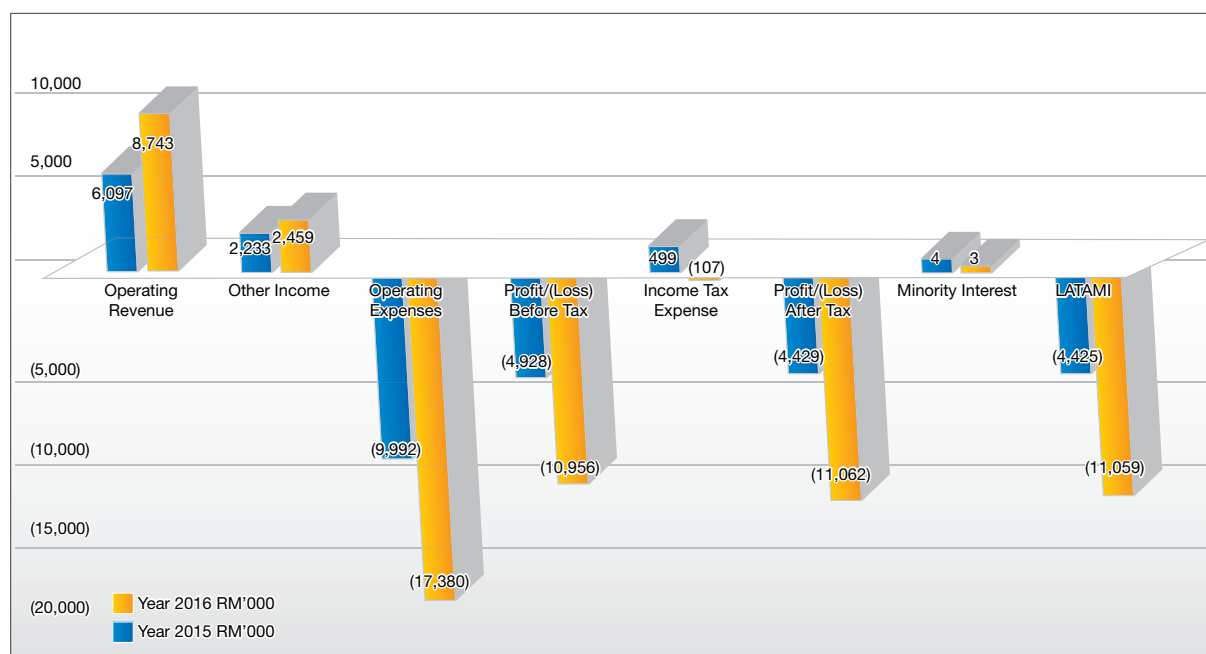
FINANCIAL PERFORMANCE

	Year 2016 RM'000	Year 2015 RM'000	(%)
Operating Revenue	6,097	8,743	-30%
Other income	2,233	2,459	-9%
Operating Expenses	(9,992)	(17,380)	43%
Profit/(Loss) Before Tax	(4,928)	(10,956)	55%
Income Tax Expense	499	(107)	568%
Profit/(Loss) After Tax	(4,429)	(11,062)	60%
Minority Interest	4	3	30%
LATAMI	(4,425)	(11,059)	60%

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

FINANCIAL PERFORMANCE (Cont'd)

Financial Ratio	2016	2015	% change
Cost to Income Ratio	-58%	-55%	-3%
Return on Equity	-4%	-10%	6%



The Group improved the financial performance from 2015 with Loss after tax and minority interest (LATAMI) of RM4.425 million from RM11.059 million a year ago. The significant decrease in the Loss after tax was due to the decrease in the Administrative and General expenses (due to one time off impairment in PPE and inventories in year 2015).

The cost to income ratio was 58% with a slight increase of 3%.

In addition, the Return on Equity has decrease to 4%.

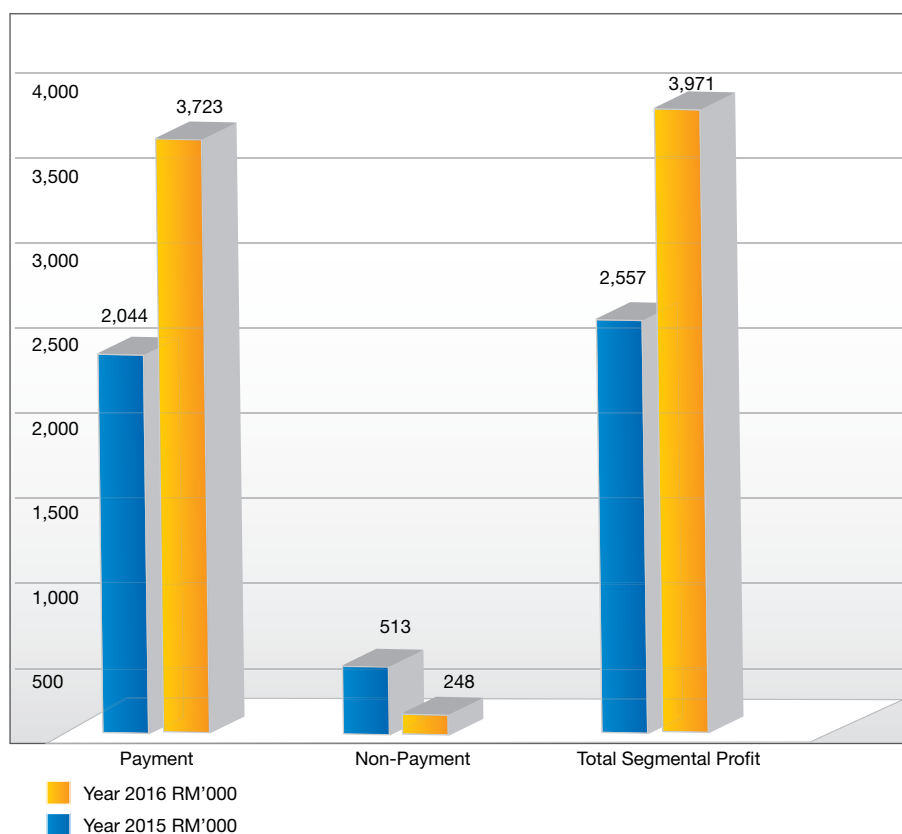
Operating revenue decrease by 30% to RM6.097 million in 2016 from RM8.743 million in year 2015. This was due to the challenging business period in the year 2016.

The Group's operating expenses decrease by 43% to RM9.992 million in year 2016 was due to one time off impairment in PPE and inventories in year 2015. Other expense items such as administrative and miscellaneous expense rose during the year as we continue to expand the capabilities in the market domestically and regionally.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

SEGMENTAL PERFORMANCE HIGHLIGHTS

Segmental Review	Year 2016 RM'000	Year 2015 RM'000	% change
Segmental Profit/(Loss) From:			
Payment	2,044	3,723	-45%
Non-Payment	513	248	107%
Total Segmental Profit	2,557	3,971	-36%



The table above provides an overview of the financial performance of our markets.

In the year 2016, the contribution from the Payment and Non-Payment market were mixed due to the volatile market conditions. Although the Segmental contribution has decrease in the year 2016 but in early 2017, several contracts with fairly large organisation were completed.

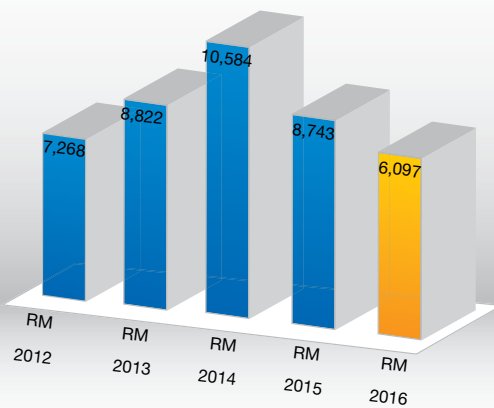
Profit contributions from the Payment market fell 45% in 2016 to RM2.044 million from RM3.723 million in 2015 as the market conditions impacted our activities.

Total operating revenue fell 30% to RM6.097 million from RM8.743 million a year ago.

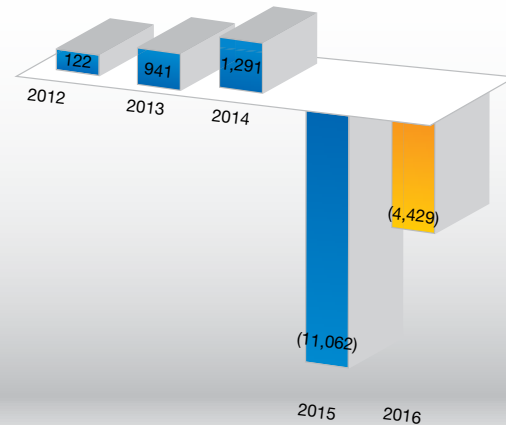
On a positive note , our overheads has reduced by 43% to RM9.992 million in year 2016 from RM17.380 million in year 2015. This was largely due to the provision of impairment of obsolete equipment amounting to RM7.4 million in the year 2015.

GROUP FINANCIAL SUMMARY

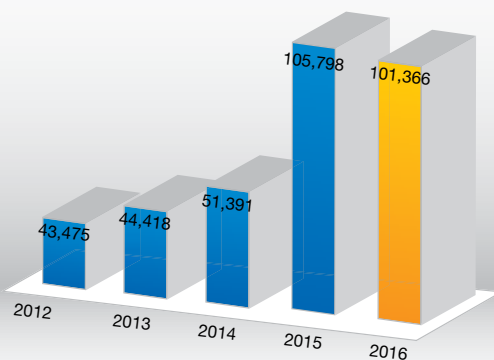
REVENUE
(RM'000)



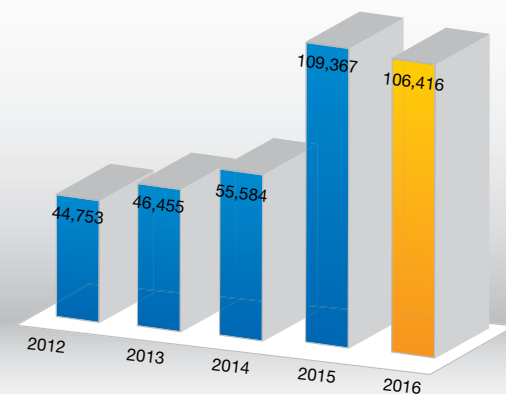
PROFIT FOR THE YEAR
(RM'000)



NET EQUITY FUNDS
(RM'000)



TOTAL ASSETS
(RM'000)



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“our Board”) of ManagePay Systems Berhad (“our Company” or “MPay”) 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 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 high 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 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)

Whistle Blower Policy

As part of our Company's continuous effort to ensure that good corporate governance practices are being adopted, our Company has established a Whistle Blower Policy to inculcate the culture of good business ethics and governance within our Group and provides a clear line of communication and reporting of genuine concerns for employees and other stakeholders.

Corporate Disclosure Policy and Procedures

Our Board is committed to provide accurate, clear, timely and complete disclosure of material information pertaining to our Group's performance and operations to shareholders, stakeholders and public generally. The Corporate Disclosure Policy and Procedures is in place to raise awareness and provide guidance to the Board, Management, officers and employees on our Company's disclosure requirements and practices.

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 35 to 37 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 members of the senior management team, the advice and services of the Company Secretaries and the external auditors as well as independent professional advisers, to enable them to discharge their duties and responsibilities.

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. It is the Board's responsibility to retain the services of a competent Company Secretary to advise and support the Board in carrying out its roles and responsibilities. The Company Secretaries are qualified by virtue of Section 235(2) of the Companies Act 2016 and information of the Company Secretaries' qualification can be found in Corporate Information of the Annual Report.

Sustainability Policy

Our Group recognises the importance of sustainability and its increasing impact to the business and is committed to understanding and implementing sustainable practices. Our Group had formalised the Sustainability Policy and will set long term and short term targets for its sustainability efforts in order to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

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 Malaysia Securities Berhad 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.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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

Board Composition and Independence (Cont'd)

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 5 to 7 of the Annual Report.

Nomination Committee - Selection and Assessment of Directors

The Nomination Committee was established on 6 April 2010. The Nomination Committee met three (3) times during the financial year ended 31 December 2016 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

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 three (3) meetings during the financial year ended 31 December 2016. The Board has established a Directors' Assessment Policy which sets out the criteria to be used in the assessment of Directors. This includes Strategic, Ethical and Value-driven, Competency and Capability and Commitment. The independent director is subject to independence and tenure of service criteria. 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 is satisfied with the current composition of the Board and its Committees in respect of their balanced mix of skills, experience and expertise, as well as individual Director's personal attributes and contribution to the Board after taking into consideration the assessments done by each Director who assesses the performance of the Board members as a whole and individually. The results of the performance assessments have been documented.

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.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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

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 2016 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

Dato' 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.

The aggregate remuneration for the Directors for the financial year ended 31 December 2016 with categorisation into appropriate components is as follows:

	Directors' Fees (RM)	Salaries & Bonuses (RM)	Defined Contribution Plan (RM)	Benefits in kind (RM)	Commission (RM)	Total (RM)
Company						
Executive Director	24,000	153,333	16,092	–	–	193,425
Non-Executive Directors	64,800	97,200	–	–	–	162,000
Total	88,800	250,533	16,092	–	–	355,425
Subsidiary Companies						
Executive Director	42,160	355,758	36,554	–	–	434,472
Non-Executive Director	–	–	–	–	–	–
Total	42,160	355,758	36,554	–	–	434,472
GRAND TOTAL	130,960	606,291	52,646	–	–	789,897

Range of Remuneration (RM)	Executive	Non-Executive	Total
Less than 50,000	1	4	–
50,001 to 100,000	–	–	–
100,001 to 150,000	2	–	–
150,001 to 200,000	–	–	–
200,001 to 250,000	–	–	–
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.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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.

The Board does not consider it necessary to nominate a Senior Independent Non-Executive Director as all issues can be openly discussed during Board meetings. All members of the Board have demonstrated that they would be available to the other members and shareholders.

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 2016. The members of the Board and their attendance at the meetings held during the financial year ended 31 December 2016 are as follows:

Directors	Designation	Attendance	Percentage (%)
Dato’ Dr Mohd Aminuddin Bin Mohd Rouse	Independent Non-Executive Chairman	5/5	100%
Dato’ 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 their duties and responsibilities in our Company.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Principle 4 – Foster Commitment (Cont'd)

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 2016 are tabulated as follows:

Attended by	Training programmes or Workshops
Dato' Dr Mohd Aminuddin Bin Mohd Rouse	<ul style="list-style-type: none"> Obligations of Directors from the listing requirements perspective
Dato' Chew Chee Seng *	<ul style="list-style-type: none"> –
Cheong Chee Yun	<ul style="list-style-type: none"> Cos Act 2016 - Key insights & Implications for directors/ shareholders Cos Act 2016 - Key changes affecting accountants and auditors GST - Tax codes, GST 03 returns GST - Record keeping & audits, Offences & penalties & Power of DG Building the Board of Directors
Dato' Mohamad Kamarudin Bin Hassan	<ul style="list-style-type: none"> Expectations of PLCs and Directors in Disclosure & Compliance requirements under the listing requirement Comprehending Financial Statements for Directors and Senior Management Corporate Directors Advanced Programme (CDAP) 2016
Chin Shea Fong	<ul style="list-style-type: none"> Corporate Reporting: Best Practices - Unravelling Annual Reports and Uncovering the Gems

Note:

- * During the financial year ended 31 December 2016, Dato' Chew Chee Seng did not attend any training programmes but has been engaged in numerous speaking sessions on topics Fintech and cashless society for workshops or conferences organised by investment communities and government agencies. He also represented private sectors in numerous National Electronic Commerce Council meetings chaired by Minister of Ministry of International Trade and Industry (MITI).

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Principle 5 – Uphold integrity in financial reporting

Our Board is committed to present 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.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 107.

Our Audit Committee is also tasked to assess the suitability and independence of the external auditors of our Group and the recommendation on their appointment and re-appointment and the approval of their audit fees. 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. In assessing the suitability of the external auditors, our Audit Committee considers the adequacy and quality of the resource for the audit engagement and be satisfied with the proceeding of the engagement.

Through the Audit Committee, our Group has established a transparent and appropriate relationship with the Group's external auditors. Our Audit Committee meets with the external auditors at least twice a year to review and discuss annual audit plan, audit findings and also to highlight to the Audit Committee matters requiring attention including the Group's accounting policies. Our Audit Committee also discusses and approves the scope of the audit and the audit findings and reports to the Board on these findings. During the financial year, our Audit Committee met two (2) times 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 Risk Management and Internal Control of our Group set out on pages 32 to 34 of the Annual Report.

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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.

Principle 7 – Ensure timely and high quality disclosure (Cont'd)

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. The ACE Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions in general meetings held on or after 1 July 2016 to be voted by poll. Our Board will ensure compliance to such requirement in the forthcoming Annual General Meeting of the Company.

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) Audit Fees and Non-Audit Fees

The audit fees paid to external auditors by the Company and its subsidiaries for the financial year ended 31 December 2016 was RM58,500 and RM92,272 respectively.

There were no non-audit fees paid to external auditors by the Company and its subsidiaries for the financial year ended 31 December 2016.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

OTHER DISCLOSURES (CONT'D)

(2) 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 2016 were as follows:

Related Parties involved with MPay and/or its subsidiaries	Relationship	Nature of Transactions	Amount (RM'000)
Dato' Chew Chee Seng ("DCCS")	Note 1	1) Rental paid by MPay to DCCS for use of our head office Wisma MPSB, Jalan USJ21/10, 47630 Subang Jaya, Selangor Darul Ehsan ("Head Office")	54
		2) Rental paid by ManagePay Services Sdn Bhd ("MPSB") to DCCS for use of Head Office	30
		3) Rental paid by ManagePay Technologies Sdn Bhd ("MTSB") to DCCS for use of Head Office	30
		4) Rental paid by ManagePay Marketing Sdn Bhd ("MMSB") to DCCS for use of Head Office	30
		5) Rental paid by ManagePay Innovation Sdn Bhd ("MISB") to DCCS for use of Head Office	12
		6) Rental paid by ManagePay Cards Sdn Bhd ("MCSB") to DCCS for use of Head Office	12
		7) Rental paid by ManagePay Resources Sdn Bhd ("MRSB") to DCCS for use of Head Office	12
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	31.8
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	31.8

Notes:

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

OTHER DISCLOSURES (CONT'D)

(3) 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 2016 or entered into since the end of the previous financial year.

(4) List of Properties

Location	Description And Existing Use	Tenure (Expiry Date)	Age of Building	Land Area	Built Area	Net Book Value ('000)	Date of Acquisition
Lot 109, USJ 21/10, Subang Jaya	Management office	Freehold	16 years	186 sq m	186 sq m	2,440	30 Dec 2013

(5) Employees' Share Option Scheme

The Employees' Share Option Scheme ("ESOS") approved at the Extraordinary General Meeting held on 18 June 2014 is the only share scheme of the Company in existence during the financial year ended 31 December 2016.

On 10 December 2015, a total of 89,100,000 options were offered pursuant to ESOS at an exercise price of RM0.25. Subsequent to the Annual General Meeting of the Company held on 27 May 2016, the options pursuant to the ESOS were not accepted by the grantees.

There were no options offered to and exercised by, or shares granted to and vested by eligible employees pursuant to the ESOS during the financial year ended 31 December 2016.

(6) 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.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

(7) Utilisation of Proceeds

(i) Proceeds from Private Placement 2014: eMoney Project

The Private Placement was completed on 18 June 2014. The gross proceeds received were RM5.711 million. The gross proceeds raised from the Private Placement are proposed to be utilised in the following manner:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation	Amount Unutilised RM'000	Explanation
Capital expenditure	4,200	3,314	Within two (2) years	886	
Other Operating expenses	1,391	1,425	Within one (1) year	(34)	(1)
Estimated expenses in relation to the Private Placement	120	86	Within one (1) month	34	(1)
	5,711	4,825		886	

Notes:

- (1) In view that the actual expenses in relation to Private Placement were lower than estimated, the excess of RM 34,000 was utilized for other operating expenditure.

ii) Proceeds from Private Placement 2015: MPay Issuer Project

The Private Placement was completed on 21 July 2015. The gross proceeds received were RM29,967,436. The gross proceeds raised from the Private Placement are proposed to be utilised in the following manner:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation	Amount Unutilised RM'000	Explanation
Capital expenditure	18,000	397	Within two (2) years	17,603	
Other Operating expenses	11,567	6,346	Within one (1) year	5,221	(1)
Estimated expenses in relation to the Private Placement	400	363	Within one (1) month	37	(1)
	29,967	7,106		22,861	

Notes:

- (1) In view that the actual expenses in relation to Private Placement were lower than estimated, the excess of RM 37,000 will be utilized for other operating expenditure.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

(7) Utilisation of Proceeds (Cont'd)

(iii) Proceeds from Warrant 2012/2015: Payment Technology

The proceeds from exercise of the warrant have been completed in August 2015 and the proceed has been utilized as follow:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Amount Unutilised RM'000	Explanation
Capital expenditure (70%)	24,851	–	24,851	
Other Operating expenses (30%)	10,650	113	10,537	
	35,501	113	35,388	