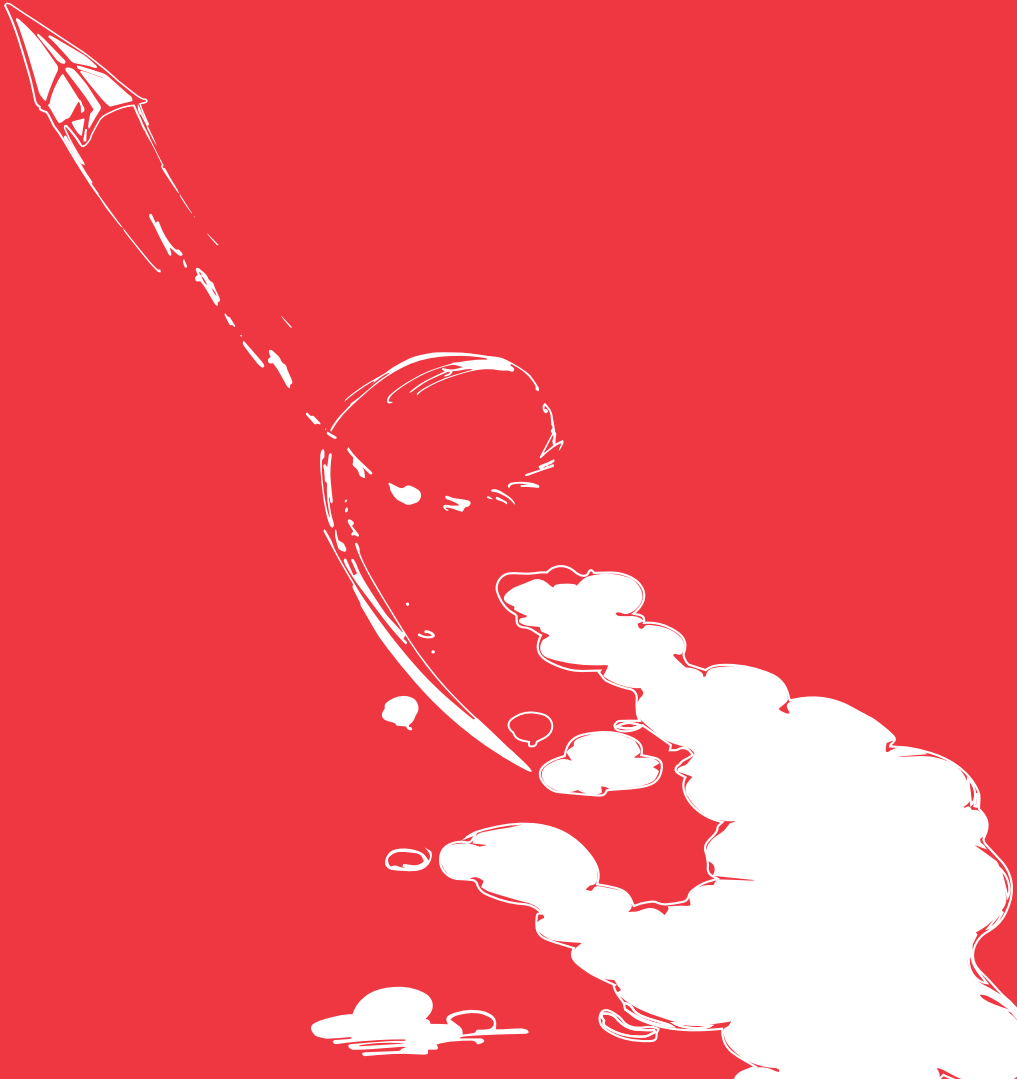


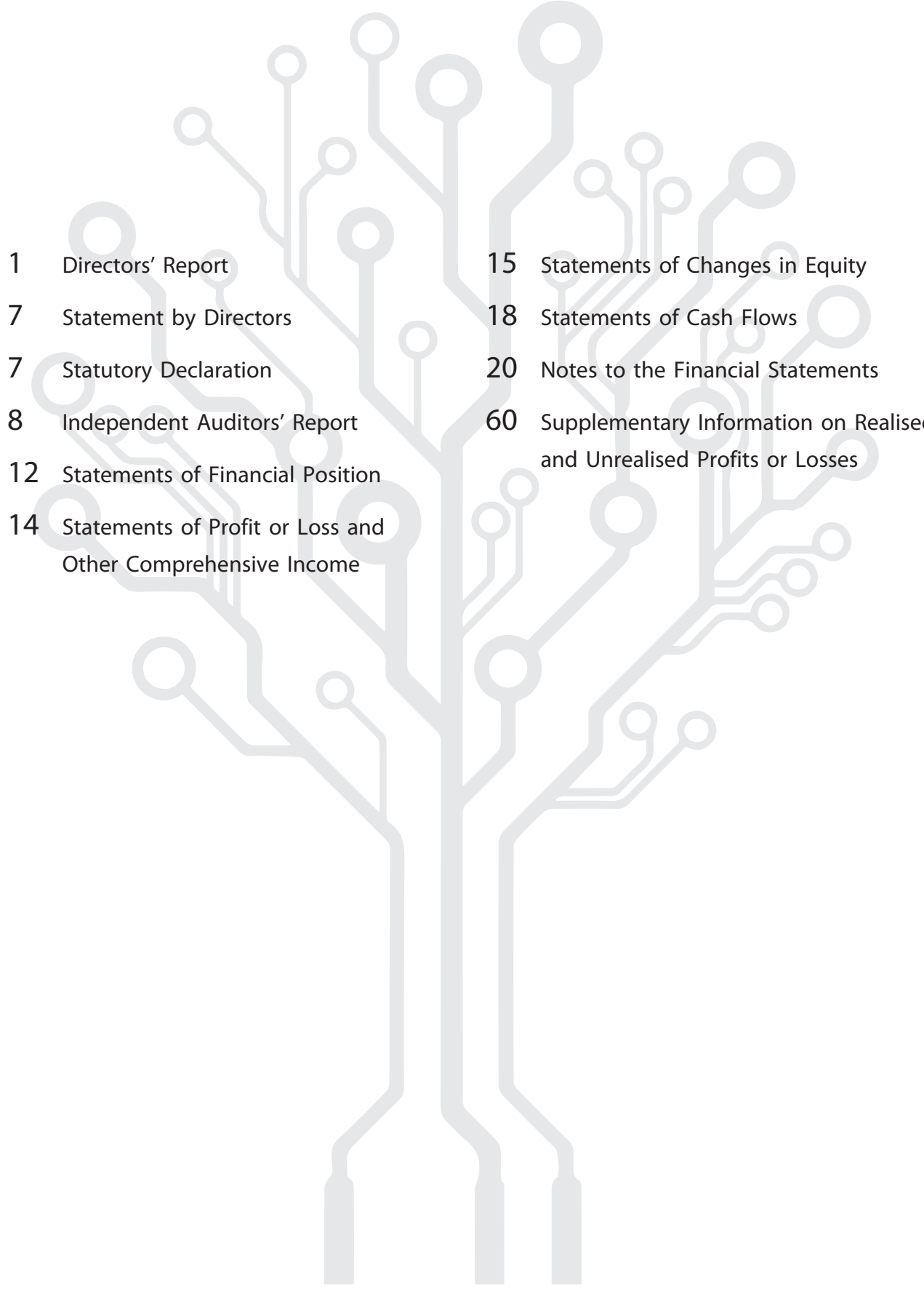
FINANCIAL STATEMENTS

GO FURTHER.



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VOLUME 2: FINANCIAL STATEMENTS



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DIRECTORS' REPORT

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 March 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of research and development on information technology solutions to the financial services industry. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	771,866	488,276
Attributable to:		
Owners of the parent	780,163	488,276
Non-controlling interests	(8,297)	–
	771,866	488,276

DIVIDEND

No dividend has been proposed, declared or paid by the Company 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 the effects of adoption of Companies Act, 2016 as disclosed in Note 20 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

Issued and paid up share capital

During the financial year, the issued and paid-up share capital of the Company was increased from RM15,215,290 to RM16,736,810 by way of issuance of 15,215,200 new ordinary shares at RM1.20 per share for cash via private placement.

The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company.

There were no issues of debentures during the financial year.

DIRECTORS' REPORT (CONT'D.)

OPTIONS GRANTED OVER UNISSUED SHARES

At an Extraordinary General Meeting held on 17 October 2014, the Directors were authorised to proceed with the establishment and administration of the Long Term Incentive Plan (LTIP or Scheme), which comprises an Employee Share Option Scheme (ESOS) and an Employee Share Grant Plan (ESGP) and is administered by the LTIP Committee which is appointed by the Board of Directors, in accordance with the By-Laws of the LTIP. The LTIP should be in force for a period of 5 years from 27 October 2014, unless extended further. The main features of the LTIP are disclosed in Note 37 to the financial statements.

Details of the options over the ordinary shares of the Company under ESOS are as follows:

Date of offer	Option price RM	Number of options over ordinary shares				Outstanding as at 31.3.2017
		Outstanding as at 1.4.2016	Movements during the financial year			
			Granted	Exercised	Lapsed	
28 July 2016	1.30	–	14,439,600	–	(4,961,600)	9,478,000
13 September 2016	1.16	–	2,900,400	–	–	2,900,400
		–	17,340,000	–	(4,961,600)	12,378,400

DIRECTORS

The Directors who have held office since the date of the last report are:

Microlink Solutions Berhad

Tun Arifin bin Zakaria (Appointed on 6 June 2017)
Monteiro Gerard Clair
Tai Keat Chai
Martin Chu Leong Meng
Mah Xian-Zhen (F)

Subsidiaries of Microlink Solutions Berhad

Ch'ng Kai Fen
Chia Yong Wei
Gan Khong Kiat
Elwin Lim Yew Mun (Appointed on 10 March 2017)
Chin Shin Yi (Resigned on 12 March 2017)

DIRECTORS' REPORT (CONT'D.)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over the ordinary shares of the Company and its the related corporations during the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia were as follows:

Shares in the Company	Number of ordinary shares			
	Balance as at 1.4.2016	Bought	Sold	Balance as at 31.3.2017
<u>Direct interests</u>				
Monteiro Gerard Clair	450,347	1,150,800	–	1,601,147
Mah Xian-Zhen	113,666	5,000	–	118,666
<u>Indirect interests</u>				
Monteiro Gerard Clair	96,128,796	1,593,900	(97,722,696)^	–

ESOS in the Company	Number of options over ordinary shares				
	Balance as at 1.4.2016	Granted	Exercised	Lapsed	Balance as at 31.3.2017
<u>Direct interests</u>					
Monteiro Gerard Clair	–	1,000,200	–	–	1,000,200
Tai Keat Chai	–	600,000	–	–	600,000
Martin Chu Leong Meng	–	600,000	–	–	600,000
Mah Xian-Zhen	–	600,000	–	–	600,000

Shares in the ultimate holding company – Omesti Berhad	Number of ordinary shares			
	Balance as at 1.4.2016	Bought	Sold	Balance as at 31.3.2017
<u>Direct interests</u>				
Monteiro Gerard Clair	2,882,200	4,595,100	–	7,477,300
Mah Xian-Zhen	11,794,600	678,400	(3,305,000)	9,168,000
<u>Indirect interests</u>				
Monteiro Gerard Clair#	68,685,300	100,000	(354,000)	68,431,300

Warrants 2013/2018 in the ultimate holding company – Omesti Berhad	Number of warrants 2013/2018			
	Balance as at 1.4.2016	Bought	Sold	Balance as at 31.3.2017
<u>Direct interests</u>				
Monteiro Gerard Clair	40,000	31,000	–	71,000
<u>Indirect interests</u>				
Monteiro Gerard Clair#	20,382,500	–	–	20,382,500

DIRECTORS' REPORT (CONT'D.)

DIRECTORS' INTERESTS (CONT'D.)

ESOS in the ultimate holding company – Omesti Berhad	<----- Number of options over ordinary shares ----->				Balance as at 31.3.2017
	Balance as at 1.4.2016	Granted	Exercised	Lapsed	
<u>Direct interests</u>					
Monteiro Gerard Clair	2,200,000	–	–	(2,200,000)	–
Tai Keat Chai	200,000	–	–	(200,000)	–
Mah Xian-Zhen	2,100,000	–	–	(2,100,000)	–

^ Cessation of deemed interest in the Company pursuant to Section 8(4) of the Companies Act, 2016.

Deemed interest by virtue of his substantial interest in Red Zone Development Sdn Bhd pursuant to Section 8(4) of the Companies Act, 2016.

By virtue of his interests in the ordinary shares of the ultimate holding company, Omesti Berhad, Monteiro Gerard Clair is also deemed to be interested in the shares of all subsidiaries to the extent the ultimate holding company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares, options over ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (other than those benefits 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 other than those as disclosed in Note 38 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the outstanding share options as disclosed in Note 37 to the financial statements.

DIRECTORS' REMUNERATION

Fees and other benefits of the Directors who held office during the financial year ended 31 March 2017 are disclosed in Note 34 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would render the amount of bad debts written off or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT (CONT'D.)

HOLDING COMPANIES

The Directors regard Omesti Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad as the ultimate holding company and Omesti Holdings Berhad as the immediate holding company, both of which are incorporated in Malaysia.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 March 2017 amounted to RM41,500 and RM158,423 respectively.

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

Monteiro Gerard Clair

Director

Mah Xian-Zhen

Director

Kuala Lumpur

4 July 2017

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements as set out on pages 12 to 59 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information as set out in Note 44 to the financial statements on page 60 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Monteiro Gerard Clair

Director

Mah Xian-Zhen

Director

Kuala Lumpur

4 July 2017

STATUTORY DECLARATION

I, Voon Siew Moon, being the officer primarily responsible for the financial management of Microlink Solutions Berhad, do solemnly and sincerely declare that the financial statements as set out on pages 12 to 60 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
4 July 2017)

Voon Siew Moon

Before me:

BALOO A/L T. PICHAI (W 663)

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MICROLINK SOLUTIONS BERHAD
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Microlink Solutions Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 59.

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 March 2017 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2016 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISAs). 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.

1. Impairment assessment of the carrying amount of goodwill

The carrying amount of goodwill on consolidation as at 31 March 2017 amounted to RM18,409,459 as disclosed in Note 5 to the financial statements.

We have focused on this impairment assessment as the process is complex and it requires significant judgements and estimates about the future results and key assumptions applied to cash flow forecasts of the Cash Generating Units (CGUs) in determining the recoverable amount. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Audit response

Our audit procedures included the following:

- (i) Compared prior period budgets to actual outcomes to assess reliability of management's forecasting process and controls;
- (ii) Assessed and challenged the assumptions used in forecasting revenues, operating profit margins and growth rates;
- (iii) Verified pre-tax discount rate used by management by comparing to the market data, weighted average cost of capital of the Group and relevant risk factors; and
- (iv) Performed sensitivity analysis to stress test the key assumptions used in the forecasts.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

KEY AUDIT MATTERS (CONT'D.)

2. Recoverability of trade receivables

As at 31 March 2017, the Group has trade receivables of RM48,134,981 which include debts that are past due but not impaired of RM32,483,121. The details of trade receivables and its credit risk have been disclosed in Note 13 to the financial statements.

We have focused on the recoverability of trade receivables as it requires a high level of management judgement and the amounts are material.

Management recognised impairment losses on trade receivables based on specific known facts or circumstances or customers' abilities to pay.

Audit response

Our audit procedures included the following:

- (i) Assessed recoverability of receivables that were past due but not impaired by reviewing the historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (ii) Assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) 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.
- (b) 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 internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) 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.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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.

INDEPENDENT AUDITORS' REPORT (CONT'D.)
TO THE MEMBERS OF MICROLINK SOLUTIONS BERHAD
(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 44 to the financial statements 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 content of this report.

BDO
AF: 0206
Chartered Accountants

Lum Chiew Mun
03039/04/2019 J
Chartered Accountant

Kuala Lumpur
4 July 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Goodwill	5	18,409,459	18,473,370	–	–
Software development expenditure	6	46,734,894	10,498,194	9,122,045	10,223,577
Investment in subsidiaries	7	–	–	15,807,376	15,807,376
Investment in a joint venture	8	–	–	–	–
Other investment	9	105,000	105,000	–	–
Deferred tax assets	10	2,767,738	955,952	1,229,724	–
Property, plant and equipment	11	1,122,673	1,799,552	74,868	86,082
		69,139,764	31,832,068	26,234,013	26,117,035
Current assets					
Inventories	12	13,138,239	6,818,064	–	–
Other investments	9	119,989	3,182,372	85,370	152,376
Trade receivables	13	48,134,981	87,033,831	39,397,380	36,047,892
Other receivables, deposits and prepayments	14	27,882,502	13,431,205	482,487	142,654
Amount owing by ultimate holding company	15	551,699	480,068	–	–
Amount owing by immediate holding company	16	221,944	221,823	–	–
Amounts owing by subsidiaries	17	–	–	42,534,386	22,801,064
Current tax assets		2,901,907	2,240,869	166,221	279,894
Cash and bank balances	18	24,983,375	29,003,247	342,663	1,062,234
		117,934,636	142,411,479	83,008,507	60,486,114
TOTAL ASSETS		187,074,400	174,243,547	109,242,520	86,603,149

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

STATEMENTS OF FINANCIAL POSITION (CONT'D.)

AS AT 31 MARCH 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	19	43,627,817	15,215,290	43,627,817	15,215,290
Reserves	20	4,130,969	10,448,172	4,347,820	10,656,173
Retained earnings		31,670,384	30,890,221	27,156,918	26,668,642
		79,429,170	56,553,683	75,132,555	52,540,105
Non-controlling interests	7	97,875	106,172	-	-
TOTAL EQUITY		79,527,045	56,659,855	75,132,555	52,540,105
LIABILITIES					
Non-current liabilities					
Borrowings	21	13,915	33,073	-	-
Provision for gratuity obligations	33	1,429,042	1,184,383	-	-
Redeemable preference shares	24	27,193,044	27,193,044	27,193,044	27,193,044
Deferred tax liabilities	10	-	898,043	-	840,261
		28,636,001	29,308,543	27,193,044	28,033,305
Current liabilities					
Trade payables	25	19,607,687	27,113,334	-	-
Other payables and accruals	26	39,645,934	48,002,787	4,879,323	5,960,136
Amount owing to ultimate holding company	15	1,709,431	217,654	1,410,998	63,316
Amount owing to immediate holding company	16	96,144	96,144	1	1
Amounts owing to subsidiaries	17	-	-	620,010	-
Amounts owing to related companies	27	454,471	671,335	6,589	6,286
Borrowings	21	17,098,922	12,044,705	-	-
Current tax liabilities		298,765	129,190	-	-
		78,911,354	88,275,149	6,916,921	6,029,739
TOTAL LIABILITIES		107,547,355	117,583,692	34,109,965	34,063,044
TOTAL EQUITY AND LIABILITIES		187,074,400	174,243,547	109,242,520	86,603,149

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	29	252,208,909	236,298,881	10,027,574	8,372,858
Cost of sales		(209,775,641)	(196,052,905)	(283,411)	(377,037)
Gross profit		42,433,268	40,245,976	9,744,163	7,995,821
Other operating income		1,270,164	707,343	15,284	119,112
Distribution costs		(856,800)	(879,967)	(45,074)	(53,375)
Administrative expenses		(34,139,602)	(31,259,078)	(7,061,531)	(2,514,791)
Other operating expenses		(3,674,528)	(3,900,625)	(2,405,914)	(2,579,611)
Finance costs	30	(2,510,055)	(1,795,645)	-	-
Profit before tax		2,522,447	3,118,004	246,928	2,967,156
Taxation	31	(1,750,581)	(1,846,423)	241,348	(989,066)
Profit for the financial year		771,866	1,271,581	488,276	1,978,090
Other comprehensive loss, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translations for foreign operations, net of tax		(8,850)	(52,522)	-	-
Total comprehensive income		763,016	1,219,059	488,276	1,978,090
Profit attributable to:					
Owners of the parent		780,163	1,346,280	488,276	1,978,090
Non-controlling interests	7	(8,297)	(74,699)	-	-
		771,866	1,271,581	488,276	1,978,090
Total comprehensive income attributable to:					
Owners of the parent		771,313	1,293,758	488,276	1,978,090
Non-controlling interests		(8,297)	(74,699)	-	-
		763,016	1,219,059	488,276	1,978,090
Earnings per ordinary share attributable to owners of the parent:					
Basic (sen)	32	0.48	0.89		
Diluted (sen)	32	0.48	0.89		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

Group	<-Distributable->		Non-distributable			>		Total equity RM
	Share capital RM	Retained earnings RM	Share premium RM	Capital redemption reserve RM	Translation reserve RM	Total attributable to owners of the parent RM	Non-controlling interests RM	
Balance as at 1 April 2015	13,835,290	31,547,966	5,056,173	-	(155,479)	50,283,950	(1,388,824)	48,895,126
Profit for the financial year	-	1,346,280	-	-	-	1,346,280	(74,699)	1,271,581
Other comprehensive income, net of tax	-	-	-	-	(52,522)	(52,522)	-	(52,522)
Total comprehensive income	-	1,346,280	-	-	(52,522)	1,293,758	(74,699)	1,219,059
Transactions with owners								
Ordinary shares issued pursuant to private placement (Note 19)	1,380,000	-	5,520,000	-	-	6,900,000	-	6,900,000
Arising from accretion of equity interest in subsidiaries (Note 36)	-	(1,924,025)	-	-	-	(1,924,025)	1,569,695	(354,330)
Redemption of redeemable preference shares	-	(80,000)	-	80,000	-	-	-	-
Total transactions with owners	1,380,000	(2,004,025)	5,520,000	80,000	-	4,975,975	1,569,695	6,545,670
Balance as at 31 March 2016	15,215,290	30,890,221	10,576,173	80,000	(208,001)	56,553,683	106,172	56,659,855

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

Group	<-Distributable->		Non-distributable				>		Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM
	Share capital RM	Retained earnings RM	Share premium RM	Capital redemption reserve RM	Equity compensation reserve RM	Translation reserve RM	Share premium RM	Equity reserve RM			
Balance as at 1 April 2016	15,215,290	30,890,221	10,576,173	80,000	-	(208,001)	-	56,553,683	106,172	56,659,855	
Profit for the financial year	-	780,163	-	-	-	-	-	780,163	(8,297)	771,866	
Foreign currency translation for foreign operations, net of tax	-	-	-	-	-	(8,850)	-	(8,850)	-	(8,850)	
Total comprehensive income	-	780,163	-	-	-	(8,850)	-	771,313	(8,297)	763,016	
Transactions with owners											
Ordinary shares issued pursuant to private placement (Note 19)	1,521,520	-	16,736,720	-	-	-	-	18,258,240	-	18,258,240	
Share issue expenses	-	-	(501,886)	-	-	-	-	(501,886)	-	(501,886)	
Share based payment transactions	-	-	-	-	4,347,820	-	-	4,347,820	-	4,347,820	
Total transactions with owners	1,521,520	-	16,234,834	-	4,347,820	-	-	22,104,174	-	22,104,174	
Effects of the new Companies Act, 2016	26,891,007	-	(26,811,007)	(80,000)	-	-	-	-	-	-	
Balance as at 31 March 2017	43,627,817	31,670,384	-	-	4,347,820	(216,851)	-	79,429,170	97,875	79,527,045	

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

Company 2016	<-Distributable->		<----- Non-distributable ----->		Total equity RM
	Share capital RM	Retained earnings RM	Share premium RM	Capital redemption reserve RM	
Balance as at 1 April 2015	13,835,290	24,770,552	5,056,173	-	43,662,015
Profit for the financial year	-	1,978,090	-	-	1,978,090
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	1,978,090	-	-	1,978,090
Transactions with owners					
Ordinary shares issued pursuant to private placement (Note 19)	1,380,000	-	5,520,000	-	6,900,000
Redemption of redeemable preference shares	-	(80,000)	-	80,000	-
Total transactions with owners	1,380,000	(80,000)	5,520,000	80,000	6,900,000
Balance as at 31 March 2016	15,215,290	26,668,642	10,576,173	80,000	52,540,105

Company 2017	<-Distributable->		<----- Non-distributable ----->			Total equity RM
	Share capital RM	Retained earnings RM	Share premium RM	Capital redemption reserve RM	Equity compensation reserve RM	
Balance as at 1 April 2016	15,215,290	26,668,642	10,576,173	80,000	-	52,540,105
Profit for the financial year	-	488,276	-	-	-	488,276
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	488,276	-	-	-	488,276
Transactions with owners						
Ordinary shares issued pursuant to private placement (Note 19)	1,521,520	-	16,736,720	-	-	18,258,240
Share issue expenses	-	-	(501,886)	-	-	(501,886)
Share based payment transactions	-	-	-	-	4,347,820	4,347,820
Total transactions with owners	1,521,520	-	16,234,834	-	4,347,820	22,104,174
Effects of the new Companies Act, 2016	26,891,007	-	(26,811,007)	(80,000)	-	-
Balance as at 31 March 2017	43,627,817	27,156,918	-	-	4,347,820	75,132,555

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		2,522,447	3,118,004	246,928	2,967,156
Adjustments for:					
Amortisation of software development expenditure	6	2,760,731	2,907,973	2,371,690	2,555,156
Bad debts recovered		(606)	–	–	–
Bad debts written off		26,937	–	–	–
Depreciation of property, plant and equipment	11	838,579	994,898	30,446	23,817
Impairment losses on:					
– trade receivables	13	–	37,939	–	–
– amounts owing by subsidiaries	17	–	–	68,436	–
– goodwill	5	63,911	–	–	–
Investment in a subsidiary written off		–	–	–	2
Interest expense		2,510,055	1,795,645	–	–
Interest income		(550,904)	(443,818)	(8,372)	(119,112)
Loss/(Gain) on disposal property, plant and equipment		1,363	(4,091)	(46)	(7)
Property, plant and equipment written off	11	146,710	2,582	3,671	2,582
Provision for/(Reversal of) post-employment benefits	33	244,659	(196,230)	–	–
Reversal of impairment loss no longer required on:					
– trade receivables	13	–	(89,268)	–	–
Share options granted under ESOS		4,347,820	–	2,022,885	–
Software development expenditure written off	6	27,000	–	27,000	–
Net unrealised loss/(gain) on foreign exchange		11,550	(19,310)	(6,708)	(516)
Operating profit before changes in working capital		12,950,252	8,104,324	4,755,930	5,429,078
(Increase)/Decrease in inventories		(6,320,175)	4,973,404	–	–
Decrease/(Increase) in trade and other receivables		24,564,978	(38,307,643)	(4,523,017)	(11,238,112)
(Decrease)/Increase in trade and other payables		(18,374,328)	34,728,417	887,081	(4,883,857)
Cash generated from/(used in) operations		12,820,727	9,498,502	1,119,994	(10,692,891)
Tax paid		(4,999,710)	(4,703,957)	(1,722,801)	(1,901,095)
Tax refunded		47,837	22,042	7,837	–
Net cash from/(used in) operating activities		7,868,854	4,816,587	(594,970)	(12,593,986)

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

STATEMENTS OF CASH FLOWS (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of additional interest in subsidiaries	7	–	(354,330)	–	(300,451)
Interest received		550,904	443,818	8,372	119,112
Placement of deposits pledged to licensed banks		(701,254)	(264,127)	–	–
Addition of software development expenditure	6	(35,483,231)	(969,522)	(456,653)	(2,306,490)
Proceeds from disposal of property, plant and equipment		61,750	15,870	48	8
Proceeds from disposal of other investments		3,062,382	–	67,006	–
Purchase of other investments		–	(1,932,051)	–	(4,902)
Purchase of property, plant and equipment (Repayment to)/Advances from subsidiaries	11	(371,523)	(158,196)	(22,905)	(36,800)
		–	–	(17,476,823)	8,838,234
Net cash (used in)/from investing activities		(32,880,972)	(3,218,538)	(17,880,955)	6,308,711
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares pursuant to Private Placement		17,756,354	6,900,000	17,756,354	6,900,000
Net drawdown/(repayments) of borrowings		5,035,059	(1,454,358)	–	–
Redemption of redeemable preference shares		–	(5,640,347)	–	–
Interest paid		(2,510,055)	(1,795,645)	–	–
Net cash from/(used in) financing activities		20,281,358	(1,990,350)	17,756,354	6,900,000
Net (decrease)/increase in cash and cash equivalents		(4,730,760)	(392,301)	(719,571)	614,725
Cash and cash equivalents at beginning of financial year		21,557,332	21,950,211	1,062,234	447,509
Effect of changes in exchange rates		9,634	(578)	–	–
Cash and cash equivalents at end of financial year	18	16,836,206	21,557,332	342,663	1,062,234

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The Company is also a Multimedia Super Corridor (MSC) status company.

The registered office of the Company is located at 16th Floor, KH Tower, 8 Lorong P. Ramlee, 50250 Kuala Lumpur.

The principal place of business of the Company is located at 6th floor, Menara Atlan, 161B Jalan Ampang, 50450 Kuala Lumpur.

The Directors regard Omesti Holdings Berhad and Omesti Berhad both of which are incorporated in Malaysia, as the immediate and ultimate holding companies respectively.

The ultimate holding company is listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 4 July 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of research and development on information technology solutions to the financial services industry. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

3. BASIS OF PREPARATION

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 provisions of the Companies Act, 2016 in Malaysia.

However, Note 44 to the financial statements has been prepared 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.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 41 to the financial statements.

4. OPERATING SEGMENTS

The Company and its subsidiaries in Malaysia are principally engaged in business performance services, distribution, and services and system integration for computer software solutions.

4. OPERATING SEGMENTS (CONT'D.)

(a) Business segments

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

- (i) Business Performance Services
Provision of business performance improvement related services.
- (ii) Distribution
Distribution and maintenance of computer equipment and software.
- (iii) Services and System Integration (SI)
Provision of computer technology and the maintenance of computer hardware and software.

The Group evaluates performance on the basis of profit or loss from operations before tax.

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

The inter-segment assets are adjusted against the segment assets to arrive at total assets reported in the statements of financial position.

The inter-segment liabilities are adjusted against the segment liabilities to arrive at total liabilities reported in the statements of financial position.

2017	Business Performance Services RM	Distribution RM	Services and System Integration RM	Elimination RM	Consolidation RM
Revenue					
External sales	35,285,696	203,129,464	13,793,749	-	252,208,909
Inter-segment sales	13,692,375	4,402,089	3,405,406	(21,499,870)	-
Total	48,978,071	207,531,553	17,199,155	(21,499,870)	252,208,909
Results					
Interest income	274,182	251,614	39,170	(14,062)	550,904
Interest expense	(32,027)	(1,217,960)	(1,274,130)	14,062	(2,510,055)
Depreciation of property, plant and equipment	319,356	446,235	72,988	-	838,579
Amortisation of software development expenditure	3,667,149	-	-	(906,418)	2,760,731
Property, plant and equipment written off	3,671	141,863	1,176	-	146,710
Segment (loss)/profit before tax	(355,107)	7,310,540	(3,171,145)	(1,261,841)	2,522,447
Capital expenditure	86,498	247,031	37,994	-	371,523
Software development expenditure	39,200,384	-	-	(175,953)	39,024,431
Segment assets	201,493,373	118,712,325	60,015,130	(193,146,428)	187,074,400
Segment liabilities	124,917,149	79,514,763	55,065,089	(151,949,646)	107,547,355

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

4. OPERATING SEGMENTS (CONT'D.)

(a) Business segments (cont'd.)

2016	Business Performance Services RM	Distribution RM	Services and System Integration RM	Elimination RM	Consolidation RM
Revenue					
External sales	25,102,368	195,850,716	15,345,797	-	236,298,881
Inter-segment sales	13,767,353	2,905,987	2,921,119	(19,594,459)	-
Total	38,869,721	198,756,703	18,266,916	(19,594,459)	236,298,881
Results					
Interest income	256,746	309,599	31,086	(153,613)	443,818
Interest expense	(1,972)	(800,429)	(1,146,857)	153,613	(1,795,645)
Depreciation of property, plant and equipment	440,108	477,917	76,873	-	994,898
Amortisation of software development expenditure	3,974,492	-	-	(1,066,519)	2,907,973
Segment (loss)/profit before tax	(1,112,115)	5,172,528	(671,959)	(270,450)	3,118,004
Capital expenditure	147,562	30,914	35,134	-	213,610
Software development expenditure	3,230,250	-	-	(2,260,728)	969,522
Segment assets	134,853,047	115,440,807	60,951,322	(137,001,629)	174,243,547
Segment liabilities	79,659,606	81,806,081	52,942,028	(96,824,023)	117,583,692

(b) Geographical segments

	Revenue RM	Segment assets RM	Segment liabilities RM	Capital and software development expenditure RM	Depreciation and amortisation RM
2017					
Malaysia	251,389,554	186,772,496	107,362,008	39,395,954	3,599,310
Overseas	819,355	301,904	185,347	-	-
	252,208,909	187,074,400	107,547,355	39,395,954	3,599,310
2016					
Malaysia	233,713,747	166,632,159	116,852,905	1,183,132	3,902,871
Overseas	2,585,134	7,611,388	730,787	-	-
	236,298,881	174,243,547	117,583,692	1,183,132	3,902,871

Geographical segments of the Group are presented based on the physical geographical locations of customers of subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

4. OPERATING SEGMENTS (CONT'D.)

(c) Major customers

Revenue from one customer in the distribution segment represents approximately 14.1% (2016: 9.6%) of the Group revenue.

The following is the major customer with revenue equal or more than ten percent (10%) of Group revenue:

	Revenue	
	2017 RM	2016 RM
Distribution segment		
Customer A	35,466,236	22,709,582

5. GOODWILL

	Group	
	2017 RM	2016 RM
Carrying amount		
As at 1 April 2016/2015	18,473,370	18,473,370
Less: Impairment loss during the financial year	(63,911)	-
As at 31 March 2017/2016	18,409,459	18,473,370

	Cost RM	Accumulated impairment loss RM	Carrying amount
			RM
As at 31 March 2017			
Goodwill	18,473,370	(63,911)	18,409,459
As at 31 March 2016			
Goodwill	18,473,370	-	18,473,370

(a) After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

5. GOODWILL (CONT'D.)

- (b) Goodwill arising from business combinations have been allocated to the Cash Generating Units (CGUs) of the Group based on the following reportable segments:

	Group	
	2017	2016
	RM	RM
Business Performance Services	6,287,245	6,287,245
Distribution	7,486,215	7,486,215
Services and Systems Integration	4,635,999	4,699,910
	18,409,459	18,473,370

- (c) Impairment assessment on the carrying amount of goodwill is performed at least on an annual basis. The Directors have made estimates about the future results and key assumptions applied to cash flow forecasts of the CGUs in determining its recoverable amount.

Recoverable amounts of goodwill for both financial years have been determined based on the value-in-use of the CGU, using the following assumptions:

- (i) Cash flow forecasts based on approved financial budgets covering a five- (5) year period;
- (ii) Pre-tax discount rate of the Group of 6% (2016: 4%) per annum;
- (iii) Forecasted growth rates ranging from 3% to 6% (2016: 3% to 6%) based on past performance of the segment;
- (iv) Terminal value based on the fifth year cash flow without incorporating any growth rate; and
- (v) Projected profit margins based on historical profit margins achieved.

A reasonable change in the assumptions above would not cause any impairment loss on goodwill.

During the financial year, management recognised an impairment loss on goodwill amounting to RM63,911 relating to a subsidiary, Formis Advanced Systems Sdn Bhd which was part of the Services and Systems Integration segment, as management does not anticipate any future economic benefits associated with that goodwill.

Sensitivity to changes in key assumptions

Discount rate assumptions

The discount rate calculation is based on the weighted average cost of capital which takes into account both debt and equity of the Group. Management has considered the possibility of greater than forecasted discount rate. Based on the sensitivity analysis performed by management, a 10% increase in the discount rate used would not result in any additional impairment.

Growth rate assumptions

Management has considered that a possibility of a weaker than the anticipated growth rate which may occur and the effect of bearish future growth performance is not expected to have an adverse impact on forecasts included in the budget, where a reduction in 10% of the growth rate used would not result in any impairment of the balance.

6. SOFTWARE DEVELOPMENT EXPENDITURE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At cost:				
As at 1 April 2016/2015	29,559,806	28,590,284	28,619,966	26,313,476
Transferred from subsidiary	–	–	923,760	–
Additions during the financial year	39,024,431	969,522	456,653	2,306,490
Written off during the financial year	(27,000)	–	(27,000)	–
As at 31 March 2017/2016	68,557,237	29,559,806	29,973,379	28,619,966
Accumulated amortisation:				
As at 1 April 2016/2015	(19,061,612)	(16,153,639)	(18,396,389)	(15,841,233)
Transferred from subsidiary	–	–	(83,255)	–
Amortisation during the financial year	(2,760,731)	(2,907,973)	(2,371,690)	(2,555,156)
As at 31 March 2017/2016	(21,822,343)	(19,061,612)	(20,851,334)	(18,396,389)
Carrying amount	46,734,894	10,498,194	9,122,045	10,223,577

- (a) Software development expenditure are intangible assets with finite useful lives that are measured after initial recognition at cost less any accumulated amortisation and any impairment losses.
- (b) Software development expenditure comprises salaries of personnel involved in development projects. Software development expenditure are charged to the profit or loss in the financial year in which it is incurred except for that relating to specific projects intended for commercial exploitation where it is expected to generate future economic benefits and can reasonably be recovered from related future revenue. Such development expenditure is amortised on a straight-line method over a period of five (5) to ten (10) years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.
- (c) During the financial year, the Group and the Company made the following cash payments to purchase software development expenditure.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Purchase of software development expenditure	39,024,431	969,522	456,653	2,306,490
Other payables	(3,541,200)	–	–	–
Cash payments on purchase of software development expenditure	35,483,231	969,522	456,653	2,306,490

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost	15,807,376	15,807,376

(a) Investments in subsidiaries are measured at cost. Non-controlling interests are measured at proportionate share of the net assets of subsidiaries, unless another measurement basis is required by MFRSs.

(b) Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Effective equity interest		Principal Activities
		2017 %	2016 %	
Direct subsidiaries				
Microlink Systems Sdn Bhd (MSSB)	Malaysia	100	100	Provision of information technology solutions to the financial services industry and dealing in related products
CA IT Infrastructure Solutions Sdn Bhd (CAIT)	Malaysia	100	100	Trading and marketing of computer software programs and products
Microlink Innovation Sdn Bhd (MISB)	Malaysia	100	100	Provision of research and development for information technology solutions to the financial services industry
CSA Servis (M) Sdn Bhd (CSAS)	Malaysia	100	100	Investment holding and provision of computer repair and maintenance service, supply of computer parts, accessories, computers and peripherals
Omesti Innovation Lab (Malaysia) Sdn Bhd (OIL)	Malaysia	100	100	Development of information and multimedia technology and provision of deployment services
PT Microlink Indonesia (PTMI)@	Republic of Indonesia	100	100	Provision of information technology solutions to the financial services industry and dealing in related products
Microlink Software Sdn Bhd (MSB)	Malaysia	51	51	Provision of consultancy services in supporting and modifying banking software
Microlink Worldwide Sdn Bhd (MWSB)^	Malaysia	100	100	In liquidation

7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(b) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Country of incorporation	Effective equity interest		Principal Activities
		2017 %	2016 %	
Subsidiaries of CSAS				
Formis Systems & Technology Sdn Bhd (FST)	Malaysia	100	100	Distribution and maintenance of computer hardware and software
First Solution Sdn Bhd (FIRST)	Malaysia	100	100	Distribution and maintenance of computer hardware and software
Applied Business Systems Sdn Bhd (ABS)	Malaysia	100	100	Distribution and maintenance of computer hardware and software
Formis Computer Services Sdn Bhd (FCS)	Malaysia	100	100	Provision of computer technology and maintenance of computer hardware and software
Formis Advanced Systems Sdn Bhd (FAS)	Malaysia	85	85	Provision of information technology services in terms of hardware, software, consultancy and maintenance

@ Subsidiary not audited by BDO

^ The financial statements of the subsidiary is not required to be audited in as it has been placed under creditors' voluntary winding up during the last financial year.

(c) Other details of investments in subsidiaries:

(i) In the previous financial year:

On 1 April 2015, CSAS completed the acquisition of 125,000 ordinary shares of RM1.00 each in FAS for a purchase consideration of RM53,879. This resulted in an increase in equity interest in FAS from 60% in the previous financial year to 85% as at the end of the last reporting period.

On 20 May 2015, the Group completed the acquisition of the remaining 40,000 ordinary shares of RM1.00 each in MISB for a purchase consideration of RM300,451. This resulted in an increase in equity interest in MISB from 60% in the previous financial year to 100% as at the end of the last reporting period.

7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(d) Subsidiaries of the Group that have material non-controlling interests (NCI) are as follows:

	MSB RM	FAS RM	Total RM
2017			
NCI percentage of ownership interest and voting interest	49%	15%	
Carrying amount of NCI (RM)	90,260	7,615	97,875
Loss allocated to NCI (RM)	(5,086)	(3,211)	(8,297)
2016			
NCI percentage of ownership interest and voting interest	49%	15%	
Carrying amount of NCI (RM)	95,346	10,826	106,172
Loss/(Profit) allocated to NCI (RM)	(75,123)	424	(74,699)

(e) Summarised financial information of the subsidiaries that have material NCI as at the end of each reporting period prior to intra-group elimination are as follows:

	MSB RM	FAS RM	Total RM
2017			
Assets and liabilities			
Non-current assets	–	10,574	10,574
Current assets	954,338	43,544	997,882
Current liabilities	(770,133)	(3,350)	(773,483)
Net assets	184,205	50,768	234,973
Results			
Revenue	2,564,244	–	2,564,244
Loss for the financial year	(10,379)	(21,406)	(31,785)
Total comprehensive loss	(10,379)	(21,406)	(31,785)
Cash flow from:			
– operating activities	(921,844)	(9,447)	(931,291)
– investing activities	10,414	350	10,764
Net decrease in cash and cash equivalents	(911,430)	(9,097)	(920,527)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

- (e) Summarised financial information of the subsidiaries that have material NCI as at the end of each reporting period prior to intra-group elimination are as follows: (cont'd.)

2016	MSB RM	FAS RM	Total RM
Assets and liabilities			
Non-current assets	–	23,999	23,999
Current assets	1,204,686	53,175	1,257,861
Current liabilities	(1,010,102)	(5,000)	(1,015,102)
Net assets	194,584	72,174	266,758
Results			
Revenue	2,196,818	315,001	2,511,819
(Loss)/Profit for the financial year	(153,312)	2,829	(150,483)
Total comprehensive (loss)/income	(153,312)	2,829	(150,483)
Cash flow from:			
– operating activities	691,889	(55,636)	636,253
– investing activities	10,505	–	10,505
Net increase/(decrease) in cash and cash equivalents	702,394	(55,636)	646,758

8. INVESTMENT IN A JOINT VENTURE

	Group	
	2017 RM	2016 RM
Unquoted equity shares, at cost	374,060	374,060
Share of post-acquisition reserves	(374,060)	(374,060)
	–	–

- (a) Details of the joint venture are as follows:

Name of Company	Country of incorporation	Effective equity interest		Principal Activities
		2017 %	2016 %	
Microlink Middle East Company for Programming and Computer Corporation LLC	The State of Kuwait	50	50	Provision of information technology solutions to the financial services industry and dealing in related products

9. OTHER INVESTMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current				
Financial assets at fair value through profit or loss				
– Transferable club memberships	105,000	105,000	–	–
Current				
Financial assets at fair value through profit or loss				
– Quoted income funds in Malaysia	119,989	3,182,372	85,370	152,376
Total other investments	224,989	3,287,372	85,370	152,376

(a) Fair value hierarchy

	Fair value of financial instruments carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
Group						
2017						
Financial assets at fair value through profit or loss						
– Quoted income fund	119,989	–	–	119,989	119,989	119,989
– Transferable golf club memberships	–	–	105,000	105,000	105,000	105,000
2016						
Financial assets at fair value through profit or loss						
– Quoted income fund	3,182,372	–	–	3,182,372	3,182,372	3,182,372
– Transferable golf club memberships	–	–	105,000	105,000	105,000	105,000
Company						
2017						
Financial assets at fair value through profit or loss						
– Quoted income fund	85,370	–	–	85,370	85,370	85,370
2016						
Financial assets at fair value through profit or loss						
– Quoted income fund	152,376	–	–	152,376	152,376	152,376

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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9. OTHER INVESTMENTS (CONT'D.)

- (b) The valuation technique and significant unobservable input used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, is detailed in the table below.

Financial asset	Valuation technique used	Significant unobservable input	Inter-relationship between key unobservable inputs and fair value
Transferable golf club memberships	Cost-approach	Counter party quotation	The higher the quotation, the higher the fair value of the other investment

10. DEFERRED TAX

- (a) Deferred tax assets and deferred tax liabilities are made up of the following:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
As at 1 April 2016/2015	(57,909)	635,633	840,261	346,854
Recognised in profit or loss (Note 31)	(2,709,829)	(693,542)	(2,069,985)	493,407
As at 31 March 2017/2016	(2,767,738)	(57,909)	(1,229,724)	840,261
Presented after appropriate offsetting:				
Deferred tax assets, net	(2,767,738)	(955,952)	(1,229,724)	–
Deferred tax liabilities, net	–	898,043	–	840,261
	(2,767,738)	(57,909)	(1,229,724)	840,261

- (b) Components and movements of deferred tax assets and deferred tax liabilities during the financial year prior to offsetting are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax assets				
As at 1 April 2016/2015	955,952	303,032	–	–
Recognised in profit or loss	1,811,786	652,920	1,229,724	–
As at 31 March 2017/2016	2,767,738	955,952	1,229,724	–
Deferred tax liabilities				
As at 1 April 2016/2015	898,043	938,665	840,261	346,854
Recognised in profit or loss	(898,043)	(40,622)	(840,261)	493,407
As at 31 March 2017/2016	–	898,043	–	840,261

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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10. DEFERRED TAX (CONT'D.)

(c) The components of deferred tax as at the end of the reporting year comprise tax effect of:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax assets				
Unused tax losses	222,718	833,231	-	-
Unabsorbed capital allowance	5,515	81,253	-	-
Other temporary difference	2,539,505	41,468	1,229,724	-
	2,767,738	955,952	1,229,724	-
Deferred tax liabilities				
Property, plant and equipment	-	72,240	-	14,458
Software development expenditure	-	825,803	-	825,803
	-	898,043	-	840,261

(d) The amount of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2017 RM	2016 RM
Unutilised tax losses	12,482,003	12,002,822
Unabsorbed capital allowances	3,892,522	3,604,205
Other deductible temporary differences	4,204,914	3,714,837
	20,579,439	19,321,864

Deferred tax assets of certain subsidiaries have not been recognised as it is not probable that future taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

11. PROPERTY, PLANT AND EQUIPMENT

Group 2017	Balance as at 1.4.2016 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Balance as at 31.3.2017 RM
Carrying amount						
Furniture and fittings	58,585	-	(1,277)	(12,328)	(27,796)	17,184
Office equipment	82,848	5,296	(956)	(8,285)	(32,902)	46,001
Computer software and hardware	1,265,292	366,227	-	(42,500)	(686,608)	902,411
Renovations	374,327	-	(144,477)	-	(90,173)	139,677
Motor vehicles	18,500	-	-	-	(1,100)	17,400
	1,799,552	371,523	(146,710)	(63,113)	(838,579)	1,122,673

	←----- As at 31.3.2017 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture and fittings	265,815	(248,631)	17,184
Office equipment	307,387	(261,386)	46,001
Computer software and hardware	4,059,988	(3,157,577)	902,411
Renovations	655,491	(515,814)	139,677
Motor vehicles	20,800	(3,400)	17,400
	5,309,481	(4,186,808)	1,122,673

Group 2016	Balance as at 1.4.2015 RM	Additions RM	Written off RM	Disposal RM	Depreciation charge for the financial year RM	Balance as at 31.3.2016 RM
Carrying amount						
Furniture and fittings	80,788	14,222	-	-	(36,425)	58,585
Office equipment	108,324	15,256	-	-	(40,732)	82,848
Computer software and hardware	1,909,884	177,512	(2,582)	(11,779)	(807,743)	1,265,292
Renovations	476,405	6,620	-	-	(108,698)	374,327
Motor vehicles	19,800	-	-	-	(1,300)	18,500
	2,595,201	213,610	(2,582)	(11,779)	(994,898)	1,799,552

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

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

	←----- As at 31.3.2016 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture and fittings	399,265	(340,680)	58,585
Office equipment	357,947	(275,099)	82,848
Computer software and hardware	4,888,230	(3,622,938)	1,265,292
Renovations	1,036,002	(661,675)	374,327
Motor vehicles	20,800	(2,300)	18,500
	6,702,244	(4,902,692)	1,799,552

Company 2017	Balance as at 1.4.2016 RM	Addition RM	Written off RM	Disposal RM	Depreciation charge for the financial year RM	Balance as at 31.3.2017 RM
Carrying amount						
Furniture and fittings	11,826	-	-	-	(5,131)	6,695
Office equipment	15,132	-	-	-	(5,674)	9,458
Computer software and hardware	55,288	22,905	-	(2)	(19,476)	58,715
Renovations	3,836	-	(3,671)	-	(165)	-
	86,082	22,905	(3,671)	(2)	(30,446)	74,868

	←----- As at 31.3.2017 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture and fittings	27,647	(20,952)	6,695
Office equipment	31,368	(21,910)	9,458
Computer software and hardware	166,074	(107,359)	58,715
	225,089	(150,221)	74,868

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

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

Company 2016	Balance as at 1.4.2015 RM	Addition RM	Written off RM	Disposal RM	Depreciation charge for the financial year RM	Balance as at 31.3.2016 RM
Carrying amount						
Furniture and fittings	16,956	-	-	-	(5,130)	11,826
Office equipment	20,806	-	-	-	(5,674)	15,132
Computer software and hardware	33,589	36,800	(2,582)	(1)	(12,518)	55,288
Renovations	4,331	-	-	-	(495)	3,836
	75,682	36,800	(2,582)	(1)	(23,817)	86,082

	←----- As at 31.3.2016 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture and fittings	27,647	(15,821)	11,826
Office equipment	31,368	(16,236)	15,132
Computer software and hardware	151,686	(96,398)	55,288
Renovations	4,950	(1,114)	3,836
	215,651	(129,569)	86,082

- (a) Each class of property, plant and equipment are measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industry within which the Group operates.

Furniture and fittings	20%
Office equipment	20%
Computer software and hardware	20% – 25%
Renovations	10%
Motor vehicles	20%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

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

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Purchase of property, plant and equipment	371,523	213,610	22,905	36,800
Financed by hire purchase	–	(55,414)	–	–
Cash payments on purchase of property, plant and equipment	371,523	158,196	22,905	36,800

- (d) Included in property, plant and equipment of the Group are assets secured under hire purchase facilities with a carrying amount of RM114,837 (2016: RM201,481).

12. INVENTORIES

	Group	
	2017 RM	2016 RM
At cost		
Hardware and software	13,035,951	6,715,776
Hardware maintenance parts and spares	102,288	102,288
	13,138,239	6,818,064

- (a) Cost of computer hardware, software and spare parts are determined in a specific identification basis whilst costs of other inventories are determined on the first-in, first out basis.
- (b) Cost of inventories of the Group recognised as an expense during the financial year amounted to RM194,513,588 (2016: RM184,476,448).

13. TRADE RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables	48,172,920	87,071,770	39,446,619	36,097,131
Less: Impairment losses	(37,939)	(37,939)	(49,239)	(49,239)
	48,134,981	87,033,831	39,397,380	36,047,892

- (a) Trade receivables are classified as loans and receivables, and measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

13. TRADE RECEIVABLES (CONT'D.)

(b) The trade credit terms of trade receivables granted by the Group and by the Company range from 30 to 90 days (2016: 30 to 90 days) from date of invoice. They are recognised at their original amounts, which represent their fair values on initial recognition.

(c) The currency exposure profile of trade receivables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	48,053,325	86,924,922	39,397,380	36,047,892
US Dollar	2,486	43,605	–	–
Brunei Dollar	79,170	65,304	–	–
	48,134,981	87,033,831	39,397,380	36,047,892

(d) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

Effects of 10% changes to RM against foreign currencies	Group	
	2017 RM	2016 RM
Profit after tax	±8,000	±9,000

(e) Ageing analysis of trade receivables of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Neither past due nor impaired	15,651,860	46,622,494	4,953,041	865,911
Past due, not impaired				
31 to 60 days	8,400,197	10,244,321	357,919	3,862,225
61 to 90 days	2,066,197	4,494,439	1,047,851	37,549
More than 91 days	22,016,727	25,672,577	33,038,569	31,282,207
	32,483,121	40,411,337	34,444,339	35,181,981
Past due and impaired	37,939	37,939	49,239	49,239
	48,172,920	87,071,770	39,446,619	36,097,131

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment records with the Group and the Company.

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

13. TRADE RECEIVABLES (CONT'D.)

(e) Ageing analysis of trade receivables of the Group and of the Company are as follows (cont'd.):

Receivables that are past due but not impaired

Based on past experience, the Group and the Company are satisfied that no impairment is necessary in respect of these trade receivables. These trade receivables are substantially from companies with good collection track record. These trade receivables are unsecured in nature.

Receivables that are past due and impaired

Trade receivables of the Group and of the Company that are past due and impaired at the end of the reporting period are as follows:

	Group		Company	
	Individually impaired 2017 RM	2016 RM	Individually impaired 2017 RM	2016 RM
Trade receivables, gross	37,939	37,939	49,239	49,239
Less: Impairment losses	(37,939)	(37,939)	(49,239)	(49,239)
	-	-	-	-

(f) Movement in accumulated impairment losses on are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
As at 1 April 2016/2015	37,939	89,268	49,239	49,239
Charge during the financial year	-	37,939	-	-
Impairment loss no longer required	-	(89,268)	-	-
As at 31 March 2017/2016	37,939	37,939	49,239	49,239

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivables, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

13. TRADE RECEIVABLES (CONT'D.)

(g) The credit risk concentration profile of the trade receivables at the end of the reporting period are as follows:

	<----- Group ----->			
	2017		2016	
	RM	% of total	RM	% of total
By country				
Malaysia	48,053,325	99.8%	86,924,922	99.9%
Brunei	79,170	0.2%	65,304	0.1%
Maldives	-	0.0%	43,605	0.0%
Singapore	2,486	0.0%	-	0.0%
	48,134,981	100.0%	87,033,831	100.0%

	<----- Company ----->			
	2017		2016	
	RM	% of total	RM	% of total
By country				
Malaysia	39,397,380	100.0%	36,047,892	100.0%

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	10,760,158	2,443,582	291,895	700
Deposits	602,266	674,355	72,376	18,600
Prepayments	11,698,527	8,804,083	118,216	123,354
Amounts owing from contract customers	4,821,551	1,509,185	-	-
	27,882,502	13,431,205	482,487	142,654

(a) Other receivables and deposits are classified as loans and receivables, and measured at amortised cost using the effective interest method.

(b) The details of amount owing from contract customers are as follows:

	Group	
	2017 RM	2016 RM
Contract costs incurred plus recognised profits	39,507,184	31,976,685
Progress billings received and receivables	(34,723,335)	(31,492,711)
Amounts owing from contract customers	4,783,849	483,974
Represented by:		
Amounts owing from contract customers	4,821,551	1,509,185
Amounts owing to contract customers (Note 26)	(37,702)	(1,025,211)
	4,783,849	483,974

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D.)

(c) The currency exposure profile of other receivables, deposits and prepayments are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	27,683,771	13,431,205	283,756	142,654
US Dollar	146,075	–	146,075	–
Indonesian Rupiah	52,656	–	52,656	–
	27,882,502	13,431,205	482,487	142,654

(d) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Effects of 10% changes to RM against foreign currencies				
Profit after tax	±19,000	–	±19,000	–

15. AMOUNTS OWING BY/(TO) ULTIMATE HOLDING COMPANY

- (a) Amounts owing by/(to) ultimate holding company is classified as loan and receivable and other financial liability respectively, and measured at amortised cost using the effective interest method.
- (b) Amounts owing by/(to) ultimate holding company represent payments made on behalf, which are unsecured, interest-free and collectible/payable on demand in cash and cash equivalents.
- (c) Amounts owing by/(to) ultimate holding company of the Group and the Company are denominated in RM.

16. AMOUNTS OWING BY/(TO) IMMEDIATE HOLDING COMPANY

- (a) Amounts owing by/(to) immediate holding company are classified as loan and receivable and other financial liability respectively, and measured at amortised cost using the effective interest method.
- (b) Amounts owing by/(to) immediate holding company represent payments made on behalf, which are unsecured, interest-free and collectible/payable on demand in cash and cash equivalents.
- (c) Amounts owing by/(to) immediate holding company of the Group and the Company are denominated in RM.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

17. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2017	2016
	RM	RM
Amounts owing by subsidiaries	42,602,822	22,801,064
Less: Impairment loss	(68,436)	-
	42,534,386	22,801,064
Amounts owing to subsidiaries	(620,010)	-

- (a) Amounts owing by/(to) subsidiaries are classified as loans and receivables and other financial liabilities respectively, and measured at amortised cost using the effective interest method.
- (b) Amounts owing by/(to) subsidiaries represent management fees, advances and payments made on behalf, which are unsecured, interest-free and collectible/payable on demand in cash and cash equivalents.
- (c) Amounts owing by/(to) subsidiaries are denominated in RM.
- (d) Movement of accumulated impairment loss is as follows:

	Company	
	2017	2016
	RM	RM
As at 1 April 2016/2015	-	-
Charged during the financial year	68,436	-
As at 31 March 2017/2016	68,436	-

18. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	15,587,168	16,969,620	342,663	1,062,234
Deposits with licensed banks	9,396,207	12,033,627	-	-
	24,983,375	29,003,247	342,663	1,062,234

- (a) Deposits with licensed banks of the Group are amounts of RM8,147,169 (2016: RM7,445,915) pledged to licensed banks for credit facilities granted to the Group as disclosed in Note 23 to the financial statements.
- (b) Deposits with licensed banks of the Group with a carrying amount of RM9,369,207 (2016: RM12,033,627) are subject to fixed weighted average effective interest rates of 2.63% (2016: 3.04%).

18. CASH AND BANK BALANCES (CONT'D.)

- (c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	15,587,168	16,969,620	342,663	1,062,234
Deposits with licensed banks	9,396,207	12,033,627	-	-
	24,983,375	29,003,247	342,663	1,062,234
Less: Deposits pledged to licensed banks	(8,147,169)	(7,445,915)	-	-
	16,836,206	21,557,332	342,663	1,062,234

- (d) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	24,963,584	28,935,516	342,663	1,062,234
US Dollar	8,748	57,934	-	-
Indonesian Rupiah	11,043	9,797	-	-
	24,983,375	29,003,247	342,663	1,062,234

- (e) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Effects of 10% changes to RM against foreign currencies				
Profit after tax	±2,000	±6,000	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

19. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Issued and fully paid:				
As at 1 April 2016/2015	152,152,900	15,215,290	138,352,900	13,835,290
Addition during the year	15,215,200	1,521,520	13,800,000	1,380,000
Effect of the new Companies Act, 2016	–	26,891,007	–	–
As at 31 March 2017/2016	167,368,100	43,627,817	152,152,900	15,215,290

- (a) During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM15,152,290 to RM16,736,810 by way of issuance of 15,215,200 new ordinary shares at RM1.20 per share for cash via private placement.
- (b) In the previous financial year, the issued and paid-up ordinary share capital of the Company was increased from RM13,835,290 to RM15,152,290 by way issuance of 13,800,000 new ordinary shares at RM0.50 per share for cash via private placement.
- (c) Owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to 1 vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.
- (d) The new Companies Act 2016 (the Act), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, balances within the share premium of RM26,811,007 and capital redemption reserve of RM80,000 has been transferred to the Company's share capital account pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the share premium amount for purposes as set out in Sections 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

20. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>Non-distributable:</u>				
Share premium	–	10,576,173	–	10,576,173
Translation reserve	(216,851)	(208,001)	–	–
Capital redemption reserve	–	80,000	–	80,000
Equity compensation reserve	4,347,820	–	4,347,820	–
	4,130,969	10,448,172	4,347,820	10,656,173

20. RESERVES (CONT'D.)

(a) Share premium

Share premium balances have been transferred to share capital pursuant to the transitional provisions in Section 618(2) of the new Companies Act, 2016.

(b) Translation reserve

Translation difference arising from translation of foreign controlled entities are taken to the translation reserve account as described in the accounting policies.

(c) Capital redemption reserve

The capital redemption reserve arose from redemption share of redeemable preference share. Capital redemption reserve balances have been transferred to share capital pursuant to the transitional provisions in Section 618(2) of the new Companies Act, 2016.

(d) Equity compensation reserve

The equity compensation reserve arose from equity-settled share options granted to employees.

21. BORROWINGS

	Group	
	2017	2016
	RM	RM
Current liabilities		
Hire purchase creditors (Note 22)	19,158	84,399
Bankers' acceptance (Note 23)	-	2,499,197
Trust receipts (Note 23)	14,766,137	6,492,381
Factoring loan (Note 23)	2,313,627	2,968,728
	17,098,922	12,044,705
Non-current liabilities		
Hire purchase creditors (Note 22)	13,915	33,073
	17,112,837	12,077,778
Total borrowings		
Hire purchase creditors (Note 22)	33,073	117,472
Bankers' acceptance (Note 23)	-	2,499,197
Trust receipts (Note 23)	14,766,137	6,492,381
Factoring loan (Note 23)	2,313,627	2,968,728
	17,112,837	12,077,778

(a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

21. BORROWINGS (CONT'D.)

- (b) The table below summarises the maturity profile of the borrowings at the end of the reporting period based on contractual undiscounted repayment obligations:

Group	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
31 March 2017				
Factoring loan	2,313,627	–	–	2,313,627
Hire purchase creditors	21,645	14,429	–	36,074
Trust receipts	15,121,726	–	–	15,121,726
Total undiscounted financial liabilities	17,456,998	14,429	–	17,471,427
31 March 2016				
Bankers' acceptance	2,499,197	–	–	2,499,197
Factoring loan	2,968,728	–	–	2,968,728
Hire purchase creditors	90,070	36,074	–	126,144
Trust receipts	6,636,878	–	–	6,636,878
Total undiscounted financial liabilities	12,194,873	36,074	–	12,230,947

- (c) Bankers' acceptance, factoring loan and trust receipts of the Group with a carrying amount of Nil (2016: RM2,499,197), RM2,313,627 (2016: RM2,968,728) and RM14,766,137 (2016: RM6,492,381) are subject to floating weighted average effective interest rates of Nil (2016: 5.03%), 6.23% (2016: 6.42%) and 8.15% (2016: 7.94%) per annum respectively.
- (d) Hire purchase creditors of the Group with a carrying amount of RM33,073 (2016: RM117,472), is subject to fixed weighted average effective interest rates of 5.73% (2016: 7.42%) per annum.
- (e) Sensitivity analysis of interest rates at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2017 RM	2016 RM
Effects of 100bp changes to profit after tax		
Floating rate instruments	±129,806	±90,898

22. HIRE PURCHASE CREDITORS

	Group	
	2017	2016
	RM	RM
Minimum hire purchase payments:		
– not later than 1 year	21,645	90,070
– later than 1 year and not later than 5 years	14,429	36,074
	36,074	126,144
Less: Future interest charges	(3,001)	(8,672)
Present value of hire purchase creditors	33,073	117,472
Repayable as follows:		
Current liabilities		
– not later than 1 year	19,158	84,399
Non-current liabilities		
– later than 1 year and not later than 5 years	13,915	33,073
	33,073	117,472

Hire purchase liabilities are secured by the assets as disclosed in Note 11 to the financial statements and by a corporate guarantee from the ultimate holding company.

23. BANKERS' ACCEPTANCE, TRUST RECEIPTS AND FACTORING LOAN

The bankers' acceptance, trust receipts and factoring loan are secured by the following:

- (a) Pledge of deposits as disclosed in Note 18 to the financial statements;
- (b) Corporate guarantee from the ultimate holding company.

24. REDEEMABLE PREFERENCE SHARES

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
As at 1 April 2016/2015	27,193,044	27,193,044	35,193,044	35,193,044
Redemption during the year	–	–	(8,000,000)	(8,000,000)
As at 31 March 2017/2016	27,193,044	27,193,044	27,193,044	27,193,044

- (a) In the previous financial year, the Company redeemed 8,000,000 redeemable preference shares (RPS) for the total redemption sum of RM8,000,000 at the issue price of RM1.00 each (Redemption) in accordance with the provision of Article 4A of the Company's Articles Association.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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24. REDEEMABLE PREFERENCE SHARES (CONT'D.)

- (b) The salient features of the RPS are as follows:
- (i) tenure of the RPS is 5 years commencing from and including the issuance date on 24 December 2014;
 - (ii) the RPS are not convertible to ordinary shares of the Company;
 - (iii) a cumulative preferential coupon interest rate with a range of 3.0% to 9.5% per annum based on the nominal value of the RPS, is payable annually in arrears; and
 - (iv) the RPS, at the option of the Company, is to be redeemed in whole or in part, at any time during the tenure of the RPS at 100% of their nominal amount plus accrued interest up to the redemption date. All RPS which are redeemed by the Company shall be cancelled immediately and cannot be resold or reissued.

25. TRADE PAYABLES

- (a) Trade payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2016: 30 days to 90 days) from date of invoice.
- (c) The currency exposure profile of trade payables are as follows:

	Group	
	2017	2016
	RM	RM
Ringgit Malaysia	19,596,390	26,429,393
US Dollar	11,297	670,209
Australia Dollar	-	13,732
	19,607,687	27,113,334

- (d) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2017	2016
	RM	RM
Effects of 10% changes to RM against foreign currencies		
Profit after tax	±4,000	±51,000

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables and accruals	19,101,404	23,853,474	717,415	462,164
Unearned revenue	20,506,828	23,124,102	4,161,908	5,497,972
Amounts owing to contract customers (Note 14)	37,702	1,025,211	-	-
	39,645,934	48,002,787	4,879,323	5,960,136

- (a) Other payables and accruals are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Unearned revenue represents advance billings for contracts works and maintenance services.
- (c) The currency exposure profile of other payables and accruals are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	35,930,684	47,955,942	4,823,799	5,948,027
Indonesia Rupiah	115,965	29,647	-	-
US Dollar	3,591,054	8,898	49,854	3,809
Euro	5,670	8,300	5,670	8,300
Brunei Dollar	2,561	-	-	-
	39,645,934	48,002,787	4,879,323	5,960,136

- (d) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Effects of 10% changes to RM against foreign currencies				
Profit after tax	±289,000	±6,000	±8,000	±2,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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27. AMOUNTS OWING TO RELATED COMPANIES

- (a) Amounts owing to related companies are classified as other financial liabilities respectively, and measured at amortised cost using the effective interest method.
- (b) Amounts owing to related companies represent trade and non-trade transactions, which are unsecured and interest-free. Credit terms of trade amounts owing to related companies granted by the Group is 30 days (2016: 30 days) from date of invoice.
- (c) Amounts owing to related companies are denominated in RM.

28. CONTINGENT LIABILITIES

	Company	
	2017 RM	2016 RM
Corporate guarantees given to banks for credit facilities granted to:		
– Subsidiaries	43,640,000	50,956,000

The Directors are of the view that the chances of the bank to call upon the corporate guarantees are not probable. Accordingly, the fair values of the above corporate guarantees given to subsidiaries for credit facilities are negligible.

29. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Projects	13,588,111	5,461,265	–	–
Maintenance income:				
– third parties	49,305,967	51,805,219	–	–
– subsidiaries	–	–	7,956,069	6,756,080
Sales of hardware equipment	181,760,406	171,143,094	–	–
Small scale projects and integration charges:				
– third parties	7,554,425	7,889,303	–	–
– subsidiaries	–	–	1,211,634	1,616,778
Software licensing fee charged to subsidiaries	–	–	859,871	–
	252,208,909	236,298,881	10,027,574	8,372,858

- (a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group does not have continuing managerial involvement over the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with delivery of goods and acceptance by customers.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

29. REVENUE (CONT'D.)

(b) Contract works

Revenue from and expenses of contracts with duration of more than 12 months are recognised by reference to the stage of completion of the contract activity. Contract costs consist of costs that relate directly to the specific project, costs that are attributable to contract activity in general and can be allocated to the project, costs that are attributable to contract activity in general and can be allocated to the project and such other costs as are specifically chargeable to the customer under the terms of the contract. Allowances for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

(c) Services

Revenue from maintenance and software support contract is allocated evenly throughout the period of contracts. Income for the expired period is recognised in the profit or loss on accrual basis and income relating to the unexpired period is carried forward as unearned revenue.

30. FINANCE COSTS

	Group	
	2017 RM	2016 RM
Interest expense on:		
– redeemable preference shares	1,274,130	1,137,942
– letter of credit and trust receipts	1,030,942	647,699
– factoring loan	171,831	–
– hire purchase	5,670	10,004
– bank overdraft	27,482	–
	2,510,055	1,795,645

31. TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense based on profit for the financial year	2,208,789	2,146,123	516,259	632,540
Under/(Over)-provision in prior years	2,251,621	393,842	1,312,378	(136,881)
	4,460,410	2,539,965	1,828,637	495,659
Deferred tax (Note 10)				
Relating to origination on and reversal of temporary differences	(37,623)	(413,556)	(175,949)	189,002
(Over)/Under-provision in prior years	(2,672,206)	(279,986)	(1,894,036)	304,405
	(2,709,829)	(693,542)	(2,069,985)	493,407
	1,750,581	1,846,423	(241,348)	989,066

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

31. TAXATION (CONT'D.)

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the fiscal year.

Numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	605,388	748,321	59,263	712,118
Tax effects in respect of:				
Non-deductible expenses	1,299,076	997,467	281,766	110,600
Income not subject to tax	(35,116)	(3,994)	(719)	(1,176)
Utilisation of tax losses not recognised in prior years	–	(385,025)	–	–
Unused tax losses and unabsorbed capital allowances not recognised	301,818	375,798	–	–
	2,171,166	1,732,567	340,310	821,542
Under/(Over)-provision payable of tax in prior years:				
Income tax	2,251,621	393,842	1,312,378	(136,881)
Deferred tax	(2,672,206)	(279,986)	(1,894,036)	304,405
	(420,585)	113,856	(581,658)	167,524
	1,750,581	1,846,423	(241,348)	989,066

Tax on each component of other comprehensive loss is as follows:

	Before tax RM	Group	After tax RM
		Tax effect RM	
Items that may be reclassified subsequently to profit or loss			
2017			
Foreign currency translations	8,850	–	8,850
2016			
Foreign currency translations	52,522	–	52,522

32. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share of the Group is calculated by dividing the profit attributable to equity holders of the parent for the year by the weighted average number of ordinary shares in issued during the financial year.

	Group	
	2017	2016
	RM	RM
Profit attributable to equity holders of the parent	780,163	1,346,280
Weighted average number of ordinary shares in issue	152,152,900	138,352,900
Effect of:		
– Private placement	10,993,400	12,741,370
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	163,146,300	151,094,270
Basic earnings per ordinary share (sen)	0.48	0.89

(b) Diluted earnings per ordinary share

The ESOS that could potentially dilute the earnings per ordinary shares were not included in the calculation of diluted earnings per ordinary shares as the ESOS does not have dilutive effect. The average market price of the ordinary shares do not exceed the exercise price of the ESOS.

33. PROVISION FOR GRATUITY OBLIGATIONS

The Group operates an unfunded defined Retirement Benefit Scheme (the Scheme) for the eligible employees. Under the Scheme, eligible employees are entitled to post-employment benefits calculated by reference to their length of service and earnings.

The amount recognised in the statement of financial position is as follows:

	Group	
	2017	2016
	RM	RM
Present value of unfunded defined benefit obligations	1,429,042	1,184,383
Analysed as follows:		
Non-current liabilities		
– more than 5 years	1,429,042	1,184,383

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

33. PROVISION FOR GRATUITY OBLIGATIONS (CONT'D.)

Movements during the financial year in the amount recognised in the statement of financial position in respect of the Scheme are as follows:

	Group	
	2017 RM	2016 RM
Balance as at 1 April 2016/2015	1,184,383	1,490,163
Current service cost recognised in profit or loss	244,659	–
Utilisation during the year	–	(109,550)
Reversal of post-employment benefits no longer required	–	(196,230)
Balance as at 31 March 2017/2016	1,429,042	1,184,383

The key assumptions used in the computation of the provision are as follows:

	Group	
	2017	2016
Discount rate	4.91%	4.29%
Salary increase rate	4.39%	3.25%
Annual voluntary resignation rate	37.50% – 50.00%	40.00% – 75.00%
Mortality rate	Malaysia Ordinary Insured 2006-2010	Malaysia Ordinary Insured 1993-2003
Normal retirement age	60 years	60 years

34. EMPLOYEE BENEFITS

Total employee benefits recognised in profit or loss are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages, bonuses and allowances	17,239,829	19,674,373	3,131,828	3,207,150
Defined contribution plan	2,146,977	2,415,205	389,384	392,512
Share options granted under ESOS				
– Director	952,763	–	952,763	–
– Other employees	3,395,057	–	1,070,122	–
Other employee benefits	3,027,198	2,293,772	1,376,470	549,167
	26,761,824	24,383,350	6,920,567	4,148,829

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

34. EMPLOYEE BENEFITS (CONT'D.)

Remuneration of Directors and other key management personnel during the financial year are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' fees	236,500	272,500	236,500	236,500
Salaries and other short term employee benefits:				
Directors	566,755	2,352,593	204,400	1,131,007
Other key management personnel	1,890,211	1,063,241	1,150,510	374,378
	2,456,966	3,415,834	1,354,910	1,505,385

35. DIVIDEND

Dividend paid since the end of the previous financial year was as follows:

	Group and Company	
	2017 RM	2016 RM
In respect of redeemable preference shares:		
Cumulative 3% redeemable preference shares for the period from 24 December 2014 to 23 December 2015, paid on 16 March 2016	–	1,055,791
Cumulative 4% redeemable preference shares for the period from 24 December 2015 to 28 March 2016, paid on 29 March 2016	–	369,239
	–	1,425,030

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

36. ACCRETION OF EQUITY INTERESTS IN SUBSIDIARIES

- (i) In previous financial year, CSAS completed the acquisition of 125,000 ordinary shares of RM1.00 each in FAS for a purchase consideration of RM53,879. This resulted in an increase in equity interest in FAS from 60% in the previous financial period to 85% as at the end of the reporting period.
- (ii) In previous financial year, the Group completed the acquisition of the remaining 40,000 ordinary shares of RM1.00 each in MISB for a purchase consideration of RM300,451. This resulted in an increase in equity interest in MISB from 60% in the previous financial period to 100% as at the end of the reporting period.

37. LONG-TERM INCENTIVE PLAN (LTIP)

At an Extraordinary General Meeting held on 17 October 2014, the Directors were authorised to proceed with the establishment and administration of the Long Term Incentive Plan (LTIP or Scheme), which comprises an Employee Share Option Scheme (ESOS) and an Employee Share Grant Plan (ESGP) and is administered by the LTIP Committee which is appointed by the Board of Directors, in accordance with the By-Laws of the LTIP. The LTIP should be in force for a period of 5 years from 27 October 2014, unless extended further.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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37. LONG-TERM INCENTIVE PLAN (LTIP) (CONT'D.)

The main features of the LTIP are as follows:

- (a) Eligible Directors and employees are those who are confirmed employees of the Company and/or its eligible subsidiaries and has attained the age of 18 years before the date of offer;
- (b) The maximum number of options to be issued under the LTIP should not exceed in aggregate 20% of the issued and paid-up ordinary share capital of the Company at any point of time during the tenure of the LTIP. In addition, any individual Director or employee's maximum entitlement should not exceed 10% of the ordinary shares of the Company;
- (c) Options granted may be exercised at any time within the option period of 3 years from the date of offer;
- (d) In the case of the ESGP, the shares will be vested with the grantee at no consideration on the vesting date: while in the case of the ESOS, the option price of a new ordinary share should be the 5-day weighted average market prices of the shares as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad immediately preceding the date of offer or at RM0.10, whichever is higher; and
- (e) Options granted are not entitled to dividends or voting rights. Upon exercise of the options, the ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

The fair value of share options granted in the current financial year to eligible employees, was determined using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of share options measured at the grant date and the input assumed by the Company in arriving the fair value are as follows:

ESOS

	Offer 1	Offer 2
Exercise price (RM)	1.300	1.160
Date of grant	28 July 2016	13 September 2016
Share price of the Company at grant date (RM)	1.580	1.300
Option life (years)	3	3
Volatility (%)	74.260	55.633
Risk-free rate (%)	3.759	3.759

The movement during the financial year in the number of shares and share options in which employees of the Group and the Company entitled to are as follows:

Date of offer	Option price RM	<----- Number of options over ordinary shares ----->					Outstanding as at 31.3.2017
		Outstanding as at 1.4.2016	<-- Movements during the financial year -->				
			Granted	Exercised	Lapsed		
28 July 2016	1.30	-	14,439,600	-	(4,961,600)	9,478,000	
13 September 2016	1.16	-	2,900,400	-	-	2,900,400	
		-	17,340,000	-	(4,961,600)	12,378,400	

38. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has controlling related party relationship with its subsidiaries, ultimate and immediate holding companies and their subsidiaries.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group	
	2017	2016
	RM	RM
Ultimate holding company		
Sales	2,632	1,031
Purchases	–	10,164
Interest expense	1,274,130	1,137,942
Meeting room rental expense	118,800	109,860
Office rental expense	132,000	153,569
Redemption of redeemable preference share	–	8,000,000
Related companies		
Sales	7,674,081	12,690,371
Purchases	1,698,442	1,596,175
Office rental expense	121,838	106,747
Secretarial fee	87,823	–
Related party		
Purchases	240,000	90,000
Equipment rental expense	103,800	100,800

	Company	
	2017	2016
	RM	RM
Subsidiaries		
Interest income	–	104,305
Management fee income	1,302,396	2,365,200
Maintenance income	7,956,069	6,756,080
Small scale projects and integration income	1,211,634	1,616,778
Software licensing fee income	859,871	5,676,225
Software licensing fee expense	256,320	1,761,408
Rental of premises expense	–	31,548
Related company		
Secretarial fee expense	46,692	–

Related parties transactions described above were carried out on terms and conditions mutually agreed with the respective related parties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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38. RELATED PARTY DISCLOSURES (CONT'D.)

- (c) Key management personnel are the persons who have authorities and responsibilities for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. This includes any Director, whether executive or otherwise, of the Group and the Company.

During the financial year, the Company had granted a total of 5,523,000 ESOS to eligible Directors and other members of key management of the Company and subsidiaries. These ESOS shall be in force for a period of three (3) years from the date of offer respectively.

The remuneration of the Directors and other members of key management are disclosed in the Note 34 to the financial statements.

39. OPERATING LEASE COMMITMENTS

As at 31 March 2017, the Group and the Company have operating lease commitments in respect of rental of premises as follows:

	Future minimum lease payments			
	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Not later than 1 year	1,224,053	1,769,000	238,656	–
Later than 1 year and not later than 5 years	424,337	115,613	364,376	–
	1,648,390	1,884,613	603,032	–

40. CAPITAL MANAGEMENT

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as a going concern whilst maximising return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2017.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. The gearing ratios as at 31 March 2017 and 31 March 2016 are as follows:

	Group	
	2017 RM	2016 RM
Total borrowings (Note 21)	17,112,837	12,077,778
Total equity	79,429,170	56,553,683
Gearing ratio	21.5%	21.4%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

40. CAPITAL MANAGEMENT (CONT'D.)

Pursuant to the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up share capital of the Group. The Group has complied with this requirement for financial year ended 31 March 2017.

41. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

41.1 New MFRSs adopted during the current financial year

The Group and Company adopted the following amendments of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (MASB) during the financial year.

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company, other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the following:

- (a) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, within the notes to the financial statement.
- (b) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

41. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (CONT'D.)

41.2 New MFRSs that have been issued, but only effective for annual years beginning on or after 1 January 2017

The following are standards and amendments of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company.

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Amendments and Standards, since the effects would only be observable in the future financial years.

42. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF REPORTING PERIOD

Microlink Systems Sdn Bhd, a wholly-owned subsidiary of the Company, had on 1 June 2017 incorporated a new subsidiary known as PT. Microlink International Maju in Indonesia.

43. COMPANIES ACT 2016

The Companies Act, 2016 (the Act) was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016 to replace the Companies Act, 1965. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which the Act comes into operation except Section 241 and Division 8 of Part III of the Act.

Consequently, the Group and the Company effected the following changes as at 31 January 2017:

- (a) Authorised share capital has been removed;
- (b) Par or nominal value of ordinary shares have been removed; and
- (c) Balances in the share premium and capital redemption reserve accounts have been transferred into the share capital account.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 MARCH 2017

44. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting year can be analysed as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Total retained earnings				
– realised	26,434,019	29,626,683	25,920,486	27,508,387
– unrealised	2,756,188	77,219	1,236,432	(839,745)
	29,190,207	29,703,902	27,156,918	26,668,642
Add:				
Consolidation adjustments	2,480,177	1,186,319	–	–
Total retained earnings as per financial statements	31,670,384	30,890,221	27,156,918	26,668,642

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