



TFP Solutions Berhad
(773550-A)



PRODUCTIVITY
THROUGH
INNOVATION

10

ANNUAL REPORT 2016

OUR VISION

We aspire to be the preferred solutions provider to increase “Total Factor Productivity” (TFP) for Businesses in ASEAN.

OUR MISSION

Productivity Through Innovation

- Our *DNA* is about *Productivity*
- We *innovate* to create business productivity solutions to our customers
- With innovation, we *orchestrate* the delivery of ICT services to our customers





TFP Solutions Berhad
(773550-A)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Board of Directors

Dato' Jamaludin Bin Hassan

Chairman, Independent Non-Executive Director

Quah Teik Jin

Group Managing Director, Non-Independent

Lim Lung Wen

Executive Director, Non-Independent

Dr. Chew Seng Poh

Executive Director, Non-Independent

Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra

Executive Director, Non-Independent

Wong Loke Lim

Independent Non-Executive Director

Noor Shahwan Bin Saffwan

Independent Non-Executive Director

Dato' Hussian @ Rizal Bin A. Rahman

Non-Independent Non-Executive Director

AUDIT COMMITTEE

Chairman

Dato' Jamaludin Bin Hassan

Independent Non-Executive Director

Members

Wong Loke Lim

Independent Non-Executive Director

Noor Shahwan Bin Saffwan

Independent Non-Executive Director

COMPANY SECRETARIES

Chua Siew Chuan

(MAICSA 0777689)

Chin Mun Yee

(MAICSA 7019243)

REGISTERED OFFICE

Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur
Tel no. : +603 2084 9000
Fax no. : +603 2094 9940
+603 2095 0292

CORPORATE OFFICE

No. 8-3, Jalan Puteri 4/2,
Bandar Puteri,
47100 Puchong,
Selangor Darul Ehsan
Tel no. : +603 8060 0088
Fax no. : +603 8061 3682
Website : www.tfp.com.my
Email : enquiry@tfp.com.my

AUDITORS

Kreston John & Gan

Chartered Accountants
(Firm No. AF 0113)
160-2-1,
Kompleks Maluri, Business Centre,
Jalan Jejaka,
55100 Kuala Lumpur
Tel no. : +603 9287 1889
Fax no. : +603 9283 0889

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd

Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur
Tel no. : +603 2084 9000
Fax no. : +603 2094 9940
+603 2095 0292

PRINCIPAL BANKER

Malayan Banking Berhad

Puchong Jaya SSC,
No. 7, Jalan Kenari 1,
Bandar Puchong Jaya,
Jalan Puchong,
47100 Puchong,
Selangor Darul Ehsan
Tel no. : +603 5882 0179/ 197/ 270
Fax no. : +603 5882 0276

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Stock Name : TFP
Stock Code : 0145

CORPORATE STRUCTURE



TFP Solutions Berhad
(773550-A)

CommZed	100%	SBOne	100%
*CZS	100%	SoftFac	100%
MBP	100%	Tech3	100%
O2U	51%	TFP Intl	100%
ProDserv	100%		

*CZS is wholly-owned by CommZed

Name of Subsidiary Companies	Date and Place of Incorporation	Equity Interest %	Issued Share Capital	Principal Activities
Comm Zed Sdn Bhd ("CommZed")	16 August 2001 Malaysia	100	326,002	Providing network security, IT solution, hardware and software maintenance
Comm Zed Solution Sdn Bhd ("CZS")	19 March 2013 Malaysia	100	100,000	Providing Infrastructure sales and services
MBP Solutions Sdn Bhd ("MBP")	13 March 2004 Malaysia	100	1,000,000	Providing Enterprise Resource Planning ("ERP") consulting and implementation of Microsoft Dynamics products
O2U Solutions Sdn Bhd ("O2U")	18 December 2008 Malaysia	51	500,000	Providing ERP consulting and implementation of Oracle products
ProDserv Sdn Bhd ("ProDserv")	3 August 2006 Malaysia	100	100,000	Developing and providing Enterprise Business Solutions value added solutions
SBOne Solutions Sdn Bhd ("SBOne")	15 April 2005 Malaysia	100	500,000	Providing ERP consulting and implementation of SAP products
SoftFac Technology Sdn Bhd ("SoftFac")	28 June 2005 Malaysia	100	500,000	Providing Human Capital Resource Management solutions
Tech3 Solutions Sdn Bhd ("Tech3")	22 July 2002 Malaysia	100	5,000,000	Providing enterprise systems solutions
TFP International Pte Ltd ("TFP Intl")	20 June 2008 Singapore	100	2	Dormant



CHAIRMAN'S STATEMENT

DEAR
SHAREHOLDERS, CUSTOMERS,
PARTNERS AND EMPLOYEES,

On behalf of the Board of Directors of TFP Solutions Berhad ("**TFP**" or "**TFP Group**"), I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2016 ("**FYE 2016**").

2016 Economic Outlook

Based on the World Bank Report in January 2017, the global economic scenario in 2016 was characterised by a stagnant global trade, subdued investment and heightened policy uncertainties which have contributed to another difficult year for the world economy. Global growth in 2016 was estimated at post oil crisis of 2.3% and is projected to rise to 2.7% in 2017.

Amidst such a difficult world economic environment, the Malaysian Gross Domestic Product ("**GDP**") growth in 2016 has slowed to just around 4.2% against a GDP growth of 5.0% in 2015. Based on the Malaysian Institute of Economic Research (MIER) report, the GDP growth was largely driven by private sector expenditures, both on consumption and investment. For the year 2017, they have forecasted a GDP growth rate of 4.5% for Malaysia. External demand is not as strong as expected although commodity prices are showing signs of recovery. The slowdown in global trade and investment flows is expected to prolong. The depreciation of the ringgit together with a forecasted inflation rate of 2.5% for 2017 indicates a harsh business environment ahead in the coming year. With such less than optimistic economic indicators, TFP is poised to face another challenging year ahead of us.

Financial Performance

Led by a challenging business environment, TFP Group recorded a lower revenue of RM 68.29 million for FYE 2016 as compared to RM 76.14 million in financial year ended 31 December 2015 ("**FYE 2015**"). Consequently, TFP Group recorded a loss after tax of RM 2.68 million for FYE 2016 as compared to a profit after tax of RM 523,000 for FYE 2015. The lackluster economic conditions and accompanied by a challenging business environment in the Information and Communications Technology ("**ICT**") industry, have severely

affected the ICT spending in Malaysia which ultimately have impacted on TFP's financial performance.

Acknowledgement

Despite 2016 being a challenging year, I would like to extend my gratitude to the TFP Management team and all employees of TFP for their tireless commitment and dedication, working as a team in delivering our solution and services to our customers during these challenging and turbulent times. It is worth noting that the entities of TFP Group have pursued their business strategy in a cautious way in light of the demanding context in 2016. They have kept on gearing up their inherent capabilities and further improved the quality of their service delivery with a view to entrenching strong footholds for dealing with market challenges and achieving future growth. To achieve our strategic objectives, the Group has sustained its efforts to enhance the competencies of its talent pool and to invest in technology improvements, while seeking ways to tap into potential synergies among our business units. 2016 has been an eventful year, as we strive forward for more challenges in 2017.

To my fellow Board members, I would also like to record my appreciation for your valued guidance and continued contribution to the Board. My heartfelt appreciation also goes to our valued business associates, suppliers and financiers for their support and continued faith in TFP. My sincere appreciation also goes to our customers for their faith and trust in our Group's capabilities and strength. I trust this good relationship will continue to flourish well into 2017. Lastly, my sincere appreciation and gratitude goes to all our Shareholders for their confidence and trust they have in us. We look forward with confidence for a better 2017.

Dato' Jamaludin Bin Hassan
Chairman

BOARD OF DIRECTORS' PROFILE

1



Dato' Jamaludin Bin Hassan

DSPN, JSM, AMN, AMK
Chairman,
Independent Non-Executive Director

2



Quah Teik Jin

Group Managing Director

3



Lim Lung Wen

Executive Director

4



**Dr. Khaled Abdullah Soubra
Bin Abdullah Khaled Soubra**

Executive Director

5



**Dato' Hussian @ Rizal
Bin A. Rahman** D.S.A.P

Non-Independent Non-Executive Director

6



Dr. Chew Seng Poh

DBA, MBA, ADCS, CMgr, FCMI
Executive Director

7



Noor Shahwan Bin Saffwan

Independent Non-Executive Director

8



Wong Loke Lim

Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE (Cont'd)

Dato' Jamaludin Bin Hassan DSPN,JSM,AMN,AMK

67 years old, Malaysian, Male,
Chairman, Independent
Non-Executive Director

Dato' Jamaludin was appointed to the Board of the Company on 28 December 2007. He graduated from the University of Malaya with a Bachelor of Economics (Honours) degree and Post-graduate Diploma in Business Analysis, University of Lancaster, United Kingdom and attended a course on Policy for Public Enterprises in Developing Countries, Harvard Institute for International Development, Harvard University Boston, United States of America.

He started his career in the Administrative and Diplomatic Service in 1974 and had served in various capacities in the public service including positions as Assistant Director, International Trade Division, Ministry of Trade and Industry, Assistant Trade Commissioner, Malaysian Trade Mission in Sydney, Australia, Secretary Road Transport Licensing Board, Ministry of Public Enterprises, Principal Assistant Secretary, International Economic Section, The Treasury, Special Officer to Secretary General, Ministry of Finance and Special Assistant to the Chairman, Malaysian Airline System Bhd. Subsequently, he opted out to retire early from the Government Service and joined Malaysian Industrial Development Finance Berhad ("**MIDF**") as General Manager, Corporate Affairs in 1994 and moving up to become the Chief Operating Officer of the Development Finance Division before retiring in 2007 and thereafter appointed as Advisor at the Group Managing Director's Office.

During his tenure with the Government of Malaysia and MIDF, Dato' Jamaludin had served on the Boards of Pahang State Economic Development Corporation, Kedah State Development Corporation, Amanah International Finance Sdn Bhd, Amanah Factors Sdn Bhd and Malaysian Technology Development Corporation. Whilst serving with the Treasury, he was also made Corporate Advisor of Sabah Gas Industry and Sabah Energy Corporation. He is the Chairman of the

Audit Committee and member of the Nomination Committee of the Company and he does not hold any directorships in other public companies and listed corporations. However since May 2013, Dato' Jamaludin was appointed to the Boards of IUM Holdings Sdn Bhd, IUM Higher Education Sdn Bhd and IUM Centre For Continuing Education Sdn Bhd.

Dato' Jamaludin attended all five (5) Board meetings held during the financial year ended 31 December 2016.

Quah Teik Jin

45 years old, Malaysian, Male,
Group Managing Director

Mr. Quah is currently our Group Managing Director and he was appointed to the Board of the Company on 28 December 2007. He graduated with a Diploma in Information Technology from National Computing Centre, United Kingdom. He is the founder of MBP Solutions Sdn Bhd, one (1) of our subsidiary companies which business focus is on providing Enterprise Resource Planning consultancy and Enterprise Business Solutions to the manufacturing and services industry.

He began his career with ISC Technology Sdn Bhd as a System Engineer in 1994 and rose up the ranks as Business Executive. In 1998, he left for HPD Systems Sdn. Bhd. ("**HPD**") and took up the role of Sales Manager where he was responsible for sales in the northern and east coast region of Peninsular Malaysia and East Malaysia.

With the repertoire of sales and marketing skills acquired during his tenure in HPD, he has since steered and positioned our Group as a prominent solutions and services player for the manufacturing and services sectors in Malaysia and ASEAN.

In 2012, he assumed the position of Group Managing Director of TFP Group. In his current role as Group Managing Director, he oversees responsibility for

all aspects of the operations comprising sales, marketing, consulting, support, education, research & development and customer care.

He is a member of the Remuneration Committee of the Company and he does not hold any directorships in other public companies and listed corporations.

Mr. Quah attended all five (5) Board meetings held during the financial year ended 31 December 2016.

Lim Lung Wen

57 years old, Malaysian, Male
Executive Director

Mr. Lim was appointed to the Board of the Company on 28 December 2007 and he is currently our Executive Director. He graduated with a Bachelor of Science in Computer Science and a Master in Business Administration (MBA) from University of Arkansas, United States of America. He has over 31 years of experience in the Information and Communications Technology ("**ICT**") industry, mainly engaging with the manufacturing and services industry.

He began his career in 1986 as a System Analyst in Edaran Otomobil Nasional Berhad. Thereafter, he joined PT Setia Sapta in Indonesia as a System Analyst and rose to the position of Sales Manager where he was responsible for the overall sales and marketing operation of PT Setia Sapta. In 1996, he returned to Malaysia and joined HPD Systems Sdn Bhd ("**HPD**") as General Manager. Later in 2002, Mr. Lim was appointed as Senior Vice President of Patimas Computers Berhad ("**Patimas**"), a company listed on the Main Board of Bursa Malaysia Securities Berhad as part of Patimas' acquisition of HPD.

His years of ICT business experience and deep understanding of ICT provided him with a wide repertoire of skills to engage in the ICT industry.

BOARD OF DIRECTORS' PROFILE (Cont'd)

Mr. Lim is not a member of any Board Committee of the Company and he does not hold any directorships in other public companies and listed corporations.

Mr. Lim attended all five (5) Board meetings held during the financial year ended 31 December 2016.

**Dr. Khaled Abdullah Soubra
Bin Abdullah Khaled Soubra**
38 years old, Malaysian, Male
Executive Director

Dr. Khaled Abdullah Soubra was appointed to the Board of the Company on 13 April 2015 and he is currently our Executive Director. He obtained his Master in Business Administration (MBA) in 2007 from the Institute of Technology Australia. In 2010, he had obtained his Doctoral Degree in Business Administration (DBA) from the European-American University.

His career started with the Information Technology ("IT") and Telecommunications industry. At his young age during 1997, he had worked with a start-up company and turning around a losing IT company into a profitable business.

His 20 years of working in the industry, through his dealings with International Multi-National Companies and the experience that he had in the Government Linked Companies, has built his strong network and knowledge in IT and Telecommunications industry.

Dr. Khaled Abdullah Soubra is not a member of any Board Committee of the Company and he does not hold any directorships in other public companies and listed corporations.

Dr. Khaled Abdullah Soubra attended all five (5) Board meetings held during the financial year ended 31 December 2016.

**Dato' Hussian @ Rizal
Bin A. Rahman D.S.A.P**
55 years old, Malaysian, Male
Non-Independent
Non-Executive Director

Dato' Hussian was appointed to the Board of the Company on 15 February 2013. He obtained the Postgraduate Diploma in Business Management from The Oxford Association of Management, Oxford, England ("**OXIM**") and was also admitted to the membership of Certified Master of Business Administration from the OXIM, a membership that recognises management competency and professional development.

Dato' Hussian has been an entrepreneur since in his mid-20s. He was involved in the businesses of trading and shipping and subsequently ventured into the Information and Communications Technology ("**ICT**") industry. He has extensive experience in the ICT industry and currently is the Executive Director and major shareholder of MobilityOne Limited ("**MobilityOne**"), which is listed on AIM of the London Stock Exchange. MobilityOne is an e-commerce infrastructure payment solutions and platform provider that works closely with most of the telecommunication companies and financial institutions in Malaysia.

Dato' Hussian is not a member of any Board Committee of the Company and he does not hold any other directorship in other public companies and listed corporations.

Dato' Hussian attended all five (5) Board meetings held during the financial year ended 31 December 2016.

Dr. Chew Seng Poh
DBA, MBA, ADCS, CMgr, FCMI
55 years old, Malaysian, Male
Executive Director

Dr. Chew was appointed to the Board of the Company on 28 December 2007 and he is currently our Chief Technology

Officer. He holds a Doctoral Degree in Business Administration (DBA) and a Master in Business Administration (MBA) from Southern Cross University, Australia. He also holds a Higher Diploma in Computer Studies from International Computers Limited, Beaumont, England. He is also a Chartered Fellow of Chartered Institute of Management, United Kingdom.

He began his career in PDX Computers Sdn Bhd ("**PDX**") as a System Development Executive in 1985. After two (2) years, he joined Nixdorf Computers Sdn Bhd as a Business Software Analyst and was promoted to Project Manager in 1988. He then rejoined PDX as Group Technical Manager and in the subsequent ten (10) years went on to hold various directorship positions in PDX's subsidiaries locally and overseas. He left PDX in 1998 as Group Technical Director to establish EIX Solutions Sdn Bhd ("**EIX**"), where he was a Director and shareholder. In 2001, he joined Patimas Computers Berhad ("**Patimas**") as part of Patimas' acquisition of EIX. In Patimas, Dr. Chew was Chief Technology Officer and the Executive Vice President.

During his professional career, he has accumulated over 33 years of management and technical Information and Communications Technology ("**ICT**") experience. His previous work engagements involved consulting Information Technology ("**IT**") companies in their strategic business direction, building technology synergy, business development as well as creating high level strategic alliances, partnerships and technology transfer. He also plays an active role in ensuring the adoption of technology within the local IT organisations in Malaysia.

His technical expertise covers area in software design and development, e-business solutions, ICT outsourcing, telecommunication and data networks, IT infrastructure solutions and consulting services.

Dr. Chew is not a member of any Board Committee of the Company and he does not hold any directorships in other public companies and listed corporations.

BOARD OF DIRECTORS' PROFILE (Cont'd)

Dr. Chew attended all five (5) Board meetings held during the financial year ended 31 December 2016.

Noor Shahwan Bin Saffwan

67 years old, Malaysian, Male
Independent Non-Executive Director

Encik Noor Shahwan was appointed to the Board of the Company on 19 March 2015 as a Non-Independent Non-Executive Director. He was subsequently re-designated as Independent Non-Executive Director on 13 April 2015. He holds a Bachelor of Economics degree from University of Malaya in 1974. He started his career with the Ministry of Trade & Industry as International Trade Officer from 1975 to 1976. From 1976 to 1989, he was with Bank of America, Kuala Lumpur, with his last position there as Assistant Vice-President. Since he left Bank of America in 1989, he became a Founder Member and Executive Director of Apex Communications Sdn Bhd, a diversified conglomerate dealing in telecommunications, broadcasting, Information Technology equipment, education products, provision of solar hybrid systems, property development, oil and gas services and construction of specialised oil related projects.

He is the Group Executive Chairman of Al-Murabahah Corporation Sdn Bhd and Pascal Development Sdn Bhd.

Encik Noor Shahwan is the Chairman of the Nomination Committee and member of the Audit and Remuneration Committees of the Company and he does not hold any other directorship in other public companies and listed corporations.

Encik Noor Shahwan attended all five (5) Board meetings held during the financial year ended 31 December 2016.

Wong Loke Lim

55 years old, Malaysian, Male
Independent Non-Executive Director

Mr. Wong was appointed to the Board of the Company on 23 December 2014 and he is a Chartered Accountant with the Malaysian Institute of Accountants, a Fellow of the Association of Chartered Certified Accountants and a Certified Financial Planner.

He has served in the financial services industry for more than 20 years. Previously, he was the Executive Director and Licensed Fund Management Representative of Hickham Capital Management Sdn Bhd, a General Manager at KAF Investment Bank Berhad and held senior management positions in several public listed companies.

Mr. Wong is the Chairman of the Remuneration Committee and member of the Nomination and Audit Committees of the Company. He does not hold any directorship in other public companies and listed corporations.

Mr. Wong attended all five (5) Board meetings held during the financial year ended 31 December 2016.

Notes :

- None of the Directors have conflict of interest with the Company and have family relationships with any other Director or major shareholder of the Company.
- All Directors have not been convicted for any offences within the past five (5) years other than traffic offences (if any) as well as any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

KEY SENIOR MANAGEMENT'S PROFILE

The Key Senior Management consist of eleven (11) persons which includes four (4) Executive Directors namely, Mr. Quah Teik Jin, Mr. Lim Lung Wen, Dr. Chew Seng Poh and Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra, of which their profiles are listed on pages 6 to 7, and seven (7) persons as below :

Choo Chuin Hui

51 years old, Malaysian, Female
Financial Controller ("FC")

Ms. Choo is currently our FC and she was appointed to the Key Senior Management in 2008. She is a registered Chartered Accountant with the Malaysian Institute of Accountants (MIA) as well as an Associate with the Malaysian Institute of Certified Public Accountants.

Ms. Choo has more than 30 years of accounting and auditing experience. As the FC of the Company, she is responsible for the daily operations of finance and accounting. Her other responsibilities include performance monitoring and reporting of the different businesses, office administration support and she also manages the Human Resource department of the Company.

Her experience includes leading the due diligence team in prospective mergers and acquisitions. She does not hold any directorships in other public companies and listed corporations.

Cheah Ui Huat

36 years old, Malaysian, Male
Vice President of Converged
Infrastructure Solutions ("CIS")

Mr. Cheah is currently the Vice President of CIS for TFP Group and he was appointed to the Key Senior Management in 2010. He is responsible for the sales and operation for CIS Division. Mr. Cheah accumulated over 16 years of experience in the Information Technology ("IT") industry

and has consistently demonstrated outstanding sales performance with his talented business acumen and strong passion for sales. He holds a Diploma in Computer Systems from Asia Pacific Institute of Information Technology (APIIT).

Mr. Cheah began his IT career in 2001. He started out as a Channel Sales Executive with HPD Systems Sdn Bhd (HPD), a reputable subsidiary of a listed IT company working within the area of Hewlett-Packard ("HP") Hardware Distribution Team. His outstanding sales talent and consistent performance resulted in him ending his tenure as the Sales Director heading a sales team focusing on Commercial, Telecommunication, Manufacturing, Solution ISV, SAP & Oracle.

Over a decade plus in the IT industry managing Principals, Channel Partners engaging direct Corporate End Users, Mr. Cheah is also the recipient of numerous awards such as the HP Achievers one hundred percent Club in the year 2006. He strives to maintain a balance in work, life and family.

In his spare time, he is an avid sportsman and recently completed his first International Ironman Challenge in November 2016. He does not hold any directorships in other public companies and listed corporations.

Alistair Wong Mun Thye

35 years old, Malaysian, Male
Associate Vice President of CIS

Mr. Alistair is currently our Associate Vice President of CIS responsible for the Infrastructure Technology & Product Consultancy under the CIS Division and he was appointed to the

Key Senior Management in 2010. He holds a Master of Science Degree in Mobile and Distributed Computer Networking from Leeds Metropolitan University, and a Bachelor of Science in Computing from Portsmouth University.

Mr. Alistair brings with him an extensive Infrastructure Solutions experience over 13 years ranging from Multiplatform Servers, Storage Systems, Networking and Systems Management. He also possess strong business acumen with strengths in translating commercial and functional requirements, to technical specifications, re-engineering business processes and defining continuous improvement processes.

Throughout these years, Mr. Alistair has developed a deep working knowledge of High-Availability Systems Business Continuity, and Data Management Solutions. He has also invested his time over these years to strengthen his solution domain knowledge in the Communications, Multimedia, and Entertainment (CME) Industry. His current passion is focusing towards the Hybrid IT CLOUD Solution area. He does not hold any directorships in other public companies and listed corporations.

Soh Yu Chuang @ Soh Chuang Khim

39 years old, Malaysian, Male
Associate Vice President of
Comm Zed Sdn Bhd Group
("Comm Zed Group")

Mr. Soh is currently our Associate Vice President of Comm Zed Group, and he was appointed to the Key Senior Management in 2012. He holds a Bachelor of Engineering Degree and has 15 years of working experience, as Technical Engineer, Account Manager, Project Manager, and as General

KEY SENIOR MANAGEMENT'S PROFILE (Cont'd)

Manager.

Mr. Soh does not hold any directorships in other public companies and listed corporations.

Foong Siang Ming

46 years old, Malaysian, Male
Vice President of Enterprise
Business Solutions

Mr. Foong is currently our Vice President of Enterprise Business Solutions and he was appointed to the Key Senior Management in 2008. He holds a Bachelor Degree in IT from Hummberside University, United Kingdom. Mr. Foong has over 20 years of experience in the Information and Communications Technology industry.

Mr. Foong has held various executive and managerial positions in technical, consulting areas and also sales and marketing management. He also volunteers his time actively in NGO activities in Malaysia and he is currently the committee member of SME and HRDC Bureau of the KL Selangor Chinese Chamber of Commerce and Industrial and also for the Science, Innovation and Technology Bureau of the Association of Chinese Chambers of Commerce and Industry of Malaysia.

Mr. Foong does not hold any directorships in other public companies and listed corporations.

Davinder Singh A/L Manmohan Singh

38 years old, Malaysian, Male
Associate Vice President of
Consulting, Business Management
Solutions ("BMS")

Mr. Davinder is currently our Associate Vice President of Consulting, BMS and he was appointed to the Key Senior Management in 2015. Holding

a Bachelor of IT from University Kebangsaan Malaysia, with a cumulative working experience of over 15 years, he has spent his working career engaged closely with Enterprise Resource Planning (ERP) and business applications. Among the applications that he has worked with are SAP Business One (SAP Certified Application Associate) / SAP Business One HANA and SAGE UK; his positions ranged from managing, consulting, pre-sales, sales enablement and business development.

Mr. Davinder also leads the SAP Business One and Goods and Services Tax ("GST") initiative on the roll out of GST in Malaysia for clients, and is an advocate for SAP Business One HANA and its in-memory computing and analytics. He does not hold any directorships in other public companies and listed corporations.

Ooi Chee Hong

51 years old, Malaysian, Male
Vice President of Research and
Development ("R&D")

Mr. Ooi is currently our Vice President of R&D and he was appointed to the Key Senior Management in 2008. He assumes responsibility for all aspects of R&D operations of our Group.

Mr. Ooi underwent his tertiary education in Japan and holds a Diploma in Engineering from Tokyo Toritsu Nakano Technical College. He brings with him an extensive business networks with the business community in the industrial and manufacturing sector and a deep understanding of its business dynamics. His proficiency in the Japanese language allows him to engage and service the Multinationals Japanese clients in Malaysia.

He has 13 years of R&D IT experience with expertise in software architecture design and R&D management. He does not hold any directorships in other public companies and listed corporations.

Note:

- None of the Key Senior Management has conflict of interest with the Company and has family relationships with any other Director or major shareholder of the Company.
- All Key Senior Management have not been convicted for any offences within the past five (5) years other than traffic offences (if any) as well as any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The year 2016 has been a challenging year for TFP Group. We have recorded a consolidated revenue of RM 68.29 million for the financial year ended (“**FYE**”) 2016 as compared to RM 76.16 million in FYE 2015. Tough market conditions and reduction in the Information Communication Technology (“**ICT**”) spending in the corporate sectors has led to the reduction in the overall operating revenue in 2016. As a result of that, TFP Group recorded a loss after tax of RM 2.95 million for FYE 2016 with a provision of RM 1.70 million in doubtful debts. Our continued efforts to remodel our business model are still on track as we continue to transform our business model towards a cloud solutions provider and this has also resulted in a lower TFP Group overall revenue.

Despite the anticipated tough and challenging market conditions in 2017, TFP Management team shall continue to strive to build a sustainable growth model for TFP by strengthening our Group core competencies and capabilities. We are confident that our transformation journey to a full fledged hybrid cloud solutions provider will eventually bring positive results to TFP Group.

INDUSTRY PROSPECTS

As reported by World Bank, the global economic outlook in 2016 indicates a stagnant global trade, subdued investment, and heightened policy uncertainty. This trend will continue with a projected global economic growth of 2.7% in 2017 as compared with 2.3% growth in 2016. In ASEAN region, Gross Domestic Product (“**GDP**”) growth for 2016 was 4.7% and with a projected growth of 4.8% in 2017. In Malaysia, the World Bank has forecasted a GDP growth of 4.3% in 2017 as compared to a GDP growth of 4.2% in 2016. As announced by Bank Negara Malaysia, the inflation rate for Malaysia in 2016 is 2.1% and a forecasted inflation rate of 3.0% to 4.0% in 2017. The key macroeconomic indicators indicates a relatively modest economic activity for Malaysia. Faced with a high inflationary pressure and modest economic growth in 2017, TFP Group is anticipating a higher cost impact on our overall operational expenditures in our business operation in 2017 and the economic outlook will also has an impact on our customers overall ICT spending in 2017.

According to Gartner, Worldwide Information Technology (“**IT**”) spending is projected to a total of USD 3.50 trillion in 2017, a 2.7% increase from IT spending of USD 3.37 trillion in 2016. Subsequently, Data Center Systems IT spending globally recorded a IT spending of USD 170.00 billion which is a negative 0.6% growth in 2016 as compared with IT spending recorded in 2015. Gartner projected an IT spending for Data Center Systems of USD 175.00 billion in 2017 which indicates a positive growth rate of 2.6% over 2016. However, IT Services Global spending recorded an IT spending growth of USD 899.00 billion in 2016, up 3.9% over 2015. In 2017, the forecasted Global IT spending for IT services is USD 938.00 billion, a growth of 4.2% over 2016. Consequently, global IT spending for Enterprise software is USD 333.00 billion with a growth rate of 5.9% and their projected IT spending in 2017 is USD 355.00 billion, a growth rate of 6.8%. Data center systems, IT services and Enterprise software are the market segments which TFP compete in and they have shown healthy positive growth in 2017. Malaysia IT spending is forecasted to reach RM 70.20 billion (USD15.73 billion) in 2017, an increase of 7.3% over 2016.

TFP Group has been strategically transforming our business toward hybrid cloud computing business model for the past few years. We are confident that our core competencies can harness these opportunities ahead of us. Our products and services are well aligned and positioned to address these market opportunities. Despite the tough economic outlook, Management of TFP is confident to steer the Group to meet the challenges and opportunities ahead in 2017. We look forward for a positive result in 2017.

APPRECIATION

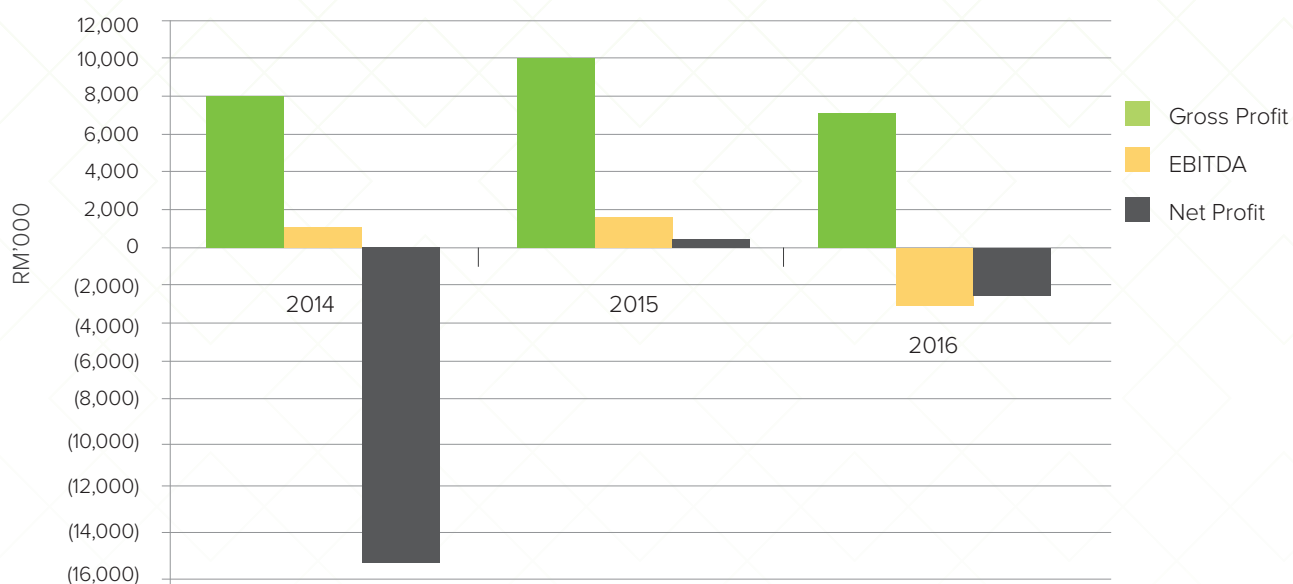
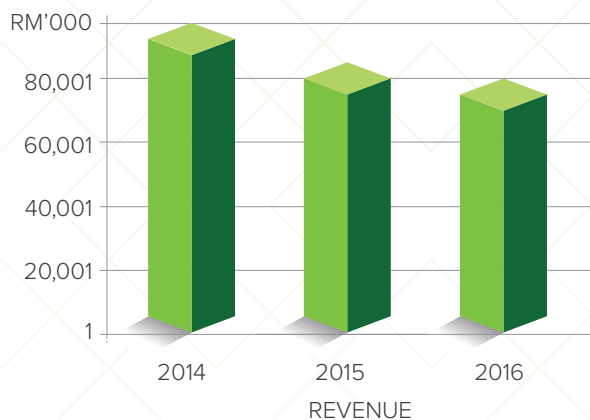
Our journey in 2016 was full of challenges with tough economic conditions. Despite our negative performance for TFP Group in 2016, Management is appreciative of TFP employees’ commitment and industrious efforts endured during the 2016 journey. We shall continue to build upon our efforts in 2016 and move forward in 2017 with much confidence. Management is proud of the determination and dedication that our people have shown, through their relentless effort to pursue our Group mission throughout the years.

Moving forward, we are confident that we will record a better performance in the year 2017. TFP Management team would like to take this opportunity to convey our sincere thanks to all the employees of TFP Group for their relentless efforts to get us to what we are today. We would like to thank TFP Board for their continue guidance, support and confidence on the Management team of TFP. Our sincere gratitude also goes our valued customers, business partners and shareholders for their support and confidence they have on us throughout the year 2016. 2017 will be another exciting journey. We shall look forward for more success ahead of us.

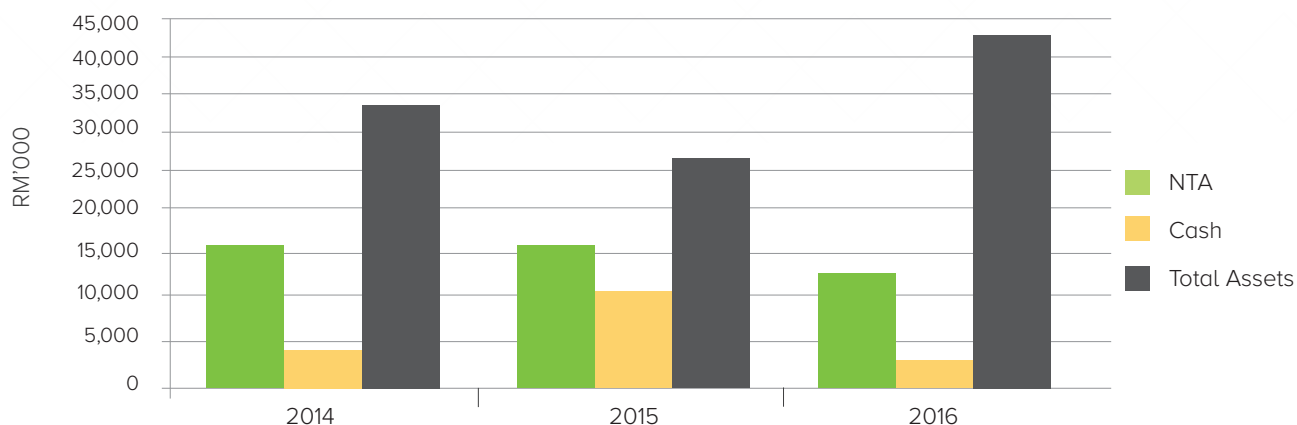
FINANCIAL HIGHLIGHTS

(RM'000)	Audited 2014	Audited 2015	Audited 2016
Revenue	89,710	76,136	68,291
Gross Profit	7,867	9,861	6,955
EBITDA #	925	1,437	(2,710)
Net Profit/(Loss)	(15,307)	523	(2,679)

Earnings before interest, taxation, depreciation and amortisation ("**EBITDA**") but includes share of profits in associate company, is arrived by taking profit before taxation after associate profits, plus depreciation and amortisation.



(RM'000)	Audited 2014	Audited 2015	Audited 2016
Net Tangible Asset (" NTA ")	15,458	15,964	13,103
Cash	4,192	10,894	3,270
Total Assets	32,996	26,687	43,008



BUSINESSS INFORMATION

The growth and success of business enterprises depend a lot on its competitiveness in the market place. In order to compete effectively, there is a need to enhance their business productivity by reducing costs and improve services. As such, TFP Solutions Berhad (“TFP”) goes to the market with two (2) business pillars: Business Management Solutions (“BMS”) and Converged Infrastructure Solutions (“CIS”) offering products and services that are aligned to these input factor conditions.

BUSINESS MANAGEMENT SOLUTIONS



Campus Management
System

BMS is a business pillar within TFP that is focused on providing accurate solutions to business challenges faced by most organisations. While BMS is comprised of different solutions and products, a few key components are carried throughout, namely Cloud adoption (both infrastructure and solutions) and Software-As-A-Service (SaaS).

The BMS core competency includes:-

- Business process requirement study and best practice
- Consultancy
- Project management and implementation
- Helpdesk and professional after-sales support and proactive maintenance



Human Resource
Management

Our solutions promise to streamline all major business processes such as production, logistics, finance and administration, Human Resource and sales and marketing, therefore driving efficiency. Our solutions are developed to be industry-specific on-premises, hosted and cloud-based serving a wide variety of industries. These solutions are as follows:-

- Enterprise Resource Planning (ERP)
- Big Data Business Analytics and Reporting
- Human Resource Management System
- University / Campus Management System

Backed by a team of certified technical experts with high degree of professionalism, we represent a few globally renowned software principals. BMS provides sales, consultation, implementation, helpdesk and after-sales support and maintenance services for the following products:-



Enterprise Resource
Planning

- SAP Business One and SAP Business One HANA (in memory analytics)
- SAP Business One – Project add-on
- SAP Business One – Maintain, Repair, Overhaul (MRO) add-on
- SAP Business One Crystal Reports
- SAP Lumira (Visual Intelligence)
- JinJi Cloud Human Resource Management System
- GoMyCampus University / Campus Management System

For more information on BMS products and services, please visit the websites below:-

- sbone.tfp.com.my
- softfac.tfp.com.my
- o2u.tfp.com.my

BUSINESSS INFORMATION (Cont'd)



System Management
& Monitoring

CONVERGED INFRASTRUCTURE SOLUTIONS

The CIS business pillar focuses on delivering a wide range of Hybrid Information Technology ("IT") Cloud Technology in our customers' Software Defined Data Center ("SDDC"). The fluidity of a SDDC coupled with the elasticity of IT resources allows our customers to adopt a Platform-As-A-Service model that provides agility, performance and utility to the organisation.

CIS's core competency includes:-

- IT Infrastructure Consultancy and Architecture Design
- Professional Project Management, Certified Installation and Start-up
- Professional ONE Partner Support and Maintenance (Single support partner for multiple product principals)

Our set of complete solutions deliver management simplicity, infrastructure agility and security are as follows:-

- Software Defined Data Center and Cloud Infrastructure Solutions
- End User Computing and Mobility Solutions
- Network Virtualisation Solutions
- Information Lifecycle Management Solutions
- Service Management and Performance Monitoring Solutions
- Security Incident and Event Management Solutions
- Operation Support System (Fault, Performance and Event Management)
- Enterprise Business Support System (Fault, Performance and Event Management)



System Optimization
& Automation

The Idea Economy is disrupting traditional business worldwide. This disruption is driven by faster Go-To-Market plans and profound ideas differentiating the way we do things. The world is in a state of flux where the only constant is Change. TFP partners with globally renowned technology principals to assist our customers to adopt this change are as follows:-

- VMW Premier Solution Partner:-
 - Server and Desktop Virtualisation
 - Management Operations and Storage Virtualisation
- HP Gold Partner (Server, Storage, Networking and Cloud)
- Symantec Enterprise Silver Partner (Netbackup, Netbackup Appliance, and Netbackup for Windows)
- IBM Software Service Delivery Partner (Tivoli Software)
- HP Enterprise Security Software Partner (Arcsight, TippingPoint and Fortify)
- Damballa (Automated Breach Defense) Partner
- Infovista Service Delivery Partner



CLOUD Computing

For more information on CIS products and services, please visit tech3.tfp.com.my.

With innovation comes growth, and with new products and services, our business is driving this change. We aspire to be the preferred solutions provider to increase "Total Factor Productivity" (TFP) for Businesses in ASEAN.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

TFP Solutions Berhad (“**TFP**”) group of companies understand the importance of contributing to the communities. We recognise the importance to strike a harmonious balance between business pursuits and corporate social responsibility (“**CSR**”). TFP CSR Programmes focuses on specific areas during the financial year ended 31 December 2016 as follows:-



Community Engagement

TFP firmly believes in making positive contributions towards the community especially the underprivileged, the elderly and the less fortunate. In 2016, TFP CSR Programmes focused on contributing to

these communities both through direct financial support and through the support of our business partners and customers who organised various CSR campaigns and activities.



Education

TFP believes in lifelong learning and are committed to educate and nurture the new generation, preparing them for tomorrow's workforce. The Group recruits students from colleges, technical schools and universities as interns

by providing industrial and practical training in various departments including project delivery, pre-sales and consulting. Apart from giving them a head start in their career, suitable interns are offered job opportunities upon completion of their tertiary studies.

Workplace Development

The greatest asset of TFP is its employees. In this aspect, we recognise our employees' contributions with the Staff Recognition Award and Long Service Award programmes.



The Group believes that human capital development is essential to ensure continuous business sustainability and growth. In order to equip its Management and staff with the right skills and knowledge to perform their duties professionally and efficiently, TFP continues to provide talent development-related trainings throughout the year. The Group is committed to ensure fairness in career opportunities. When it comes to selection and recruitment processes, preference is given to candidates based on their qualifications, experience, knowledge and skills to perform the duties. The Group does not tolerate discrimination with regards to age, ethnicity, gender, race, religion or belief.

TFP values the importance in providing a conducive and motivating environment for its employees to further enhance their creativity and capabilities, at the same time identifying hidden talents. VGO Sports Club is set-up to organise staff gatherings, sports and other social activities throughout the year to bring together employees for a better working relationship.

Environment

Fighting against environmental degradation, TFP continues its go “Green” campaign within its organisation through the following activities:-

- a) Moving towards a paper-less environment - Staff are encouraged to fully maximise the benefits of Information Technology for communication and data record keeping. Hard copies of documents are generated on a need basis only. Printing papers are recycled and reused whenever possible.
- b) Installation of recycle bins within the organisation - Staff are encouraged to separate waste paper stationery and materials for recycle and reuse.
- c) Efforts to measure and reduce our electrical power usage in the organisation - We encourage staff in being energy efficient and work towards an eco-friendly working environment.



We believe if everyone takes small steps and play their role in recycling and saving energy, it will have a huge impact on the environment.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of TFP Solutions Berhad ("**the Company**") is committed in ensuring that high standards of corporate governance are maintained throughout the Company and its subsidiaries ("**the Group**"). Hence, the Board is continuously dedicated to evaluate the Group's corporate governance practices and procedures to ensure that the principles and recommendations in corporate governance as promulgated by the Malaysian Code on Corporate Governance 2012 ("**MCCG 2012**") are applied and adhered to in the interests of its stakeholders.

The Board is pleased to report that various affirmative steps have been implemented to apply the principles and comply with the recommendations of the MCCG 2012 as advocated therein pursuant to the Bursa Malaysia Securities Berhad ("**Bursa Securities**") ACE Market Listing Requirements ("**LR**").

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

Board of Directors ("**Board**")

The Board is made up of Directors who have an extensive range of skills, experience and knowledge and who are overall accountable for the corporate governance and strategic direction of the Group and are entrusted to exercise reasonable and due care in employing the Company's resources in the best interests of its shareholders and to safeguard the Company's assets. Four (4) Board Committees namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee have been formed to assist the Board in the deliberation of issues within their respective functions and terms of reference. These Committees, as entrusted by the Board, will discuss relevant issues and report to the Board with their recommendations. However, this does not absolve the Board's ultimate responsibility of decision making.

Key Senior Management

The Board is also assisted by Management of the Company, namely the "**Key Senior Management**". The Key Senior Management consists of senior employees holding the following positions:-

- a) Quah Teik Jin - *Group Managing Director*
- b) Lim Lung Wen - *Executive Director*
- c) Dr. Chew Seng Poh - *Executive Director*
- d) Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra – *Executive Director*
- e) Choo Chuin Hui - *Financial Controller*
- f) Foong Siang Ming - *Vice President of Enterprise Business Solutions*
- g) Ooi Chee Hong - *Vice President of Research and Development*
- h) Davinder Singh A/L Manmohan Singh - *Associate Vice President of Consulting, Business Management Solutions*
- i) Alistair Wong Mun Thye - *Associate Vice President of Converged Infrastructure Solutions*
- j) Cheah Ui Huat - *Vice President of Converged Infrastructure Solutions*
- k) Soh Yu Chuang @ Soh Chuang Khim - *Associate Vice President of Comm Zed Sdn Bhd Group*

The profiles of the Key Senior Management are stated on pages 9 to 10 of this Annual Report.

Composition and Board Balance

The Board currently has eight (8) members; of whom four (4) are Executive Directors, three (3) are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director. Each individual Director has a wide range of experience and knowledge in the areas of business, regulatory, industry and finance that contributes towards the effective stewardship as well as shaping the direction of the Group. The profiles of the Directors are presented on pages 5 to 8 of this Annual Report. The current composition of the Board complies with the Bursa Securities LR. Although all Directors have an equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and examined independently and objectively. There is also a clear division of responsibilities between the Chairman and the Group Managing Director to ensure that there is a balance of power.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Clear Roles and Responsibilities

The Board reviewed the sustainability, effectiveness and implementation of the strategic plans for the year and provided guidance and input to Management. To ensure the effective discharge of its function and duties, the principal responsibilities of the Board include the following:-

(a) Review and adopt strategic business plans for the Company

The Board contributes to the development of the Group's strategic planning and directions and subsequently monitoring the implementation of the strategic business plan by Management.

The Group has in place an annual business strategy planning and business target session. The Management and business unit heads will present to the Board its recommended strategy, together with proposed business plans, including new products and introduction of new market penetration, if any, for review and approval.

The Board will deliberate and suggest Management to take into consideration the varying opportunities and risks whilst developing the strategic business plan. Ultimately to ensure optimised returns for the Company and the Group.

(b) Oversee the conduct of the Company's business

The Management which is lead by the Key Senior Management are responsible, with the support of the Board, for the day-to-day management of the business and operations of the Group.

The Board monitors the performance of Management on a regular basis via insertion of the agenda items in the scheduled Board meetings:-

- To review Group's performance for the quarterly financial results; and
- To be aware of the updates and progress of key initiatives, business targets and achievements to-date.

The Key Senior Management would also inform and provide clarification on the challenges and issues faced by Management and business units.

(c) Identify the principal risks and implement appropriate internal controls and mitigation measures

The Board is ultimately responsible for the Group's system of internal control and risk management, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The Audit Committee reviews the action plan implemented by the Company and makes relevant recommendations to the Board to manage risks. Further explanations on such processes are disclosed in the Statement on Risk Management and Internal Control on pages 26 to 27 of this Annual Report.

(d) Succession Planning

The Board views succession planning as important for business continuity. It is acknowledged that with succession planning, the key job vacancies created due to retirement and resignation would be filled quickly and without any business interruption. Succession planning includes the appointment of, training for, fixing the compensation of and where appropriate, replacement of senior management.

Management has in place, an informal structure and practice to ensure key roles within the Group are supported by competent and caliber second-in-line to reduce the impact of abrupt departure of key personnel to the minimum possible. There is a formal organisation structure for the Group with delineated lines of authority, responsibility and accountability. It fosters and promotes the continual development of key employees, and ensures that key positions maintain some measure of continuity, thus enabling the Group to achieve business objectives. The succession planning of the Group is enhanced by the policies and standard operating procedures as well as job descriptions established for key business processes within the Group.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

- e) Oversee the development and implement a shareholder communications policy for the company

The Board communicates with shareholders at shareholders' meetings and through the distribution of its annual reports. The Chairman normally chairs these meetings where he will use this as an opportunity to inform shareholders of the Company's affairs including its performance.

The Board strives to provide shareholders and investors accurate, useful and timely information about Company businesses and activities via timely release and updated on corporate website of quarterly financial results, press releases and announcements (if any). In addition, shareholder and investors can make inquiries and get information about investor relations matters via dedicated e-mail addresses available on the corporate website of the Company.

- (f) Review the adequacy and the integrity of the Group's internal control systems and management information systems

The Board and Management continuously take measures to strengthen the control environment and to improve our system of internal control. The Group has outsourced its internal audit function to a professional services firm to provide the Audit Committee and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control systems.

Details pertaining to the Group's internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control in this Annual Report.

Board Charter

The Board had on 17 May 2013 approved the Board Charter and the same was uploaded to the Company's website. The Board recognises the importance to set out the key values and principles of the Company, as policies and strategy development are based on these considerations. The Board Charter includes the division of responsibilities and powers between the Board and Management as well as the different Committees established by the Board. The Board Charter will be reviewed by the Board as and when required.

Code of Conduct

The Code of Conduct ("**COC**") was posted on the Company's website. The Board recognises the importance to promote and reinforce ethical standards throughout the Group. Moving forward, the Company will continuously support, promote and ensure compliance to the COC. The COC will not only apply to every employee of the Group, but also to every Director (Executive and Non-Executive). Furthermore, the Company will strive to ensure that our consultants, agents, partners, representatives and others performing works or services for or on behalf of the Company comply with the COC.

Whistleblowing Policy

The Group has put in place a COC to ensure that all employees of the Group will act with integrity in all situations. Employees shall report any practices or actions believed to be inappropriate or even illegal to their Line Managers or the appropriate members of the Human Resource. If it is appropriate, in view of the nature of the reported matter, reports of violations may be made directly to higher levels including the Group Managing Director or Executive Directors of the Group. When in doubt, employees should always be guided by the basic principles stated in the COC. Any failure to comply with this COC may result in disciplinary action, including the possibility of dismissal and, if warranted, legal proceedings or criminal sanctions.

Where appropriate, complaints may be made on confidential basis through appropriate channels. All complaints shall be properly investigated. The Group prohibits retaliation against any employee for such reports made in good faith, while it also protects the rights of the incriminated person.

Promote Sustainability

The Board views the commitment to sustainability and environmental, social and governance performance as part of its broader responsibility to Clients, Shareholders and the communities in which it operates.

The Board also recognises the importance of its corporate and social responsibility whilst pursuing its corporate goals.

The Group continues to invest in its staff through continuous trainings to develop in-house capability and also maintaining a united workforce that would assist the Group in realising its goals and objectives.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

The Company's activities on corporate social responsibilities for the financial year ended 31 December 2016 are disclosed in the Corporate Social Responsibilities Statement.

Supply of Information

The agenda for each Board meeting and its relevant papers relating to the agenda items are forwarded to all Directors for their perusal prior to the Board meeting. Adequate notice is provided to allow the Directors to review the Board papers so that matters arising could be properly deliberated at the Board meetings and appropriate decisions could be made by the Board. Senior Management and appointed advisers of the Company may be required to attend the Board meetings when necessary. The Board has approved a procedure for Directors, whether in the capacity as the full Board or in their individual capacity, to obtain independent professional advice at the Company's expense in the discharge of their duties and responsibilities.

The Board is supported by the Company Secretaries in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, code or guidance and legislations. The Company Secretaries also ensure that deliberations at the Board and Board Committees meetings are well captured and minuted. The Board is updated by the Company Secretaries on the follow-up or implementation of its decisions or recommendations by Management until their closure. All Directors have access to the advice and services of the Company Secretaries.

Qualified and Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries on matters relating to the Company's constitution and any requirement of compliance with the relevant regulatory requirements, codes, guidance or legislations.

The appointed Company Secretaries are the members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016.

STRENGTHEN COMPOSITION

Nomination Committee

The Nomination Committee comprises exclusively of Independent Non-Executive Directors of the Company. They are:-

- (i) Noor Shahwan Bin Saffwan (*Chairman*)
- (ii) Dato' Jamaludin Bin Hassan
- (iii) Wong Loke Lim

The Nomination Committee monitors, reviews and makes recommendations to the Board regarding the Board's performance as a whole as well as every individual Director and also the performance of the Board Committees. It also reviews and makes recommendations to the Board on the size and composition of the Board, the criteria for Board membership, the desirable qualifications, experience and standing of individuals appointed to the Board. The Committee also identifies potential candidates for appointment to the Board. During the financial year under review, one (1) meeting was held and attended by all members.

The terms of reference of the Nomination Committee was posted on the Company's website.

The Nomination Committee has undertaken the following activities during the financial year:-

- (i) Reviewed the effectiveness, composition and balance of the Board;
- (ii) Conducted the assessment on the effectiveness of the Board and Board Committees in accordance with the principles of the MCCG 2012;
- (iii) Conducted the assessment on the contribution and performance of each individual Director;
- (iv) Reviewed and assessed the independence of the Independent Directors on an annual basis;
- (v) Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the Annual General Meeting ("**AGM**") of the Company; and
- (vi) Reviewed and confirmed the minutes of the Nomination Committee.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

The Nomination Committee concluded that each Board member is competent and committed in discharging his duty and responsibility. All assessments and evaluations carried out by the Nomination Committee were properly documented.

Appointment of Directors

The appointment of Directors is under the purview of the Nomination Committee, which is to assist the Board on all new Board and Board Committees' appointments and to provide a formal and transparent procedure for such appointments including obtaining a commitment from the candidate that sufficient time will be devoted to carry out the responsibilities as a Director.

The Nomination Committee reviews candidates for appointment as Directors based on the following criteria:-

- qualifications;
- skills and competence;
- functional knowledge;
- experience;
- background and character;
- integrity and professionalism;
- time commitment; and
- in the case of candidates for the position of Independent Non-Executive Directors, whether the test of independence under Bursa Securities LR is satisfied and evaluate the candidates' ability to discharge such responsibilities, functions as expected from Independent Non-Executive Directors.

Re-election of Directors

In accordance with the Company's Articles of Association, the Directors who are appointed by the Board shall retire from office and be subject to re-election by shareholders at the AGM after their appointment. Meanwhile, one-third (1/3) of the Board, or if their number is not three (3) or a multiple of three (3), then at least one-third (1/3) of the Board shall retire from office each year and each Director shall retire from office once in every three (3) years. A retiring Director shall thereafter be eligible for re-election.

At the forthcoming Tenth AGM ("**10th AGM**"), Quah Teik Jin, Dr. Chew Seng Poh and Wong Loke Lim are due for retirement and being eligible have offered themselves for re-election.

The Nomination Committee is satisfied with the performance of the abovementioned Directors and recommended their re-election to the Board for approval. The Board has in turn, recommended the same to be considered by the shareholders at the forthcoming 10th AGM of the Company.

Assessment of Board and Board Committee

In assessing the performance of the Board and Board Committees, the following criteria were discussed and evaluated by the Nomination Committee. Overall, the Board and Board Committees performance were rated as "consistently good" for the financial year ended 31 December 2016 :-

- a) Board Committees
 - i. Board mix and composition
 - ii. Quality of information and decision making
 - iii. Boardroom activities
- b) Self-performance of Individual Director
 - i. Individual Board member roles, responsibilities and functions

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Board Effectiveness Assessment

Assessments of the effectiveness of the Directors, the Board as a whole and the Board Committees are carried out annually. The objective is to improve the Board's effectiveness by identifying gaps, maximise strengths and address weaknesses. The Chairman of the Board oversees the overall evaluation process and responses are analysed by the Nomination Committee, before being tabled and discussed at the Board.

The Nomination Committee conducted the following assessments annually:-

a) Directors' self-assessment

Based on the assessment conducted for the financial year ended 31 December 2016, the Nomination Committee was satisfied with the performance of the individual Board of Directors.

b) Evaluation on the effectiveness of the Board as a Whole

Based on the evaluation conducted for the financial year ended 31 December 2016, the Nomination Committee was satisfied with the performance of the Board as a whole.

Gender Diversity

The Board affirms its commitment to Boardroom diversity as a truly diversified Board can enhance the Board's creativity, efficiency and effectiveness. Female representation will be considered when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aims of selecting the best candidate to support the achievement of the Company's strategic objectives. Currently, the Board does not have any gender diversity policy. The Nomination Committee does not set any target on gender, ethnicity or age diversity but endeavours to include any member who will improve the Board's overall composition balance.

Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based on merit, having regard to those competencies, expertise, skills, background and other qualities identified from time to time by the Board as being important. The Nomination Committee must also take into account legal and regulatory requirements, such as those relating to residency and independence, and give due consideration to characteristics, such as gender, age, ethnicity, disability, sexual orientation and geographic representation, which contribute to Board diversity.

Remuneration Committee

The Remuneration Committee was established on 11 January 2008 and is responsible to recommend the remuneration packages for Executive Directors taking into consideration the individual performance, seniority, experience and scope of responsibility that is sufficient to attract and retain the Directors needed to run the Company successfully. The present members of the Remuneration Committee are:-

- (i) Wong Loke Lim (*Chairman*)
- (ii) Noor Shahwan Bin Saffwan
- (iii) Quah Teik Jin

The determination of remuneration packages of Executive Directors should be a matter for the Board as a whole. The individuals concerned should abstain from discussing their own remuneration.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Directors' Remuneration

The details of remuneration of Directors of the Company comprising remuneration received/ receivable from the Company and its subsidiaries during the financial year ended 31 December 2016 are as follows:-

	Fees*	Salaries and other emoluments	Bonuses	Benefits-in-kind	Statutory Contributions	Meeting allowance	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Group							
Executive Directors	125	1,779	-	-	294	8	2,206
Non-Executive Directors	125	-	-	-	-	9	134
Company							
Executive Directors	125	1,428	-	-	260	8	1,821
Non-Executive Directors	125	-	-	-	-	9	134

* Subject to the approval by shareholders at the AGM.

	Number of Directors			
	Company		Group	
Bandwidth of Remuneration	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM300,001 - RM350,000	-	-	1	-
RM400,001 - RM450,000	1	-	1	-
RM550,001 - RM600,000	2	-	2	-

Note: Successive bands of RM50,000 are not shown entirely as they are not represented.

The Non-Executive Directors did not receive any remuneration, other than as presented above, for the financial year ended 31 December 2016.

REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Board has set out policies and procedures to ensure effectiveness of the Independent Non-Executive Directors on the Board, including new appointments. The Board assesses the independence of the Independent Non-Executive Directors annually, taking into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board.

The Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

One (1) of the recommendations of the MCCG 2012 states that the tenure of an Independent Director should not exceed a cumulative terms of nine (9) years. Upon completion of the nine (9) years' terms, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

In line with the recommendation of the MCCG 2012, the Nomination Committee had performed an annual review on the independency of the Independent Directors by adopting the concept of independence in tandem with the definition of Independent Director in Section 1.01 of Bursa Securities LR. Dato' Jamaludin Bin Hassan has attained such tenure as at the date of this statement. The Nomination Committee has assessed and considered him to be independent. With the recommendation from the Nomination Committee, the Board will seek for Shareholders' approval for his retention as an Independent Director at the forthcoming 10th AGM.

FOSTER COMMITMENT

The Board requires its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors of the Company, and to use their best endeavour to attend meetings.

The Board meets on a quarterly basis and additionally as required. The general agenda of the meetings includes discussion over minutes of previous meetings, quarterly financial results of the Group and any other issues requiring the Board's deliberation and approval. The agenda for each Board meeting is circulated to all the Directors for their perusal prior to the convening of each meeting to enable Directors to obtain further clarifications/explanations prior to the meeting to ensure smooth proceeding of each meeting. The proceedings and resolutions reached at each Board meeting are minuted and signed by Chairman of the meeting.

Board Meetings

The Board meets regularly to review the corporate strategies, business operations and performance of the Group. Additional meetings are held as and when necessary to ensure that the Group is efficiently managed. During the financial year under review, five (5) Board meetings were held and the attendance of the Directors are as follows:-

Directors	No of meetings attended	% of attendance
Dato' Jamaludin Bin Hassan	5/5	100%
Lim Lung Wen	5/5	100%
Quah Teik Jin	5/5	100%
Dr. Chew Seng Poh	5/5	100%
Dato' Hussian @ Rizal Bin A. Rahman	5/5	100%
Wong Loke Lim	5/5	100%
Noor Shahwan Bin Saffwan	5/5	100%
Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra	5/5	100%

Based on the above, all Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated in Bursa Securities LR. All the Directors have fulfilled the time commitment expected by the Board based on the attendance of the Directors at the Board meetings. The attendance of all the Directors at the Board meetings showed that the Board is committed to the Company towards fulfilling their roles and responsibilities as Directors of the Company.

Directors' Training

The Board empowered the Directors of the Company to determine their own training requirements as they consider necessary to enhance their knowledge as well as understanding of the Group's business and operations.

The Board encourages its Directors to undergo relevant training programmes to further develop their skills and knowledge as well as to keep abreast with relevant changes in laws, regulations and the business environment. In year 2016, TFP Directors have attended the courses on:-

Course	Directors
1. Introduction to the Companies Act 2016	Lim Lung Wen, Quah Teik Jin, Dr. Chew Seng Poh, Dato' Jamaludin Bin Hassan, Dato' Hussian @ Rizal Bin A. Rahman, Noor Shahwan Bin Saffwan, Wong Loke Lim and Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

UPHOLD INTEGRITY IN FINANCIAL REPORTING

(i) Directors' Responsibility Statement in respect of Financial Statements

It is the Board's responsibility to ensure that the financial statements are prepared in accordance with the Companies Act 2016 and the applicable approved accounting standards set by Malaysian Accounting Standards Board so as to present a balanced and fair assessment of the Group's financial position and prospects. The Directors are also responsible for keeping proper accounting records, safeguarding the assets of the Company and taking reasonable steps to prevent and enable detection of fraud and other irregularities. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness.

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:-

- (a) selecting suitable accounting policies and then applying them consistently;
- (b) stating whether applicable accounting standards have been followed;
- (c) making judgement and estimates that are reasonable and prudent; and
- (d) preparing the financial statements on a going concern basis, having made reasonable enquiries and assessment on the resources of the Company on its ability to continue further business in foreseeable future.

(ii) Relationships with Auditors

The Board has established a transparent relationship with the external auditors through the Audit Committee, which has been accorded the authority to communicate directly with the external auditors. The Audit Committee was satisfied with the external auditors' technical competency and audit independence during the financial year under review. The external auditors in turn are able to highlight matters which require the attention of the Board effectively to the Audit Committee in terms of compliance with the accounting standards and other related regulatory requirements.

The Audit Committee met with the external auditors without the presence of the Executive Board Members and Management twice during the year regarding relevant audit and accounting issues.

(iii) Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. The Audit Committee was satisfied with the external auditors' technical competences and audit independence during the financial year under review. In addition, the external auditors are invited to attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

RECOGNISE AND MANAGE RISKS

Risk Management and Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal controls to safeguard Shareholders' investment and the Group's assets. However, the Board recognises that such system is structured to manage rather than eliminate the possibility of encountering risk of failure to achieve corporate objectives.

The Audit Committee is assigned by the Board with the duty to review the adequacy and effectiveness of control procedures at a regular basis and report to the Board on major findings for deliberation (if any).

The Statement of Risk Management and Internal Control is set out on pages 26 to 27 of the Annual Report providing an overview of the state of the risk management and internal controls within the Group.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

(i) Corporate Disclosure Policy

The Board is mindful on the importance of maintaining proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis.

The Board exercises close monitoring of all price sensitive information potentially required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa Securities and the Group's website.

(ii) Leverage on Information Technology for Effective Dissemination of Information

The Company's corporate website provides all relevant information on the Company and is accessible by the public.

The Company's corporate website is accessible at <http://www.tfp.com.my>.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Company maintains various methods of dissemination of information important to shareholders, stakeholders and the public at large through timely announcement of events, quarterly announcement of financial results and product information on the Company's website (<http://www.tfp.com.my>).

The Company's AGM also provides an effective mean of face-to-face communication with the shareholders where they are encouraged to participate in the open question and answering session during the AGM. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least 21 days before the AGM in order for them to have sufficient time to read and understand the Company's financial and non-financial performance before the actual event takes place. Each item of special business included in the notice of the AGM is accompanied by an explanatory statement on the effects of the proposed resolution to facilitate full understanding and evaluation of the issue involved.

The Board noted with the amendments to Bursa Securities LR, all resolutions set out in the notice of any general meeting shall be voted by poll. In line with the amendment, the Board will ensure all resolutions set out in the notice of 10th AGM will be voted by way of poll.

COMPLIANCE STATEMENT

The Board has taken steps to ensure that the Group has implemented as far as possible the Principles and Recommendations as set out in the MCCG 2012 and the Board considers that all Principles and Recommendations have been substantially implemented in accordance with the MCCG 2012. The areas of non-compliance with the MCCG 2012 are as follows:-

- The Board currently has no Senior Independent Non-Executive Director. Participation of the Board members on all issues is encouraged.
- The Chairman of the Nomination Committee is not a Senior Independent Non-Executive Director as the Board has yet to identify the said Senior Independent Non-Executive Director.

This statement is made in accordance with a resolution of the meeting of the Board of Directors on 22 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Rule 15.26 of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) ACE market Listing requirements (“**LR**”), the Board of Directors is required to make a statement in the annual report on the state of the risk management and internal control of the Group for the financial year ended 31 December 2016. In this respect, the Board of TFP Solutions Berhad is pleased to present the following Statement on Risk Management and Internal Control which was prepared pursuant to the Bursa Securities LR and after taking into consideration of the guidelines as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board of Directors (“**Board**”) acknowledges its responsibility and reaffirms its commitment in recognising the importance of an effective system of internal control and risk management practices to enhance good corporate governance.

The Board is ultimately responsible for the Group’s system of internal control and risk management, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it could only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control and risk management covers, inter alia, financial, organisational, operational and compliance controls.

The Board is of the view that the system of internal controls and risk management in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders’ investment, the interests of customers, regulators and employees, and the Group’s assets.

Management assists the Board in the implementation of the Board’s policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

KEY ELEMENTS OF INTERNAL CONTROL

The Group has a number of internal controls in place. The controls include the following:-

- A management structure with defined lines of responsibilities and appropriate levels of delegations and authority.
- Monthly senior management meetings are held to monitor key operational and strategic business development together with financial performance of the Group.
- Policies and procedures for key business and financial processes have been reviewed by the Directors to promote efficiency and accountability.
- Monitoring by Management of the monthly results as against the budget and in the event of major variances, to take appropriate remedial action.

INTERNAL CONTROL

The Board is satisfied that for the financial year under review, there were no material losses, deficiencies or errors arising from any inadequacy or failure of the Group’s system of internal control that would require disclosure in the Group’s Annual Report.

Management will continue to take measures to strengthen the control environment. In our efforts to improve our system of internal control, the Group, since financial year 2008, outsourced its internal audit function to a professional services firm to provide the Audit Committee and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control systems. The costs incurred for the internal audit function in respect of the financial year 2016 was RM38,668.00.

RISK MANAGEMENT

The Group has a structured risk management approach, which includes a risk management assessment process to identify significant risks and the mitigating measures thereof. The risk management of the Group is undertaken by Management of the Group. The process of risk assessment is also addressed by the compilation of risk profiles of each company in the Group. The risk action plans and internal controls that Management has taken and/or is taking are documented in the minutes of Management meetings. The Group’s Enterprise Risk Management Committee (“**ERM**”) was setup in year 2014 and the ERM Charter was approved by the Board on 25 August 2014.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

RISK MANAGEMENT FRAMEWORK

The Group's ERM is aimed at achieving an appropriate balance between realising opportunities for gains while minimising losses to the Group. The risk management framework serves to identify and provide guidance to Directors, Senior Management, functional line Management and staff in managing the risk.

The risk management process is to identify risks faced by the Group proactively, particularly in major proposed transactions and new business opportunities, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and assess the appropriate risk response strategies and controls.

Day-to-day risk management of operations are delegated to key management staff and heads of department to manage identified risks within defined parameters. Periodical management and operation meetings attended by heads of department and key management staff are held to discuss key operational issues, business performance matters and appropriate risks mitigation controls to ensure risks are regularly monitored and reported. The practices and initiatives by Management serve as an ongoing process adopted by the Group.

This mechanism is overseen by the Audit Committee, which reviews the results of this process including mitigating measures implemented by Management to address the key risks as identified. Significant risks are communicated to the Board at the scheduled Board meetings of the Audit Committee.

ASSURANCE FROM MANAGEMENT

In view of the Group's current business activities, the Board is of the view that the above monitoring and reporting processes which have been put in place, provide an adequate form of check and balance. Nevertheless, the Board recognises that the system must continuously evolve and improve to support the Group's business activities to meet the Group's objectives.

The Board recognises that the systems of internal control and risk management must continuously improve in line with the growth of the Group and evolving business environment. Therefore, the Board is committed to put in place adequate plans, where necessary, to continuously strengthen the Group's system of internal control and risk management to meet the Group's objectives.

The Board has received assurance from the Group Managing Director and Group Financial Controller that the Company's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management model and internal control system of the Group, for the financial year ended 31 December 2016, and up to 22 March 2017, being the date of this statement.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of Bursa Securities LR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide 5 (Revised) Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's risk management and internal control system.

CONCLUSION

The Board is of the opinion that based on the current level of activities, the Group's systems of internal control and risk management is adequate and accords with guidance provided by the Internal Control Guidance adopted by Bursa Securities.

This statement was approved by the Board on 22 March 2017.

AUDIT COMMITTEE REPORT

1. INTRODUCTION

The Audit Committee was established on 28 December 2007 and currently comprises the following Committee members:

Chairman : Dato' Jamaludin Bin Hassan
(Independent Non-Executive Director)

Members : Wong Loke Lim
(Independent Non-Executive Director)
Noor Shahwan Bin Saffwan
(Independent Non-Executive Director)

2. NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

During the financial year ended 31 December 2016, the Audit Committee held a total of five (5) meetings. The attendance of the members of the Audit Committee are set out as below:-

	Members	No. of meetings attended	% of attendance
1	Dato' Jamaludin Bin Hassan	5/5	100%
2	Wong Loke Lim	5/5	100%
3	Noor Shahwan Bin Saffwan	5/5	100%

All members of the Audit Committee have a working familiarity with finance and accounting practices. Mr. Wong is a member of the Malaysian Institute of Accountants.

3. SUMMARY OF WORKS OF THE AUDIT COMMITTEE

The works of the Audit Committee were primarily in accordance with its duties, as set out in its terms of reference. The main works undertaken by the Audit Committee during the financial year ended 31 December 2016 were as follows:

I. Reviewed of the financial performance and reporting

- a. Reviewed the unaudited quarterly financial results of the Company and its Group prior to the recommendation to the Board for approval and announcement to Bursa Malaysia Securities Berhad ("**Bursa Securities**"); and
- b. Reviewed the draft audited financial statements for the financial year ended 31 December 2015 prior to the submission to the Board for approval.

II. Oversight of External Auditors

- a. Updated by the External Auditors on changes to the relevant guidelines on the regulatory and statutory requirements;
- b. Met twice with the External Auditors without the presence of Executive Board and employees;
- c. Reviewed and recommended to the Board for approval the audit fees payable to the External Auditors in respect of the financial year ended 31 December 2016;
- d. Reviewed the revised terms and reference of the Audit Committee;
- e. Reviewed and recommended the re-appointment of Messrs. Kreston John & Gan as External Auditors for the financial year ended 31 December 2016;
- f. Reviewed and assessed the suitability and independence of the External Auditors; and
- g. Discussed with the External Auditors in relation to audit issues, audit reports, assistance provided by Management, management letter (if any) and audit plan.

AUDIT COMMITTEE REPORT (Cont'd)

3. SUMMARY OF WORKS OF THE AUDIT COMMITTEE (Cont'd)

The works of the Audit Committee were primarily in accordance with its duties, as set out in its terms of reference. The main works undertaken by the Audit Committee during the financial year ended 31 December 2016 were as follows (cont'd):

III. Oversight of Internal Auditors and Internal Audit Functions

- a. Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report for inclusion in the Annual Report 2015 prior to the submission to the Board for approval;
- b. Reviewed the Audit Planning for year 2017 tabled by the Internal Auditors;
- c. Met with the Internal Auditors quarterly;
- d. Discussed the internal audit reports prepared by the Internal Auditors and ensure that appropriate corrective actions are taken by Management;
- e. Reviewed the adequacy and performance of the internal audit function and its comprehensive coverage of the Group's activities; and
- f. Reviewed and assessed the adequacy of the scope, functions, competency and resources of the outsourced Internal Auditors and that they have the necessary authority to carry out their work.

IV. Review of the Related Party Transactions

Reviewed the Circular to Shareholders for the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature prior to the submission to the Board for approval.

V. Oversight of Internal Control Matters

- a. Reviewed and confirmed the minutes of the Audit Committee meetings; and
- b. Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control for the Annual Report 2015.

VI. Others Activities

- a. Monitored the accounts receivable and request explanations from Management on overdue accounts status; and
- b. Reported to the Board on any significant issues and concerns.

4. TERMS OF REFERENCE

The full terms of reference of the Audit Committee is available at the Company's website at <http://www.tfp.com.my>.

5. INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an independent and adequately resourced internal audit function which has been outsourced to a professional services firm, Messrs. Omar Arif & Co. The outsourced Internal Auditors report to the Audit Committee and provide the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function.

The main role of the internal audit function is to provide the Board, through the Audit Committee, assurance of the effectiveness of the system of internal control of the designated entities of the Group.

After review, the Audit Committee noted that the internal audit function of the Company is independent and the Internal Auditors have performed with impartiality, proficiency and due professional care.

AUDIT COMMITTEE REPORT (Cont'd)

5. INTERNAL AUDIT FUNCTION (Cont'd)

The Internal Auditors have adopted the Committee of Sponsoring Organisations of the Treadway Commission's ("COSO") control framework throughout their audit implementation as a basis for assessing the adequacy and effectiveness of the Company's risk and control processes. This approach was also in compliance with Bursa Securities ACE Market Listing Requirements on the issuance of Statement of Risk Management and Internal Control. The COSO framework components comprised the following five (5) interrelated control elements:-

- i) Organisational Control Environment – provides an atmosphere in which people conduct their activities and carry out their control responsibilities. It serves as the foundation for the other components.
- ii) Risk Assessment – within this environment, Management assesses risks to the achievement of specific objectives.
- iii) Control Activities – are implemented to help ensure that Management directives to address the risks are carried out.
- iv) Information and Communication – meanwhile, relevant information is captured and communicated throughout the organisation.
- v) Monitoring – the entire process is monitored and modified as conditions warrant.

During the financial year 2016, the Internal Auditors had carried out the audit activities for the following four (4) areas in accordance with their Audit Planning which was approved by the Audit Committee:-

- 1. Sales
- 2. Procurement
- 3. Invoicing
- 4. Payment

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ADDITIONAL COMPLIANCE INFORMATION

1. Status of Utilisation of Proceeds

The Company did not undertake any corporate proposal to raise any proceeds during the financial year.

2. Audit and Non-Audit Fees

For the financial year ended 31 December 2016, Messrs. Kreston John & Gan, the External Auditors have rendered audit and non-audit services to the Company and the Group. A breakdown of fees paid were listed as below for information:-

	Company (RM)	Group (RM)
Audit services rendered - Statutory Audit	26,400	113,800
Non-audit services rendered - Review of Risk Management and Internal Control Statement	6,000	-
	32,400	113,800

3. Material Contracts involving Director's, Chief Executive's and Major Shareholders' Interests

There were no material contracts entered into by the Company and its subsidiaries, involving the Director's, Chief Executive's and Major Shareholders' interests during the financial year ended 31 December 2016.

4. Recurrent Related Party Transactions of a Revenue or Trading Nature

The Recurrent Related Party Transactions of a Revenue or Trading Nature incurred during the financial year are set out below:-

Transacting parties	Nature of transactions	Relationship of Related Party	Aggregate value made during the financial year ended 31 December 2016 (RM)
Comm Zed Solution Sdn Bhd ("CZS") and LMS Technology Distributions Sdn Bhd ("LMS")	Implementation services as well as project management for Operations Support System ("OSS") solution by CZS to LMS, whereby CZS has the resources, skill set and experience to provide this OSS services locally.	Director and major shareholder, Dato' Hussian @ Rizal Bin A. Rahman is also a director and deemed shareholder of LMS	- *
SBOne Solutions Sdn Bhd ("SBOne") and LMS	Implementation services as well as project management for OSS solution by SBOne to LMS, whereby SBOne has the resources, skill set and experience to provide this OSS services locally.	Director and major shareholder, Dato' Hussian @ Rizal Bin A. Rahman is also a director and deemed shareholder of LMS	- *

* There were no value of transaction during the period as the expected projects did not materialise.

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

5. Shares Buy-Back

The following are the shares buy-back ("SBB") transactions performed by the Company during the financial year ended 31 December 2016. The purchase price of shares is the average price for all shares purchased in the day and the total purchase price includes incidental costs. As disclosed in Note 14 to the Audited Financial Statements of this Annual Report, all shares bought back previously have been maintained as treasury shares and there has been no resale of the Company's treasury shares nor has there been any shares cancelled during the financial year ended 31 December 2016.

Summary of SBB as at 31 December 2016

Total issued share capital: 205,059,645 ordinary shares

Date	No. of SBB	No. of SBB proposed to be cancelled	Min Price (RM)	Max Price (RM)	Total Consideration (RM)	Adjusted share capital after SBB
24.08.2016	140,000	0	0.125	0.125	17,634	204,919,645
20.09.2016	190,000	0	0.135	0.135	25,847	204,729,645
23.09.2016	10,000	0	0.140	0.140	1,444	204,719,645
28.09.2016	330,000	0	0.145	0.145	48,217	204,389,645
30.09.2016	49,000	0	0.140	0.140	6,912	204,340,645
04.10.2016	110,000	0	0.140	0.140	15,518	204,230,645
05.10.2016	50,000	0	0.140	0.140	7,053	204,180,645
06.10.2016	400,000	0	0.140	0.140	56,429	203,780,645
Total	1,279,000				179,054	

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company and engaged in the business of providing shared services to companies in the Group for which it charges management fees. The principal activities of the subsidiary companies are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss after taxation attributable to : -		
Owners of the Company	(2,679)	(666)
Non-controlling interests	(81)	-
	(2,760)	(666)

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

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

TREASURY SHARES

During the financial year, the Company repurchased 1,279,000 of its issued share capital from the open market at an average price of RM0.14 per share including transaction costs. The total consideration paid was RM178,991. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

At 31 December 2016, the Company held 1,279,000 of its own shares.

WARRANTS 2014/2019

The Warrants 2014/2019 were constituted by the Deed Poll dated 28 January 2014.

The salient features of the warrants are : -

- (i) The warrants are offered at no cost to the entitled shareholders of the Company in the financial year ended 31 December 2014;
- (ii) One (1) warrant for every two (2) existing ordinary shares;
- (iii) The warrants may be exercised at any time within the exercise period expiring on 16 February 2019. Warrants not exercised during the exercise period will thereafter lapse and become null and void;

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

WARRANTS 2014/2019 (Cont'd)

- (iv) Subject to the provision of the Deed Poll, each warrant will entitle its registered holder to subscribe for one (1) new ordinary share in the Company at the exercise price at any time during the exercise period;
- (v) The Exercise Price of the warrant is RM0.10 each. The exercise price and the number of outstanding warrants shall however be subject to the adjustment in accordance with the terms and provisions of the Deed Poll during the exercise period;
- (vi) The warrants are tradable in board lots of 100 units carrying rights to subscribe for 100 new ordinary shares of the Company at any time during the exercise period or such other number of units as maybe prescribed by Bursa Securities;
- (vii) The warrants holders are not entitled to any dividends, rights, allotments and /or other distributions, the entitlement date of which is prior to the date of issuance and allotment of the new ordinary shares of the Company upon the exercise of the warrants. The warrants holders are not entitled to any voting rights or participation in any form of distribution and /or offer of securities in the Company until and unless such warrants holders exercise their warrants into new ordinary shares of the Company;
- (viii) The registered holders of the warrants are required to lodge an exercise form, as set out in the Deed Poll, with the Company's registrar, duly completed, signed and stamped together with payment of the exercise price for the new ordinary shares of the Company subscribed for by banker's draft or cashier's order or money order or postal order in Ringgit Malaysia drawn on a bank or post office operating in Malaysia; and
- (ix) Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies, then : -
 - a) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the warrant holder (or some person designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the warrant holders; and
 - b) in any other case, every warrant holder shall be entitled upon and subject to the conditions at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or the granting of the court order approving the compromise or arrangement (as the case may be), to exercise their warrants by submitting the exercise form duly completed authorizing the debiting of his warrants together with payment of the relevant exercise price to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the exercise rights to the extent specified in the exercise form(s) and had on such date been the holder of the new ordinary shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.

As at 31 December 2016, the total outstanding warrants are 97,648,744 remained unexercised.

Details of warrants issued to directors are disclosed in the section on directors' interest in this report.

BAD AND DOUBTFUL DEBTS

Before the financial statements 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

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 render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, 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.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or of the Company for the current financial year.

DIRECTORS OF THE COMPANY

The directors of the Company in office at any time during the year or since the end of the year are : -

Dato' Jamaludin Bin Hassan - Chairman
 Quah Teik Jin - Managing Director
 Lim Lung Wen
 Dr. Chew Seng Poh
 Dato' Hussian @ Rizal Bin A. Rahman
 Wong Loke Lim
 Noor Shahwan Bin Saffwan
 Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

DIRECTORS' INTERESTS

The interests and deemed interest in the ordinary shares of the Company of those who are directors at year end (including the interests of the spouses or children of the directors) as recorded in the Register of directors' Shareholdings are as follows : -

	Number of ordinary shares			
	As at 1/1/2016	Bought	Sold	As at 31/12/2016
Direct interests				
Lim Lung Wen	11,850,000	-	-	11,850,000
Quah Teik Jin	11,850,000	-	-	11,850,000
Dr. Chew Seng Poh	300,000	-	-	300,000
Dato’ Jamaludin Bin Hassan	112,500	-	-	112,500
Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra	326,900	-	-	326,900
Indirect interests				
Lim Lung Wen *	39,000,000	-	-	39,000,000
Quah Teik Jin *	39,000,000	-	-	39,000,000
Dato’ Hussian @ Rizal Bin A. Rahman **	62,339,895	-	-	62,339,895

* Deemed interested by virtue of their substantial shareholdings in Milan Premier Sdn. Bhd.

** Deemed interested by virtue of his substantial shareholdings in Rapportrans Sdn. Bhd.

	Number of warrants 2014/2019			
	As at 1/1/2016	Granted	Exercised /Disposal	As at 31/12/2016
Direct interests				
Lim Lung Wen	5,925,000	-	-	5,925,000
Quah Teik Jin	5,925,000	-	-	5,925,000
Dato' Jamaludin Bin Hassan	56,250	-	-	56,250
Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra	163,450	-	-	163,450
Indirect interest				
Lim Lung Wen *	19,500,000	-	-	19,500,000
Quah Teik Jin *	19,500,000	-	-	19,500,000
Dato' Hussian @ Rizal Bin A. Rahman **	32,864,197	-	-	32,864,197

* Deemed interested by virtue of their substantial shareholdings in Milan Premier Sdn. Bhd.

** Deemed interested by virtue of his substantial shareholdings in Rapportrans Sdn. Bhd.

By virtue of Section 8 of the Companies Act, 2016, Lim Lung Wen, Quah Teik Jin and Dato' Hussian @ Rizal Bin A. Rahman are deemed to have an interest in shares of the subsidiary companies during the financial year to the extent that TFP Solutions Berhad has an interest.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

DIRECTORS' REMUNERATION

The amounts of the remunerations of the directors or past directors of the Company comprising remunerations received / receivable from the Company and its subsidiaries during the year are as follows : -

	Group 2016 RM'000	Company 2016 RM'000
Fees	250	250
Remunerations	1,796	1,445
Contribution to defined contribution plan	294	260
	2,340	1,955

None of the directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiaries during the year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company or any of its subsidiaries by the directors of the Company during the year.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

Total amount of indemnity given to or insurance premium paid for the directors, officer or auditor of the Company and its subsidiaries is as follows : -

	Group 2016 RM'000	Company 2016 RM'000
Directors	19	7

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiary companies is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSEQUENT EVENT

Details of subsequent event are disclosed in the Note 30 to the financial statements.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

AUDITORS' REMUNERATIONS

Total amounts paid to or receivable by the auditors as remuneration for their services as auditors from the Company and its subsidiaries are as follows : -

	Group 2016 RM'000	Company 2016 RM'000
Statutory audit	122	32

AUDITORS

The auditors, Kreston John & Gan, Chartered Accountants, have expressed their willingness to accept re-appointment.

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

Lim Lung Wen

Puchong, Selangor
Date : 22 March 2017

Quah Teik Jin

INDEPENDENT AUDITORS' REPORT TO MEMBERS OF TFP SOLUTIONS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of TFP Solutions Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 95.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Revenue Recognition

Refer to Notes 3(m) and 16 to the financial statements.

The key audit matter

The main revenue streams of the Group are segregated into goods sold and services. We identified revenue recognition in respect of goods sold and services to be an area of audit focus as it is to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

How our audit addresses this matter

We performed the following audit procedures, among others, around revenue recognition : -

- Tested the operating effectiveness of the Group's internal controls over timing and amount of revenue recognised;
- Inspected the terms of significant sales contracts to determine the point of transfer of significant risk and rewards;
- Inspected the documents which evidenced the delivery of goods and services to customers; and
- Tested sales transactions as well as credit notes issued, near to the year ended date to assess whether the revenue was recognised in the correct period.

INDEPENDENT AUDITORS' REPORT TO MEMBERS OF TFP SOLUTIONS BERHAD (Cont'd)

Trade Receivables

Refer to Notes 2(d)(ii) and 6 to the financial statements.

The key audit matter

As at 31 December 2016, the Group carries significant outstanding trade receivables balance of approximately amounted to RM35.3 million and is subject to major credit risk exposures. The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.

How our audit addresses this matter

We performed the following audit procedures, among others : -

- Obtaining an understanding of : -
 - the Group's control over the receivable collection process;
 - how the Group identifies and assesses the impairment of receivables; and
 - how the Group makes the accounting estimates for impairment.
- Reviewing the ageing analysis of receivables and testing the reliability thereof.
- Reviewing subsequent cash collections for major receivables and overdue amount.
- Making inquiries of management regarding the action plans to recover overdue amounts.
- Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.
- Examining other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.
- Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.
- Obtaining positive confirmation from major receivables to proof the accuracy of the amounts correspondence to auditor's records.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Chairman's Statement and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

INDEPENDENT AUDITORS' REPORT TO MEMBERS OF TFP SOLUTIONS BERHAD (Cont'd)

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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 control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and of the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

INDEPENDENT AUDITORS' REPORT TO MEMBERS OF TFP SOLUTIONS BERHAD (Cont'd)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the 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 Act 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 Act.
- b) We have considered the financial statements and the auditors' reports of a subsidiary of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being accounts that have been included in the consolidated accounts.
- c) We are satisfied that the financial statements of the subsidiaries 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.
- d) 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 Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 31 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 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 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Kuala Lumpur,
Date : 22 March 2017

Lim Chiam Kay
Approval No: 1285/03/2019(J)
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Non-current Assets			
Plant and equipment	4	259	228
Current Assets			
Trade receivables	6	35,313	12,685
Other receivables, deposits and prepayments	7	1,290	1,279
Current tax assets		839	401
Deposits with financial institutions	9	3,887	6,600
Cash and bank balances		1,420	5,494
		42,749	26,459
Total Assets		43,008	26,687
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	10(a)	20,506	20,506
Treasury shares	10(b)	(179)	-
Reserves	11	(7,224)	(4,542)
		13,103	15,964
Non-controlling interests	12	196	277
		13,299	16,241
Non-current Liabilities			
Deferred tax liabilities	13	7	43
Current Liabilities			
Trade payables	14	27,039	8,487
Other payables and accruals	15	2,663	1,700
Current tax liabilities		*	216
		29,702	10,403
Total Liabilities		29,709	10,446
Total Equity and Liabilities		43,008	26,687

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Revenue	16	68,291	76,136
Cost of sales		(61,336)	(66,275)
Gross profit		6,955	9,861
Other income	17	866	1,138
Distribution costs		(129)	(145)
Administrative expenses		(8,665)	(9,382)
Other expenses		(1,830)	(115)
(Loss) /Profit from operations		(2,803)	1,357
Finance costs		(24)	-
(Loss) /Profit before taxation	18	(2,827)	1,357
Income tax expense	21	67	(472)
(Loss) /Profit for the year		(2,760)	885
Other comprehensive (loss) /profit :			
- Foreign currency translation difference for foreign operation		(3)	(17)
Total comprehensive (loss) /profit		(2,763)	868
(Loss) /Profit for the year attributable to : -			
Equity holders of the Company		(2,679)	523
Non-controlling interests		(81)	362
		(2,760)	885
Total comprehensive (loss) /profit for the year attributable to : -			
Equity holders of the Company		(2,682)	506
Non-controlling interests		(81)	362
		(2,763)	868
Basic (loss) /earnings per share (sen)	22	(1.31)	0.26
Diluted (loss) /earnings per share (sen)	22	(1.03)	0.20

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to equity holders of the company					<Distributable>		
	Non-Distributable							
	Share capital	Treasury shares	Share premium	Warrant reserves	Foreign currency translation reserves	Accumulated losses	Total	Non-controlling interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2015	20,506	-	6,758	1,357	(7)	(13,156)	15,458	160
Transaction with owners:								
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	(245)
Issuance of shares arising from warrants exercise	*	-	-	*	-	*	*	-
Total transactions with owners	-	-	-	-	-	-	-	(245)
Comprehensive income:								
Net profit for the financial year	-	-	-	-	-	523	523	362
Other comprehensive income:								
Foreign currency translation difference for foreign operation	-	-	-	-	(17)	-	(17)	-
Total comprehensive income	-	-	-	-	(17)	523	506	362
Balance at 31 December 2015	20,506	-	6,758	1,357	(24)	(12,633)	15,964	277
Balance at 1 January 2016	20,506	-	6,758	1,357	(24)	(12,633)	15,964	277
Transaction with owners:								
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-
Purchase of own shares	-	(179)	-	-	-	-	(179)	-
Total transactions with owners	-	(179)	-	-	-	-	(179)	-
Comprehensive loss:								
Net loss for the financial year	-	-	-	-	-	(2,679)	(2,679)	(81)
Other comprehensive loss:								
Foreign currency translation difference for foreign operation	-	-	-	-	(3)	-	(3)	-
Total comprehensive loss	-	-	-	-	(3)	(2,679)	(2,682)	(81)
Balance at 31 December 2016	20,506	(179)	6,758	1,357	(27)	(15,312)	13,103	196

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Cash flows from operating activities			
(Loss) /Profit before taxation		(2,827)	1,357
Adjustments for : -			
Depreciation of plant and equipment		93	80
Impairment losses on trade receivables		1,714	-
Interest income		(164)	(101)
Reversal of impairment losses no longer required		(121)	-
Unrealised gain on foreign exchange		(11)	*
Operating (loss) /profit before working capital changes		(1,316)	1,336
(Increase) /Decrease in trade receivables		(24,210)	11,679
(Increase) /Decrease in other receivables, deposits and prepayments		(11)	2,611
Increase /(Decrease) in trade payables		18,552	(7,307)
Increase in other payables and accruals		963	151
Cash (used in) /generated from operations		(6,022)	8,470
Tax paid		(646)	(642)
Tax refund		24	344
Net cash (used in) /from operating activities		(6,644)	8,172
Cash flows from investing activities			
Dividend paid to non-controlling interests		-	(245)
Interest received		164	101
Placement of deposits with licensed banks		(838)	(1,200)
Purchase of plant and equipment	23	(124)	(109)
Net cash used in investing activities		(798)	(1,453)
		(7,442)	6,719
Cash flows from financing activities			
Proceeds from issuance of shares		-	*
Purchase of own shares		(179)	-
Net (decrease) /increase in cash and cash equivalents		(7,621)	6,719
Effects of foreign exchange translation		(3)	(17)
Cash and cash equivalents at the beginning of the year		10,894	4,192
Cash and cash equivalents at the end of the year	24	3,270	10,894

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Non-current Assets			
Plant and equipment	4	*	*
Investment in subsidiary companies	5	8,408	8,766
		8,408	8,766
Current Assets			
Other receivable, deposits and prepayments	7	*	21
Amount due from subsidiary companies	8	1,227	1,549
Current tax assets		15	15
Deposit with financial institutions	9	650	-
Cash and bank balances		72	933
		1,964	2,518
Total Assets		10,372	11,284
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	10(a)	20,506	20,506
Treasury shares	10(b)	(179)	-
Reserves	11	(10,331)	(9,665)
		9,996	10,841
Current Liabilities			
Other payables and accruals	15	343	443
Amount due to subsidiary companies	8	33	-
		376	443
Total Liabilities		376	443
Total Equity and Liabilities		10,372	11,284

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Revenue	16	1,794	2,060
Other income	17	60	57
Administrative expenses		(2,520)	(2,312)
Other expenses		*	(1)
Loss before taxation	18	(666)	(196)
Income tax expense	21	-	33
Loss for the year, representing total comprehensive loss for the year		(666)	(163)

* Less than RM1,000

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	<----- Attributable to equity holders of the company ----->					
	<----- Non-distributable ----->			>Distributable>		
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserves RM'000	Accumulated losses RM'000	Total RM'000
Balance at 1 January 2015	20,506	-	6,758	1,357	(17,617)	11,004
<i>Transactions with owners :</i>						
Issuance of shares arising from warrants exercise	*	-	-	*	*	*
Total comprehensive loss for the year	-	-	-	-	(163)	(163)
Balance at 31 December 2015	20,506	-	6,758	1,357	(17,780)	10,841
<i>Transactions with owners :</i>						
Purchase of own shares	-	(179)	-	-	-	(179)
Total comprehensive loss for the year	-	-	-	-	(666)	(666)
Balance at 31 December 2016	20,506	(179)	6,758	1,357	(18,446)	9,996

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Cash flows from operating activities			
Loss before taxation		(666)	(196)
Adjustments for : -			
Depreciation of plant and equipment		*	1
Dividend income from subsidiary		-	(255)
Impairment loss on investment in subsidiary companies		358	105
Interest income		(60)	(57)
Operating loss before working capital changes		(368)	(402)
Decrease in other receivable, deposits and prepayments		20	66
Decrease in amount due from subsidiary companies		322	7
Decrease in other payables and accruals		(99)	(19)
Cash used in operations		(125)	(348)
Tax refund		15	146
Tax paid		(15)	(16)
Net cash used in operating activities		(125)	(218)
Cash flows from investing activities			
Dividends received from subsidiary		-	255
Interest received		60	57
Repayment from subsidiary companies		-	670
Net cash from investing activities		60	982
		(65)	764
Cash flows from financing activities			
Proceeds from issuance of shares		-	*
Purchase of own shares		(179)	-
Advance from /(Repayment to) subsidiary companies		33	(2)
Net cash used in financing activities		(146)	(2)
Net (decrease) /increase in cash and cash equivalents		(211)	762
Cash and cash equivalents at the beginning of the year		933	171
Cash and cash equivalents at the end of the year	24	722	933

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. GENERAL INFORMATION

TFP Solutions Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company are as follows : -

Registered office : Level 7, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights,
50490 Kuala Lumpur.

Principal place of business : No. 8-3, Jalan Puteri 4/2, Bandar Puteri,
47100 Puchong, Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2016 do not include other entities.

The Company is principally an investment holding company and engaged in the business of providing shared services to companies in the Group for which it charges management fees. The principal activities of the subsidiary companies are set out in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 22 March 2017.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Statement of compliance

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

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014–2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Tax – Recognition of Deferred Tax Assets for Unrealised Losses

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- Amendments to MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

a) Statement of compliance (Cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations : -

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are applicable to the Group and to the Company and effective for annual periods beginning on or after 1 January 2017;
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are applicable to the Group and to the Company and effective for annual periods beginning on or after 1 January 2018; and
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are applicable to the Company and effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below : -

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurements on the classification and measurement of financial assets and financial liabilities and on hedge accounting.

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Arrangements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that : -

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

a) Statement of compliance (Cont'd)

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Cont'd)

The amendments clarify that (Cont'd) :-

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9, MFRS 15, MFRS 16 and amendments to MFRS 10 and MFRS 128.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and Company's functional currency.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items :-

i) Depreciation of plant and equipment

Plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated the useful life of these assets to be within 5 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

ii) Impairment losses for trade receivables

At the end of the reporting period, included in the allowance account for trade receivables of the Group is individually assessed impairment losses for trade receivables amounting to RM1,749,231 (2015 – RM279,585). The estimates of individually assessed impairment for trade receivables are based on the historical default rate. Hence, should the actual default rate becomes higher than the estimated default rate, the Group may be required to charge additional impairment losses to the profit or loss within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

d) Use of estimates and judgements (Cont'd.)

iii) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised deferred tax assets arising from unabsorbed tax losses and capital allowances was approximately RM1,467,000 (2015 – RM1,175,500).

iv) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

v) Impairment of investment in subsidiary companies

The Company carried out the impairment test based on the assessment of the fair value of the respective assets' or cash generating units' ("CGU") fair value less costs to sell or based on the estimation of the value-in-use ("VIU") of the CGUs to which the plant and equipment are allocated. Estimating the VIU requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of investment in subsidiary companies of the Company as at 31 December 2016 was RM8,408,395 (2015 – RM8,765,726).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

a) Basis of consolidation (Cont'd)

ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as : -

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the 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.

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.

iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv) Loss of control

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 surplus or deficit 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 equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interest and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

a) Basis of consolidation (Cont'd)

vi) Transactions eliminated on consolidation

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

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, 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, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the 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 the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c) Financial instrument

i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the financial instrument.

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 policy applicable to the nature of the host contract.

ii) Financial instrument categories and subsequent measurement

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

Financial assets

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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 cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c) Financial instrument (Cont'd)

ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial assets (Cont'd)

d) Available-for-sale financial assets (Cont'd)

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. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(h)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

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 categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii) 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.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharged of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c) Financial instrument (Cont'd)

iv) 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. Trade date accounting refers to : -

- a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- b) 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.

v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expired or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset is 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 liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

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

d) Plant and equipment

i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs 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 the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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 plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Plant and equipment (Cont'd)

ii) Subsequent costs

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

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term.

The principal annual rates of depreciation for the plant and equipment are as follows : -

	Rate %
Computer equipment	20
Furniture and fittings	20
Office equipment	20
Renovation	20

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

e) Leases

i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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 accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is measured using fair value model.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

e) Leases (Cont'd)

ii) Operating lease (Cont'd)

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

f) Intangible assets

i) Goodwill

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates.

ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives are measured at cost less any accumulated amortisation and any accumulated impairment losses.

iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

v) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) Intangible assets (Cont'd)

v) Amortisation (Cont'd)

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

g) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

h) Impairment of assets

i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date 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 asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

h) Impairment of assets (Cont'd)

ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets, assets arising from employee benefits and non-current assets (or disposal group) 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, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units 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 group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the 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. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

ii) Ordinary shares

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

i) Equity instruments (Cont'd)

iii) Treasury shares

When the Company re-acquires its own equity shares, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Shares re-acquired are held as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sales, re-issuance or cancellation of the treasury shares. Should such treasury shares be reissued by re-sale in the open market, the difference between the sales consideration and the carrying amount are shown as a movement in equity, as appropriate. Where treasury shares are distributed as share dividends, the cost of the treasury shares are applied in the reduction of the share premium reserve or distributable retained profits or both.

j) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

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

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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 measured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

k) Employee benefits

i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

m) Revenue and other income

i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Deferred costs are recognised when the goods delivered to customers but pending installation and / or testing rendered to customers.

ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

n) Income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Income tax (Cont'd)

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

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

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

o) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

p) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

r) Contingencies

i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

s) 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 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 uses observable market data as far as possible. Fair value are 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 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 recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

4. PLANT AND EQUIPMENT

Group 2016	Computer equipment RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
<u>Cost</u>					
Balance at 1/1/16	447	152	131	34	764
Additions	76	1	15	32	124
Balance at 31/12/16	523	153	146	66	888
<u>Accumulated depreciation</u>					
Balance at 1/1/16	275	121	118	22	536
Charge for the year	67	10	7	9	93
Balance at 31/12/16	342	131	125	31	629
Net Book Value	181	22	21	35	259
2015					
<u>Cost</u>					
Balance at 1/1/15	533	155	157	34	879
Additions	101	-	8	-	109
Written off	(187)	(3)	(34)	-	(224)
Balance at 31/12/15	447	152	131	34	764
<u>Accumulated depreciation</u>					
Balance at 1/1/15	403	114	147	16	680
Charge for the year	59	10	5	6	80
Deletion	(187)	(3)	(34)	-	(224)
Balance at 31/12/15	275	121	118	22	536
Net Book Value	172	31	13	12	228

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

4. PLANT AND EQUIPMENT (Cont'd)

Company 2016	Computer equipment RM'000	Furniture and fittings RM'000	Office equipment RM'000	Total RM'000
<u>Cost</u>				
Balance at 1/1/16	2	67	40	109
Additions	-	-	-	-
Balance at 31/12/16	2	67	40	109
<u>Accumulated depreciation</u>				
Balance at 1/1/16	2	67	40	109
Charge for the year	-	*	-	*
Balance at 31/12/16	2	67	40	109
Net Book Value	-	*	-	*
2015				
<u>Cost</u>				
Balance at 1/1/15	2	67	40	109
Additions	-	-	-	-
Balance at 31/12/15	2	67	40	109
<u>Accumulated depreciation</u>				
Balance at 1/1/15	2	66	40	108
Charge for the year	*	1	-	1
Balance at 31/12/15	2	67	40	109
Net Book Value	-	*	-	*

* Less than RM1,000

The gross carrying amounts of fully depreciated plant and equipment of the Group and of the Company are as follows :-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Computer equipment	183	144	2	2
Furniture and fittings	103	103	65	65
Office equipment	107	107	40	40
Renovation	16	16	-	-
	409	370	107	107

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2016 RM'000	2015 RM'000
Unquoted shares, at cost	24,382	24,382
Less : Allowance for impairment losses	(15,974)	(15,616)
	8,408	8,766

The reconciliation of the allowance account is as follows : -

	Company 2016 RM'000	2015 RM'000
At beginning of the financial year	15,616	15,511
Impairment loss recognised	358	105
At the end of the financial year	15,974	15,616

The principal activities of the subsidiaries in the Group and the interest of TFP Solutions Berhad are as follows : -

Name of subsidiary	Place of incorporation	Principal activities	Effective ownership interest	
			2016 %	2015 %
Comm Zed Sdn. Bhd.	Malaysia	Providing network security, IT solution, hardware and software maintenance.	100	100
MBP Solutions Sdn. Bhd.	Malaysia	Providing Enterprise Resource Planning ("ERP") consulting and implementation of Microsoft Dynamic products.	100	100
O2U Solutions Sdn. Bhd.	Malaysia	Providing ERP consulting and implementation of Oracle products.	51	51
ProDserv Sdn. Bhd.	Malaysia	Developing and providing Enterprise Business Solutions Value added solutions. However, the company has ceased its business operations during current financial year.	100	100
SBOne Solutions Sdn. Bhd.	Malaysia	Providing ERP consulting and implementation of SAP products.	100	100
SoftFac Technology Sdn. Bhd.	Malaysia	Providing Human Capital Resource Management (HCRM) solutions.	100	100
Tech3 Solutions Sdn. Bhd.	Malaysia	Providing Enterprise Systems Solutions.	100	100
TFP International Pte. Ltd. **	Singapore	Inactive.	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

5. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

Name of subsidiary	Place of incorporation	Principal activities	Effective ownership interest	
			2016	2015
			%	%
<u>Subsidiary company of Comm Zed Sdn. Bhd.</u>				
Comm Zed Solution Sdn. Bhd. ("CZSSB")	Malaysia	Providing infrastructure sales and services.	100	100

** Audited by a firm other than Kreston John & Gan.

The auditors' report of subsidiary company was subject to the following material uncertainty related to going concern :-

MBP Solutions Sdn. Bhd.

The subsidiary company's financial statements have been prepared on a going concern basis, notwithstanding that the subsidiary company incurred accumulated losses of RM1,428,206 as at 31 December 2016, and as of that date, the subsidiary company's current liabilities exceeded its current assets by RM428,838, thereby indicating the existence of a material uncertainty which may cast significant doubt about the subsidiary company's ability to continue as a going concern. The Auditors' opinion is not modified in respect of this matter.

Non-controlling interest in subsidiary company

The Group's subsidiary company that has material non-controlling interest ("NCI") is as follows :-

	O2U Solutions Sdn. Bhd.	
	2016	2015
NCI percentage of ownership interest and voting interest	49%	49%
Carrying amount of NCI (RM'000)	196	277
(Loss) /Profit allocated to NCI (RM'000)	(81)	362

Summarised financial information before intra-group elimination :-

	RM'000	RM'000
<u>As at 31 December</u>		
Non-current assets	9	3
Current assets	496	1,544
Current liabilities	(151)	(1,028)
Net assets	354	519
<u>Year ended 31 December</u>		
Revenue	1,474	4,011
(Loss) /Profit for the year, representing total comprehensive (loss)/ income for the year	(165)	739
Cash flows (used in) /from operating activities	(378)	1,598
Cash flows from /(used in) investing activities	17	(10)
Cash flows used in financing activities	(32)	(1,113)
Net (decrease) /increase in cash and cash equivalents	(393)	475
Dividends paid to NCI	-	245

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

6. TRADE RECEIVABLES

	Group	
	2016 RM'000	2015 RM'000
Trade receivables	37,062	12,965
Less : Allowance account	(1,749)	(280)
	35,313	12,685

The reconciliation of the allowance account is as follows : -

	Group	
	2016 RM'000	2015 RM'000
At beginning of the financial year	280	396
Bad debt written off	(124)	-
Impairment losses recognised	1,714	-
Amount recovered and reversed	(121)	(116)
At the end of the financial year	1,749	280

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly. Allowance account at end of the financial year represents individually assessed impairment.

The normal credit term of trade receivables range from immediate payment to 65 days (2015 – 7 to 65 days). Other terms are assessed and approved on a case-by-case basis.

Included in the trade receivable is an amount of Nil (2015 – RM13,806) due from a company in which one of the directors of the Company has an interest.

The foreign currency exposure of trade receivables of the Group is as follows : -

	Group	
	2016 RM'000	2015 RM'000
US Dollar	102	11

7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	902	354	*	-
Deferred costs	268	859	-	-
Other deposits	33	35	*	*
Prepayments	87	31	-	21
	1,290	1,279	*	21

* Less than RM1,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

8. AMOUNTS DUE FROM /(TO) SUBSIDIARY COMPANIES

	Company	
	2016 RM'000	2015 RM'000
Amount due from subsidiary companies : -		
Trade		
- Comm Zed Sdn. Bhd.	-	24
- MBP Solutions Sdn. Bhd.	-	33
- O2U Solutions Sdn. Bhd.	-	28
- SBOne Solutions Sdn. Bhd.	-	18
- SoftFac Technology Sdn. Bhd.	-	3
- Tech3 Solutions Sdn. Bhd.	218	23
Non-Trade		
- MBP Solutions Sdn. Bhd.	958	600
- Tech3 Solutions Sdn. Bhd.	-	800
- TFP International Pte. Ltd.	158	127
	1,334	1,656
Less : Allowance account	(107)	(107)
	1,227	1,549
Amount due to subsidiary companies : -		
Non-Trade		
- Comm Zed Sdn. Bhd.	*	-
- O2U Solutions Sdn. Bhd.	(14)	-
- SBOne Solutions Sdn. Bhd.	(12)	-
- SoftFac Technology Sdn. Bhd.	(7)	-
	(33)	-

* Less than RM1,000

The reconciliation of the allowance account is as follows : -

	Company	
	2016 RM'000	2015 RM'000
At beginning of the financial year	107	107
Impairment losses recognised	-	-
At the end of the financial year	107	107

The foreign currency exposure of amount due from a subsidiary company is as follows : -

	2016 RM'000	2015 RM'000
Singapore Dollar	50	20

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

8. AMOUNTS DUE FROM /(TO) SUBSIDIARY COMPANIES (Cont'd)

Non-trade balances due from /(to) subsidiary companies are in respect of advances and payments made on behalf, which are unsecured, interest free and repayable on demand in cash and cash equivalent.

Included in the amount due from subsidiary companies is an unsecured loan of RM1,000,000 (2015 – RM1,400,000) due from subsidiary companies, which bears interest at rate of 3.50% (2015 – 3.50%) per annum and repayable on demand.

9. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed deposits with licensed banks	2,037	1,200	-	-
Repo deposits with licensed banks	1,850	5,400	650	-
	3,887	6,600	650	-

The effective interest rates of deposits with licensed banks are in the range from 1.85% to 3.15% (2015 – 2.50% to 3.15%) per annum.

Included in deposits with licensed banks of the Group are amounts of RM2,037,404 (2015 – RM1,199,554) which have been pledged to licensed banks as security for the credit facilities granted to the subsidiary companies.

10. (A) SHARE CAPITAL

	Group and Company			
	2016 Number of ordinary shares of RM0.10 each '000	2015 '000	2016 RM'000	2015 RM'000
Authorised :				
At beginning of the financial year	500,000	500,000	50,000	50,000
Created during the financial year	-	-	-	-
At end of the financial year	500,000	500,000	50,000	50,000
Issued and fully paid :				
At beginning of the financial year	205,059	205,057	20,506	20,506
Issued during the financial year	-	2	-	*
At end of the financial year	205,059	205,059	20,506	20,506

* Less than RM1,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

10. (B) TREASURY SHARES

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 24 June 2016, approved the Company's plan to purchase its own shares. The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.

The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows : -

	Number of shares '000	Cost RM'000
Balance at 1 January 2016	-	-
Shares purchased	1,279	179
Balance at 31 December 2016	1,279	179
Average unit cost for the year (RM)		0.14

The number of outstanding shares in issue after excluding the treasury shares as at 31 December 2016 was 203,780,645 (2015 – 205,059,645)

11. RESERVES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-distributable</u>				
Share premium	6,758	6,758	6,758	6,758
Warrant reserves	1,357	1,357	1,357	1,357
Foreign currency translation reserves	(27)	(24)	-	-
	8,088	8,091	8,115	8,115
<u>Distributable</u>				
Accumulated losses	(15,312)	(12,633)	(18,446)	(17,780)
	(7,224)	(4,542)	(10,331)	(9,665)

Share premium

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

11. RESERVES (Cont'd)

Warrant reserves

The warrant reserves represent the fair value adjustment for the free warrants issued pursuant to the Deed Poll agreement dated 28 January 2014. The fair value of the warrants is measured using "Trinomial" pricing model with the following inputs and assumptions :-

Fair value of warrants and assumptions

Fair value of warrants at issuance date (RM)	0.0139
Exercise price (RM)	0.10
Expected volatility (weighted average volatility)	3%
Option life (expected weighted average life)	5 years
Risk-free interest rate (based on rates of years Malaysian government bonds)	3%

Foreign currency translation reserves

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

12. NON-CONTROLLING INTERESTS

	Group	
	2016	2015
	RM'000	RM'000
Balance at the beginning of the year	277	160
Transferred from profit or loss	(81)	362
Dividends paid to NCI	-	(245)
Balance at the end of the year	196	277

13. DEFERRED TAX LIABILITIES

	Group	
	2016	2015
	RM'000	RM'000
Balance at the beginning of the year	43	35
Recognised in profit or loss (Note 21)	(36)	8
Balance at the end of the year	7	43

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

13. DEFERRED TAX LIABILITIES (Cont'd)

The components and movements of deferred tax liabilities during the financial year are as follows : -

Group	As at 1 January RM'000	Recognised in profit or loss RM'000	As at 31 December RM'000
2016			
Deferred tax liabilities			
Accelerated capital allowances	43	(36)	7
2015			
Deferred tax liabilities			
Accelerated capital allowances	35	8	43

14. TRADE PAYABLES

Group

The normal credit term of trade payables is in the range from 30 to 60 days. However, the term may vary upon negotiation with the trade payables.

The foreign currency exposure of trade payables of the Group is as follows : -

Group	2016 RM'000	2015 RM'000
US Dollar	6	-

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	2,115	502	-	1
Accruals	548	1,198	343	442
	2,663	1,700	343	443

Company

Included in accruals is an amount of provision of directors' remuneration of RM250,000 (2015 – RM336,860).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

15. OTHER PAYABLES AND ACCRUALS (Cont'd)

The foreign currency exposure of other payables and accruals of the Group is as follows : -

Group	2016 RM'000	2015 RM'000
Singapore dollar	8	13

16. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Dividend received from subsidiary companies	-	-	-	255
Management fee	-	-	1,794	1,805
Sale of goods	61,504	64,748	-	-
Services rendered	6,787	11,388	-	-
	68,291	76,136	1,794	2,060

17. OTHER INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gain on foreign exchange				
- realised	21	9	-	-
- unrealised	11	*	-	-
Insurance claims	11	-	-	-
Interest income				
- Advance to subsidiary companies	-	-	40	42
- Cash fund with a financial institution	-	7	-	-
- Fixed deposits	56	2	-	-
- Repo deposits	108	92	20	15
Partners' incentive	531	890	-	-
Payables written back	-	21	-	-
Reversal of impairment loss no longer required	121	117	-	-
Sundry income	7	-	-	-
	866	1,138	60	57

* Less than RM1,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

18. (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit before tax is arrived at after charging :-				
Auditors' remuneration				
- Kreston John & Gan				
- current year provision	114	114	32	32
- overprovision in previous year	-	(1)	-	(1)
- Other auditors	8	8	-	-
Depreciation of plant and equipment	93	80	*	1
Employee benefits expense (Note 19)	8,462	9,373	1,689	1,779
Impairment loss on				
- trade receivables	1,714	-	-	-
- investment in subsidiary companies	357	-	358	105
Loss on foreign exchange - realised	22	34	-	-
Rental of plant and equipment	-	3	-	-
Rental of premises	147	117	-	12
and after crediting :-				
Dividends received from subsidiary companies	-	-	-	255
Gain on foreign exchange - realised	21	9	-	-
Gain on foreign exchange - unrealised	11	*	-	-
Interest income				
- Advance to subsidiary companies	-	-	40	42
- Cash fund with a financial institution	-	7	-	-
- Fixed deposits	56	2	-	-
- Repo deposits	108	92	20	15
Payable written back	-	21	-	-
Reversal of impairment loss no longer required	121	117	-	-

* Less than RM1,000

19. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries, allowances and bonus	6,269	6,682	1,378	1,517
Employees Provident Fund	1,019	1,048	260	233
Social security costs	40	36	2	1
Other staff related expenses	1,134	1,607	49	28
	8,462	9,373	1,689	1,779

Included in employee benefits expense of the Group and of the Company are executive directors' emoluments excluding benefits-in-kind, amounting to RM2,358,124 (2015 – RM2,500,409) and RM1,436,000 (2015 – RM1,511,100) respectively as disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

20. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Directors of the Company</u>				
Executive directors				
- Fees	125	118	125	118
- Other emoluments	1,787	1,857	1,436	1,511
- Contribution to defined contribution plan	294	266	-	-
Non-executive directors				
- Fees	125	132	125	132
- Other emoluments	9	6	9	6
Total excluding benefits-in-kind	2,304	2,379	1,695	1,767
<u>Directors of subsidiary companies</u>				
Executive directors				
- Fees	7	7	-	-
- Other emoluments	572	643	-	-
- Contribution to defined contribution plan	78	88	-	-
	657	738	-	-

The number of directors of the Company and the subsidiary companies whose total remuneration during the year fell within the following bands is analysed below : -

	Number of directors			
	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Directors of the Company</u>				
Executive directors :				
- Below RM50,000	-	-	1	1
- RM100,000 - RM200,000	-	-	-	-
- RM200,001 - RM300,000	-	-	-	-
- RM300,001 - RM400,000	1	1	-	-
- RM400,001 - RM500,000	1	1	1	1
- RM500,001 - RM600,000	2	2	2	2
Non-Executive directors :				
- Below RM50,000	4	4	4	4
<u>Directors of a subsidiary company</u>				
Executive directors :				
- Below RM50,000	1	1	-	-
- RM100,000 - RM200,000	1	1	-	-
- RM200,001 - RM300,000	2	2	-	-
- RM300,001 - RM400,000	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

21. INCOME TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax				
- current year provision	48	516	-	-
- over provision in previous year	(79)	(52)	-	(33)
	(31)	464	-	(33)
Deferred taxation (Note 13)	(36)	8	-	-
	(67)	472	-	(33)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015 – 25%) of the estimated assessable profit for the year.

One of the subsidiary company, Comm Zed Solution Sdn. Bhd. ("CZSSB"), has been granted MSC Malaysia Status, which qualifies it for the Pioneer Status Incentive under the Promotion of Investment Act, 1986. CZSSB enjoys full exemption from income tax on its statutory income from its pioneer activities for 5 years, from 21 June 2013 to 20 June 2018.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows : -

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Applicable tax rate	(24)	25	(24)	(25)
Tax effects of :				
- Non-allowable expenses	13	5	18	57
- Deferred tax assets not recognised during the year	11	1	6	(32)
- Utilisation of tax losses	(2)	(7)	-	-
- Over provision in previous year	(2)	(3)	-	(17)
- Income tax exempted under pioneer status	2	5	-	-
Effective tax rate	(2)	26	-	(17)

Unabsorbed tax losses and capital allowances of the Group which are available to set-off against future chargeable income for which the tax effects have not been recognised in the financial statements are shown below : -

	Group	
	2016	2015
Unabsorbed tax losses	5,151	3,803
Unabsorbed capital allowances	1,122	1,096

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

21. INCOME TAX EXPENSE (Cont'd)

The utilisation of unabsorbed tax losses and capital allowances are as follow : -

	Group 2016 RM'000	2015 RM'000
<u>Tax losses - approximate</u>		
Balance brought forward	3,803	3,892
Claimed during the year	1,525	431
	5,328	4,323
Utilised during the year	(177)	(520)
Balance carried forward	5,151	3,803
<u>Capital allowances - approximate</u>		
Balance brought forward	1,096	1,095
Claimed during the year	77	1
	1,173	1,096
Utilised during the year	(51)	-
Balance carried forward	1,122	1,096

The tax saving derived from the utilisation of unabsorbed tax losses and unabsorbed capital allowances brought forward from previous years amounted to approximately RM42,000 (2015 – RM130,000) and RM12,000 (2015 – Nil) respectively.

The potential deferred tax benefits that have not been accounted for in the financial statements are as follows : -

Group	Unabsorbed tax losses RM'000	Unabsorbed capital allowances RM'000	Accelerated capital allowances RM'000	Total RM'000
Balance at 1 January 2015	933	263	7	1,203
Utilising during the year	(21)	-	(7)	(28)
Balance at 31 December 2015	912	263	-	1,175
Arising /(Utilising) during the year	321	6	(35)	292
Balance at 31 December 2016	1,233	269	(35)	1,467

No deferred tax asset has been recognised as the Group is unable to ascertain whether it is probable that taxable profit of the subsidiary companies will be available against which the deductible temporary differences can be utilised.

Company	Unabsorbed tax losses RM'000	Other temporary difference RM'000	Total RM'000
Balance at 1 January 2016	-	-	-
Arising during the year	45	*	45
Balance at 31 December 2016	45	*	45

* Less than RM1,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

21. INCOME TAX EXPENSE (Cont'd)

No deferred tax asset has been recognised as the Company is unable to ascertain whether it is probable that taxable profit of the subsidiary companies will be available against which the deductible temporary differences can be utilised.

22. (LOSS) /EARNINGS PER SHARE

Basic :

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

	Group	
	2016 RM'000	2015 RM'000
(Loss) /Profit for the year attributable to ordinary equity holders of the Company	(2,679)	523
	Number of shares	
	Unit '000	Unit '000
Number of shares in issue at 1 January	205,060	205,057
Effect of warrants exercised	-	2
Effect of shares purchased	(339)	-
Weighted average number of ordinary shares in issue	204,721	205,059
Basic (loss) /earnings per share (sen)	(1.31)	0.26

Diluted :

	Group	
	2016 RM'000	2015 RM'000
(Loss) /Profit for the year attributable to ordinary equity holders of the Company (diluted)	(2,679)	523
	Number of shares	
	Unit '000	Unit '000
Weighted average number of ordinary shares in issue (basic)	204,721	205,059
Dilutive potential ordinary shares		
- Assumed exercise of warrants	56,891	56,891
- Purchase of own shares	(339)	-
Weighted average number of ordinary shares in issue (diluted)	261,273	261,950
Diluted (loss) /earnings per share (sen)	(1.03)	0.20

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

23. PURCHASE OF PLANT AND EQUIPMENT

During the financial year, the Group and the Company made the following cash payments to purchase plant and equipment : -

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of plant and equipment (Note 4)	124	109	-	-

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts : -

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	1,420	5,494	72	933
Deposits with financial institutions (Note 9)	3,887	6,600	650	-
	5,307	12,094	722	933
Less : Pledged deposits (Note 9)	(2,037)	(1,200)	-	-
	3,270	10,894	722	933

The foreign currency exposures of cash and bank balances of the Group are as follows : -

	2016 RM'000	2015 RM'000
Singapore Dollar	10	9
US Dollar	1	1

25. SEGMENT INFORMATION

No segmental reporting by industry and geographical segments has been prepared as the Group operated predominantly in the information communication technology industry principally in Malaysia as mentioned in Note 5 to the financial statements.

The following is major customer with revenue equal or more than 10% of the Group's total revenue : -

	Group	
	2016 RM'000	2015 RM'000
- Customer A	20,140	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

26. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows : -

- (a) Loans and receivables ("L&R");
 (b) Financial liabilities measured at amortised cost ("FL").

Group	Carrying amount RM'000	L&R RM'000	FL RM'000
2016			
Financial assets			
Trade receivables	35,313	35,313	-
Other receivables	902	902	-
Deposits with financial institution	3,887	3,887	-
Cash and bank balances	1,420	1,420	-
	41,522	41,522	-
Financial liabilities			
Trade payables	(27,039)	-	(27,039)
Other payables and accruals	(2,663)	-	(2,663)
	(29,702)	-	(29,702)
2015			
Financial assets			
Trade receivables	12,685	12,685	-
Other receivables	354	354	-
Deposits with financial institution	6,600	6,600	-
Cash and bank balances	5,494	5,494	-
	25,133	25,133	-
Financial liabilities			
Trade payables	(8,487)	-	(8,487)
Other payables and accruals	(1,700)	-	(1,700)
	(10,187)	-	(10,187)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

26. FINANCIAL INSTRUMENTS (Cont'd)

a) Categories of financial instruments (Cont'd)

Company	Carrying amount RM'000	L&R RM'000	FL RM'000
2016			
Financial assets			
Other receivables	*	*	-
Amount due from subsidiary companies	1,227	1,227	-
Deposits with financial institution	650	650	-
Cash and bank balances	72	72	-
	1,949	1,949	-
Financial liabilities			
Accruals	(343)	-	(343)
Amount due to subsidiary companies	(33)	-	(33)
	(376)	-	(376)
2015			
Financial assets			
Amount due from subsidiary companies	1,549	1,549	-
Cash and bank balances	933	933	-
	2,482	2,482	-
Financial liabilities			
Other payables and accruals	(443)	-	(443)

* Less than RM1,000

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments as follows : -

- Credit risk
- Liquidity and cash flow risk
- Market risk
- Operational risk

i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

26. FINANCIAL INSTRUMENTS (Cont'd)

b) Financial risk management (Cont'd)

i) Credit risk (Cont'd)

Receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Exposure to credit risk, credit quality and collateral

As at 31 December 2016, the Group has significant concentration of credit risk in the form of outstanding balance of approximately RM20,000,000 due from one trade receivable which represents 60% of the total trade receivables of the Group. However, the directors are of the opinion that these amount outstanding is fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was : -

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2016			
Not past due	28,906	-	28,906
Past due 1-30 days	749	-	749
Past due over 30 days	7,407	(1,749)	5,658
	37,062	(1,749)	35,313
2015			
Not past due	5,650	-	5,650
Past due 1-30 days	2,515	-	2,515
Past due over 30 days	4,800	(280)	4,520
	12,965	(280)	12,685

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

26. FINANCIAL INSTRUMENTS (Cont'd)

b) Financial risk management (Cont'd)

i) Credit risk (Cont'd)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM6,876,831 (2015 – RM6,299,554) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

ii) Liquidity and cash flow risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

26. FINANCIAL INSTRUMENTS (Cont'd)

b) Financial risk management (Cont'd)

ii) Liquidity and cash flow risks (Cont'd)

Maturity Analysis Group	Carrying amount RM'000	Effective interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
2016				
<i>Non-derivative financial liabilities</i>				
Trade payables	27,039	-	27,039	27,039
Other payables and accruals	2,663	-	2,663	2,663
	29,702		29,702	29,702
2015				
<i>Non-derivative financial liabilities</i>				
Trade payables	8,487	-	8,487	8,487
Other payables and accruals	1,700	-	1,700	1,700
	10,187		10,187	10,187
Company				
2016				
<i>Non-derivative financial liabilities</i>				
Accruals	343	-	343	343
Amount due to subsidiary companies	33	-	32,833	32,833
	376		33,176	33,176
2015				
<i>Non-derivative financial liabilities</i>				
Other payables and accruals	443	-	443	443

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows. Other than interest rates risk and foreign exchange rate risk, the Group is not exposed to other prices risk.

Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currency of Group entities. The currency giving rise to this risk were primarily Singapore Dollar ("SGD") and U. S. Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group is closely monitoring the foreign currency risk on an ongoing basis to ensure that the net exposure is at acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

26. FINANCIAL INSTRUMENTS (Cont'd)

b) Financial risk management (Cont'd)

iii) Market risk (Cont'd)

Currency risk (Cont'd)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was : -

Group	2016		2015	
	Denominated in		Denominated in	
	SGD	USD	SGD	USD
	in RM'000	in RM'000	in RM'000	in RM'000
Balance recognised in the statement of financial position :				
Trade receivables	-	102	-	11
Cash and bank balances	10	1	9	1
Trade payables	-	(6)	-	-
Other payables and accruals	(8)	-	(13)	-
Net exposure	2	97	(4)	12

Currency risk sensitivity analysis

A 5% strengthening of RM against the following currencies at the end of the reporting period would have increased /(decreased) equity and post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

Group	2016		2015	
	Equity	Loss for the year	Equity	Loss for the year
	RM'000	RM'000	RM'000	RM'000
<u>SGD</u>				
Increase /(Decrease)	*	*	*	*
<u>USD</u>				
Increase	5	5	1	1

* Less than RM1,000

A 5% of weakening of RM against the above foreign currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short term investment such as deposits with licensed bank are not significantly exposed to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

26. FINANCIAL INSTRUMENTS (Cont'd)

b) Financial risk management (Cont'd)

iii) Market risk (Cont'd)

Interest rate risk (Cont'd)

Risk management objectives, policies and processes for managing the risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was : -

Group	2016 RM'000	Effective interest rate %	2015 RM'000	Effective interest rate %
<u>Floating rate instruments</u>				
Deposits with financial institutions	1,850	1.85-2.75	5,400	2.50-2.70
<u>Fixed rate instruments</u>				
Deposits with licensed banks	2,037	2.85-3.15	1,200	3.15
Company				
<u>Fixed rate instruments</u>				
Amount due from subsidiaries	1,000	3.10	1,400	3.10

Interest rate risk sensitivity analysis : -

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change on interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM18,500 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

26. FINANCIAL INSTRUMENTS (Cont'd)

b) Financial risk management (Cont'd)

iv) Operational risk (Cont'd)

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

c) Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments. As the financial assets and liabilities of the Group and of the Company are not carried at fair value by any valuation method, the fair value hierarchy is not presented.

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may take adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

The Group has no borrowings from financial institutions. The debt-to-equity ratio is not presented as it does not provide a meaningful indicator of the risk of borrowings.

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

28. CONTINGENT LIABILITIES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Unsecured</u>				
Corporate guarantees issued to third parties for supplies of goods and services to :-				
- subsidiary companies	-	-	6,100	6,100
<u>Secured</u>				
Bankers' guarantee issued in favour of third parties secured by deposit with a licensed bank	777	200	-	-
	777	200	6,100	6,100

The directors are of the opinion that adequate allowance has been made in the financial statements for any possible liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

29. RELATED PARTIES

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of the senior management of the Group.

The Group has related party relationship with its subsidiaries, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are show below. The related party balances are shown in Note 6 and 8.

a) Related party/companies transactions : -

- i) Transactions with LMS Technology Distributions Sdn. Bhd., a company in which one of the directors of the Company, namely Dato' Hussian @ Rizal Bin A. Rahman, has financial interests : -

	Group	
	2016	2015
	RM'000	RM'000
- Revenue	-	51
- Purchases	-	(191)

This transaction has been entered in the normal course of business and established under negotiated terms.

- ii) Rental of premises paid to certain of the directors of the Company and the subsidiaries : -

	Group	
	2016	2015
	RM'000	RM'000
- Lim Lung Wen	(47)	(31)
- Quah Teik Jin	(26)	(13)

	Company	
	2016	2015
	RM'000	RM'000
- Lim Lung Wen	-	(12)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

29. RELATED PARTIES (Cont'd)

a) Related party/companies transactions (Cont'd) : -

iii) Significant related company transactions in the financial statements are as follows : -

	Company	
	2016 RM'000	2015 RM'000
Gross dividend income received from subsidiary companies		
- O2U Solutions Sdn. Bhd.	-	255
Interest on loan to a subsidiary companies		
- MBP Solutions Sdn. Bhd.	27	25
- O2U Solutions Sdn. Bhd.	-	1
- Tech3 Solutions Sdn. Bhd.	13	16
Management fee received /receivable from subsidiary companies		
- Comm Zed Sdn. Bhd.	2	99
- MBP Solutions Sdn. Bhd.	179	96
- O2U Solutions Sdn. Bhd.	44	118
- SBOne Solutions Sdn. Bhd.	62	139
- SoftFac Technology Sdn. Bhd.	20	16
- Tech3 Solutions Sdn. Bhd.	1,487	1,336

b) Compensation of key management personnel

The remuneration paid by the Group and the Company to key management personnel during the year are as follows : -

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits	2,367	2,506	1,445	1,517
Post-employment benefits :				
- Defined contribution plan				
- EPF	372	354	260	231
	2,739	2,860	1,705	1,748

Included in the total key management personnel are : -

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration (Note 20)				
- Directors of the Company	2,046	2,113	1,695	1,767
- Directors of the subsidiaries	579	650	-	-
	2,625	2,763	1,695	1,767

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

30. SUBSEQUENT EVENT

Companies Act, 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act does not have any financial impact on the Group and the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (Cont'd)

31. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the accumulated losses of the Group and of the Company at 31 December, into realised and unrealised losses, pursuant to Rules 2.07 and 2.23 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements, are as follows : -

Group	2016 RM'000	2015 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- realised	(14,734)	(11,580)
- unrealised	(7)	(43)
	(14,741)	(11,623)
Less : Consolidation adjustments	(571)	(1,010)
Total accumulated losses	(15,312)	(12,633)
Company		
Total accumulated losses of the Company		
- realised	(18,446)	(17,780)
Total accumulated losses	(18,446)	(17,780)

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

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STATEMENT BY DIRECTORS

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

We, Lim Lung Wen and Quah Teik Jin, being two of the directors of TFP Solutions Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 43 to 95 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2016 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 31 on page 96 to the financial statements has been prepared 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.

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

Lim Lung Wen

Puchong, Selangor
Date: 22 March 2017

Quah Teik Jin

STATUTORY DECLARATION

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

I, Choo Chuin Hui, being the officer primarily responsible for the financial management of TFP Solutions Berhad, do solemnly and sincerely declare that the financial statements set out on pages 43 to 96, to the best of my knowledge and belief, are correct.

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

Subscribed and solemnly declared at Kuala Lumpur on 22 March 2017

Choo Chuin Hui

Before me

Commissioner for Oaths
D. Selvaraj
No: W320

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

Issued Share Capital	: 205,059,645 Ordinary Shares (including treasury shares of 1,279,000)
Class of Shares	: Ordinary Shares
Voting Rights	: One (1) vote per shareholder on a show of hands One (1) vote per Ordinary Share on a poll

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders ***	Percentage (%) of Shareholders***	No. of Shares Held ***	Percentage (%) of Issued Capital***
1 – 99	5	0.62	245	0.00
100 – 1,000	37	4.56	12,313	0.01
1,001 – 10,000	492	60.67	1,520,700	0.75
10,001 – 100,000	196	24.17	7,928,353	3.89
100,001 – 10,189,031 (*)	75	9.25	48,679,139	23.89
10,189,032 and above (**)	6	0.74	145,639,895	71.47
TOTAL	811	100.00	203,780,645	100.00

Remarks:

* Less than 5% of Issued Shares

** 5% and above of Issued Shares

*** Excluding 1,279,000 shares bought back by the Company and retained as treasury shares.

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders (holding 5% or more of the issued capital) based on the Register of Substantial Shareholders of the Company and their shareholdings are as follows:-

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares Held	Percentage (%)	No. of Shares Held	Percentage (%)
Quah Teik Jin	11,850,000	5.82	*39,000,000	19.14
Lim Lung Wen	11,850,000	5.82	*39,000,000	19.14
Rapportrans Sdn Bhd	62,339,895	30.59	-	-
Milan Premier Sdn Bhd	39,000,000	19.14	-	-
Malaysian Trustees Berhad	®46,296,297	22.72	-	-
Dato' Hussian @ Rizal Bin A. Rahman	-	-	**62,339,895	30.59
Aurum Resources Sdn Bhd	20,600,000	10.11	-	-
Ariyan Jay Chinniah	350,000	0.17	***20,600,000	10.11

* Deemed interested by virtue of his substantial shareholdings in Milan Premier Sdn Bhd, who in turn holds shares in TFP Solutions Berhad.

** Deemed interested by virtue of his substantial shareholdings in Rapportrans Sdn Bhd, who in turn holds shares in TFP Solutions Berhad.

*** Deemed interested by virtue of his substantial shareholdings in Aurum Resources Sdn Bhd, who in turn holds shares in TFP Solutions Berhad.

® Held on behalf of Rapportrans Sdn Bhd

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2017 (Cont'd)

DIRECTORS' SHAREHOLDINGS

The Directors' shareholdings based on the Register of Directors' Shareholdings of the Company are as follows:-

Directors	Direct Interest		Indirect Interest	
	No. of Shares Held	Percentage (%)	No. of Shares Held	Percentage (%)
Quah Teik Jin	11,850,000	5.82	*39,000,000	19.14
Lim Lung Wen	11,850,000	5.82	*39,000,000	19.14
Dr. Chew Seng Poh	300,000	0.15	-	-
Dato' Jamaludin Bin Hassan	112,500	0.06	-	-
Dato' Hussian @ Rizal Bin A. Rahman	-	-	**62,339,895	30.59
Wong Loke Lim	-	-	-	-
Noor Shahwan Bin Saffwan	-	-	-	-
Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra	326,900	0.16	-	-

* Deemed interested by virtue of his substantial shareholdings in Milan Premier Sdn Bhd, who in turn holds shares in TFP Solutions Berhad.

** Deemed interested by virtue of his substantial shareholdings in Rapportrans Sdn Bhd, who in turn holds shares in TFP Solutions Berhad.

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Shareholders	No. of Shares Held	Percentage (%) of Issued Capital
1.	Malaysian Trustees Berhad Rapportrans Sdn Bhd	46,296,297	22.72
2.	Milan Premier Sdn Bhd	39,000,000	19.14
3.	Aurum Resources Sdn Bhd	20,600,000	10.11
4.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rapportrans Sdn Bhd	16,043,598	7.87
5.	Lim Lung Wen	11,850,000	5.82
6.	Quah Teik Jin	11,850,000	5.82
7.	Raymond Selvaraj a/l Victor Benjamin	4,505,800	2.21
8.	Chung Lea Chun	3,758,192	1.84
9.	Lim Chee Siong	3,717,100	1.82
10.	Cheah Sek Lim Sonny	3,111,400	1.53
11.	Dave Choong Dan Nee	3,000,000	1.47
12.	Tan Bee Lean	2,928,400	1.44
13.	Tan Man Siang	2,066,247	1.01

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2017 (Cont'd)

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS (Cont'd)

No.	Shareholders	No. of Shares Held	Percentage (%) of Issued Capital
14.	Chiang Siew Eng @ Le Yu Ak Ee	2,000,000	0.98
15.	Lai Thiam Poh	1,900,000	0.93
16.	Tan Ching Ling	1,099,400	0.54
17.	Wong Wai Choong	1,092,500	0.54
18.	Chew Tan Joo Lee @ Chew Joo Lee	1,055,300	0.52
19.	Daniel Boo Hui Siong	1,000,000	0.49
20.	Oey Ai Li	803,300	0.39
21.	Tan Siew Hua	700,000	0.34
22.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kok Pin @ Kok Khong	650,000	0.32
23.	Alliancegroup Nominees (Tempatan) Sdn Bhd Siew Lai Ping	579,000	0.28
24.	Cheak Mun Luen	550,000	0.27
25.	Lim Yang Kiow	508,000	0.25
26.	Foo Hee Hiang	500,000	0.25
27.	Yong Kim Thai	500,000	0.25
28.	Chia Sun Kia	463,000	0.23
29.	Sue Ann Rozells	445,000	0.22
30.	Shoo Kim Looi	395,500	0.19

Note:

The analysis of shareholdings is based on the issued share capital of the Company after deducting 1,279,000 Ordinary Shares brought back by the Company and held as treasury shares as at 31 March 2017

STATISTICS OF WARRANTHOLDINGS AS AT 31 MARCH 2017

Total Warrants Issued : 97,648,744
Warrant holders : 714

ANALYSIS OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	Percentage (%) of Warrantholders	No. of Warrants Held	Percentage (%) of Issued Warrants
1 – 99	34	4.76	1,798	0.00
100 – 1,000	313	43.84	229,300	0.23
1,001 – 10,000	190	26.61	649,450	0.67
10,001 – 100,000	127	17.79	5,302,876	5.43
100,001 – 4,882,436 (*)	45	6.30	27,251,123	27.91
4,882,437 and above (**)	5	0.70	64,214,197	65.76
TOTAL	714	100.00	97,648,744	100.00

Remarks:

* Less than 5% of Issued Warrants

** 5% and above of Issued Warrants

SUBSTANTIAL WARRANTHOLDERS

The substantial warrant holders of the Company and their warrantholdings are as follows:-

Substantial Warrantholders	Direct Interest		Indirect Interest	
	No. of Warrants Held	Percentage (%)	No. of Warrants Held	Percentage (%)
Quah Teik Jin	5,925,000	6.07	*19,500,000	19.97
Lim Lung Wen	5,925,000	6.07	*19,500,000	19.97
Rapportrans Sdn Bhd	32,864,197	33.66	-	-
Milan Premier Sdn Bhd	19,500,000	19.97	-	-
Dato' Hussian @ Rizal Bin A. Rahman	-	-	**32,864,197	33.66

* Deemed interested by virtue of his substantial shareholdings in Milan Premier Sdn Bhd, who holds warrants in TFP Solutions Berhad.

** Deemed interested by virtue of his substantial shareholdings in Rapportrans Sdn Bhd, who holds warrants in TFP Solutions Berhad.

STATISTICS OF WARRANTHOLDINGS

AS AT 31 MARCH 2017 (Cont'd)

DIRECTORS' WARRANTHOLDINGS

The Directors' Warrantholdings are as follows:-

Directors	Direct Interest		Indirect Interest	
	No. of Warrants Held	Percentage (%)	No. of Warrants Held	Percentage (%)
Quah Teik Jin	5,925,000	6.07	*19,500,000	19.97
Lim Lung Wen	5,925,000	6.07	*19,500,000	19.97
Dr. Chew Seng Poh	-	-	-	-
Dato' Jamaludin Bin Hassan	56,250	0.06	-	-
Dato' Hussian @ Rizal Bin A. Rahman	-	-	**32,864,197	33.66
Wong Loke Lim	-	-	-	-
Noor Shahwan Bin Saffwan	-	-	-	-
Dr. Khaled Abdullah Soubra Bin Abdullah Khaled Soubra	163,450	0.17	-	-

* Deemed interested by virtue of his substantial shareholdings in Milan Premier Sdn Bhd, who holds warrants in TFP Solutions Berhad.

** Deemed interested by virtue of his substantial shareholdings in Rapportrans Sdn Bhd, who holds warrants in TFP Solutions Berhad.

THIRTY (30) LARGEST WARRANTHOLDERS

No.	Warrantholders	No. of Warrants Held	Percentage (%) of Issued Warrants
1.	Malaysian Trustees Berhad Rapportrans Sdn Bhd	23,148,148	23.71
2.	Milan Premier Sdn Bhd	19,500,000	19.97
3.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Rapportrans Sdn Bhd	9,716,049	9.95
4.	Lim Lung Wen	5,925,000	6.07
5.	Quah Teik Jin	5,925,000	6.07
6.	Tan Bee Lean	2,933,200	3.00
7.	Lai Thiam Poh	2,560,100	2.62
8.	Raymond Selvaraj A/L Victor Benjamin	2,252,900	2.31
9.	Oey Ai Li	1,903,100	1.95
10.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Sia Seng	1,678,000	1.72
11.	Dan Yoke Pyng	1,653,300	1.69
12.	Cheah Sek Lim Sonny	1,555,700	1.59
13.	Tan Ching Ling	1,110,100	1.14
14.	Tan Man Siang	1,033,123	1.06
15.	Chiang Siew Eng @ Le Yu Ak Ee	1,000,000	1.02

STATISTICS OF WARRANTHOLDINGS

AS AT 31 MARCH 2017 (Cont'd)

THIRTY (30) LARGEST WARRANTHOLDERS (Cont'd)

No.	Warrantholders	No. of Warrants Held	Percentage (%) of Issued Warrants
16.	Yong Siew Ngee	887,600	0.91
17.	Vincent Yong Tuck Seng	880,000	0.90
18.	Wong Wai Choong	648,750	0.66
19.	Lim Phee Lin	600,000	0.61
20.	Lau Geak Siam	555,000	0.57
21.	Daniel Boo Hui Siong	500,000	0.51
22.	Yap Eng Hwa	416,000	0.43
23.	Soh Keh Woei	400,000	0.41
24.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Tan Kok Pin @ Kok Khong	338,400	0.35
25.	Soh Chau Kin	310,400	0.32
26.	Lim Yang Kiow	254,000	0.26
27.	Oon Yew Chye	250,200	0.26
28.	Tan Thiam Mooi	228,000	0.23
29.	Gan Heng Kock	200,000	0.20
30.	Maybank Nominees (Tempatan) Sdn Bhd Oon Yew Chye	200,000	0.20

NOTICE OF THE TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Wilayah Persekutuan on Thursday, 1 June 2017 at 10:00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon. (Please refer to Note No. 7)
2. To re-elect the following Directors, who retire pursuant to Article 105 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-
 - (a) Mr. Quah Teik Jin; (Resolution 1)
 - (b) Dr. Chew Seng Poh; and (Resolution 2)
 - (c) Mr. Wong Loke Lim. (Resolution 3)
3. To re-appoint Messrs. Kreston, John & Gan as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 4)

As Special Business

4. To consider and if thought fit, with or without modifications, to pass the following resolutions:-
 - (a) **ORDINARY RESOLUTION 1**
- PAYMENT OF DIRECTORS' FEES (Resolution 5)

"**THAT** the Directors' Fees amounting to RM250,000/- for the financial year ended 31 December 2016, be and is hereby approved for payment."
 - (b) **ORDINARY RESOLUTION 2**
- PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UNDER SECTION 230 OF THE COMPANIES ACT 2016 (Resolution 6)

"**THAT** the Benefits Payable to the Directors under Section 230 of the Companies Act 2016 up to RM100,000/- from 31 January 2017 to the Eleventh Annual General Meeting of the Company, be and is hereby approved for payment."
 - (c) **ORDINARY RESOLUTION 3**
- RETENTION OF INDEPENDENT DIRECTOR (Resolution 7)

"**THAT** approval be and is hereby given to retain Dato' Jamaludin Bin Hassan, who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, as an Independent Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012."

NOTICE OF THE TENTH ANNUAL GENERAL MEETING (Cont'd)

(d) ORDINARY RESOLUTION 4

(Resolution 8)

- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

"THAT subject to Sections 75 and 76 of the Companies Act 2016, the Articles of Association of the Company and approvals of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76, to issue and allot shares in the Company at any time to such persons and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and the Directors of the Company be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; **AND THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

(e) ORDINARY RESOLUTION 5

(Resolution 9)

- PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT subject always to the Companies Act 2016 ("**the Act**"), the Articles of Association of the Company and Bursa Malaysia Securities Berhad ACE Market Listing Requirements, a shareholders' mandate be and is hereby granted to the Company and its subsidiaries to enter into the recurrent related party transactions as described in the Circular to Shareholders dated 28 April 2017 with the related parties mentioned therein **PROVIDED THAT:-**

- (i) the recurrent related party transactions are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and
- (ii) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;

AND THAT the authority conferred by such mandate shall commence immediately upon the passing of this ordinary resolution and continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

NOTICE OF THE TENTH ANNUAL GENERAL MEETING (Cont'd)

- (b) the expiration of the period within which the next AGM of the Company after that date it is required to be held pursuant to Section 340(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier;

AND THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution.”

5. To transact any other ordinary business of which due notice has been given.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
CHIN MUN YEE (MAICSA 7019243)
Company Secretaries

Kuala Lumpur
Dated: 28 April 2017

Explanatory Notes to Special Business:

- i) Ordinary Resolution 1
- Payment of Directors' Fees

The proposed adoption of the Ordinary Resolution 1, if passed, will authorise the payment of Directors' Fees pursuant to Article 114 of the Articles of Association of the Company.

- ii) Ordinary Resolution 2
- Payment of Benefits Payable to the Directors under Section 230 of the Companies Act 2016

The proposed adoption of the Ordinary Resolution 2, if passed, will authorise the payment of Benefits Payable to Directors pursuant to Section 230 of the Companies Act 2016.

- iii) Ordinary Resolution 3
- Retention of Independent Director pursuant to the Malaysian Code on Corporate Governance 2012

Dato' Jamaludin Bin Hassan was appointed as Independent Non-Executive Director of the Company on 28 December 2007, and has, therefore served as Independent Non-Executive Director for more than nine (9) years. As at the date of the notice of the Annual General Meeting, he has served the Company for nine (9) years and four (4) months. However, he has met the independence guidelines as set out in Chapter 1 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements. The Board therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director of the Company.

NOTICE OF THE TENTH ANNUAL GENERAL MEETING (Cont'd)

- iv) Ordinary Resolution 4
- Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016
-

The Company wishes to renew the mandate on the authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 at the Tenth Annual General Meeting of the Company (hereinafter referred to as the “**General Mandate**”).

The Company had been granted a general mandate by its shareholders at the Ninth Annual General Meeting of the Company held on 8 June 2016 (“**the Previous Mandate**”).

As at the date of this notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

The purpose to seek the General Mandate is to provide flexibility to the Company for allotment of shares for any possible fund raising activities for the purpose of funding working capital/future investment project(s) and/or acquisition(s) without convening a general meeting as it would be both time and cost-consuming to organise a general meeting.

- v) Ordinary Resolution 5
- Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“**RRPTs**”) (“**Proposed New Shareholders’ Mandate**”)
-

The proposed adoption of Ordinary Resolution 5 is to obtain the Shareholders’ Mandate to enable the Company and its subsidiaries (“**Group**”) to enter into the RRPTs to facilitate transactions in the normal course of business of the Group which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm’s length basis and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed New Shareholders’ Mandate for RRPTs are set out in the Circular to Shareholders of the Company which is despatched together with the Company’s 2016 Annual Report.

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 25 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote in his stead [subject always to a maximum of two (2) proxies at each Meeting]. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. A proxy may but does not need to be a member of the Company. A member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its attorney duly authorised.
5. 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.
6. The instrument appointing a proxy must be deposited at the Company’s Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.
7. The Agenda item No. 1 is meant for discussion only, as the provisions of Section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

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No. of Shares Held	CDS Account No.

FORM OF PROXY

*I/We, (full name in capital letter) of
(full address)

being a *member/members of TFP SOLUTIONS BERHAD ("the Company"), hereby appoint (full name in capital letters)
..... of (full address)
.....

or *failing him/her, (full name in capital letters) of
(full address)

or *failing him/her, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Tenth Annual General Meeting of the Company to be held at Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Wilayah Persekutuan on Thursday, 1 June 2017 at 10:00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon.		
No.	Resolutions	For	Against
2(a).	To re-elect Mr. Quah Teik Jin, who retires pursuant to Article 105 of the Company's Articles of Association, and being eligible, has offered himself for re-election (Resolution 1)		
2(b).	To re-elect Dr. Chew Seng Poh, who retires pursuant to Article 105 of the Company's Articles of Association, and being eligible, has offered himself for re-election (Resolution 2)		
2(c).	To re-elect Mr. Wong Loke Lim, who retires pursuant to Article 105 of the Company's Articles of Association, and being eligible, has offered himself for re-election (Resolution 3)		
3.	To re-appoint Messrs. Kreston John & Gan as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration (Resolution 4)		
As Special Business :			
4(a).	Ordinary Resolution 1 - Payment of Directors' Fees (Resolution 5)		
4(b).	Ordinary Resolution 2 - Payment of Benefits Payable to the Directors under Section 230 of the Companies Act 2016 (Resolution 6)		
4(c).	Ordinary Resolution 3 - Retention of Independent Director (Resolution 7)		
4(d).	Ordinary Resolution 4 - Authority to issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016 (Resolution 8)		
4(e).	Ordinary Resolution 5 - Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature (Resolution 9)		

* strike out whichever not applicable

Signed this day of 2017

.....
Signature of Member/Common Seal

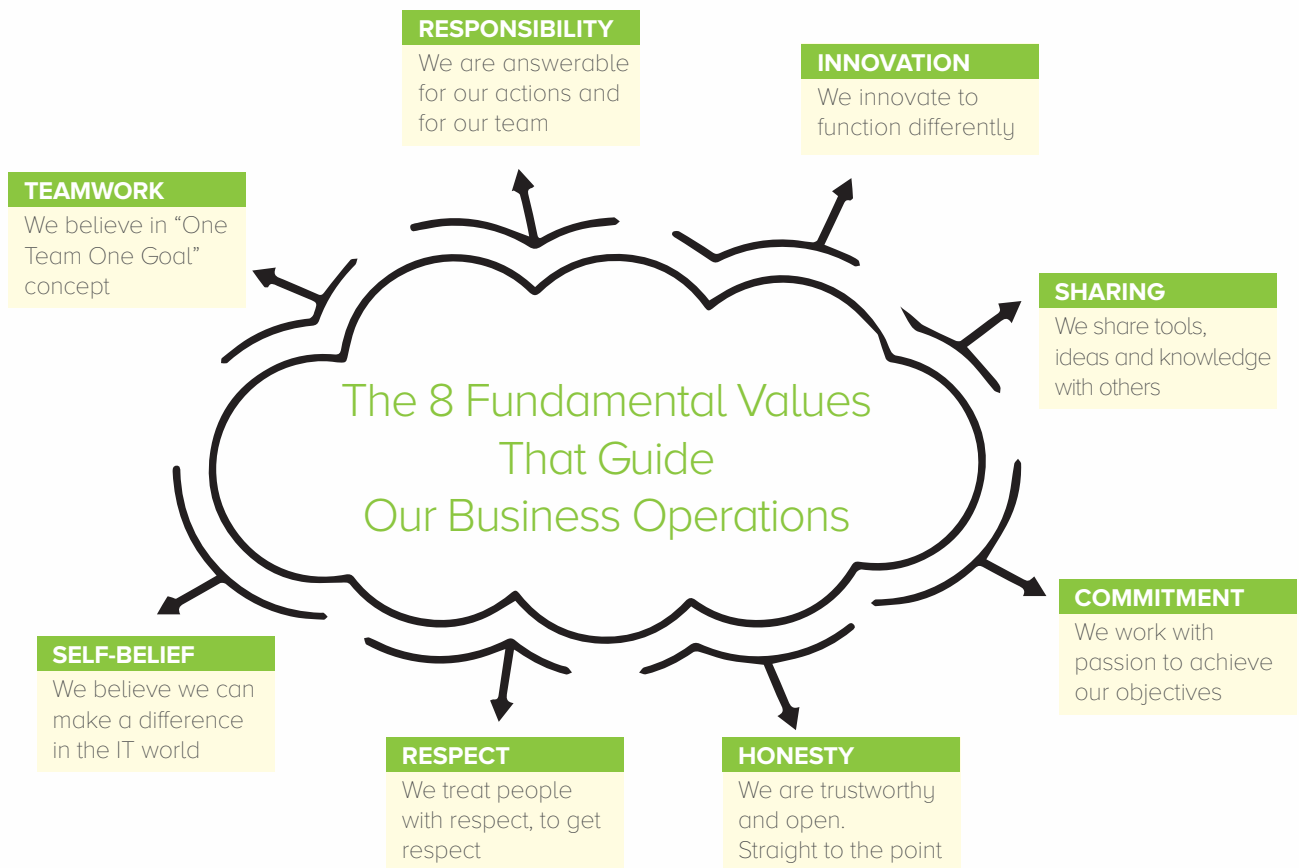
Notes:

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 25 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend and vote in his stead [subject always to a maximum of two (2) proxies at each Meeting]. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- A proxy may but does not need to be a member of the Company. A member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its attorney duly authorised.
- 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.
- The instrument appointing a proxy must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.
- The Agenda item No. 1 is meant for discussion only, as the provisions of Section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

AFFIX
STAMP

The Company Secretary
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c/o Securities Services (Holdings) Sdn. Bhd.

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