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SOLUTION DELIVERY

Annual Report 2019

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 2019.

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 and the details of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	**Company RM**
Profit/(Loss) for the financial year	1,004,565	(647,211)
Attributable to:		
Owners of the parent	869,919	(647,211)
Non-controlling interests	134,646	–
	1,004,565	(647,211)

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.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

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.

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D.)

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

		Number of options over ordinary shares			
			Movements during the financial year		
Date of offer	Option price RM	Outstanding as at 1.4.2018	Granted	Lapsed	Outstanding as at 31.3.2019
28 July 2016	1.30	8,480,200	–	(715,200)	7,765,000
13 September 2016	1.16	2,900,400	–	(140,400)	2,760,000
29 March 2018	0.44	800,000	–	–	800,000
		12,180,600	–	(855,600)	11,325,000

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 12 July 2019 from having to disclose the list of option holders together with the details of their holdings pursuant Paragraph 5, Part 1, Fifth Schedule of the Companies Act 2016 except for information of employees who were granted 186,600 options and above.

Other than those disclosed in the Directors' interests, the names of option holders who were granted 186,600 options and above as at the end of the financial year are as follows:

Name	Number of ESOS options
Chia Yong Wei	1,999,800
Eddy Hong Chee Keong	240,000
Mah Chon Cheang	349,800
Neo Poh Lian	559,800

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Microlink Solutions Berhad

Tun Arifin bin Zakaria
Monteiro Gerard Clair
Tai Keat Chai
Martin Chu Leong Meng
Mah Xian-Zhen
Dato' Jaganath Derek Steven Sabapathy

DIRECTORS (CONT'D.)

Subsidiaries of Microlink Solutions Berhad

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year and up to the date of this report is as follows:

Ch'ng Kai Fen
Chia Yong Wei
Gan Khong Kiat
Elwin Lim Yew Mun
Koay Soon Hoe
Ajis

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 of its related corporations during the financial year ended 31 March 2019 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:

	Number of ordinary shares			
	Balance as at 1.4.2018	Bought	Sold	Balance as at 31.3.2019
Shares in the Company				
Direct interests				
Monteiro Gerard Clair	3,218,847	933,100	–	4,151,947
Mah Xian-Zhen	118,666	–	–	118,666
Dato' Jaganath Derek Steven Sabapathy	2,420,500	–	–	2,420,500

	Number of options			
	Balance as at 1.4.2018	Granted	Lapsed	Balance as at 31.3.2019
ESOS in the Company				
Direct interests				
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
Tun Arifin Bin Zakaria	800,000	–	–	800,000

DIRECTORS' INTERESTS (CONT'D.)

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 of its related corporations during the financial year ended 31 March 2019 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: (Cont'd.)

	Number of ordinary shares			
	Balance as at 1.4.2018	**Bought**	**Sold**	**Balance as at 31.3.2019**
Shares in the ultimate holding company – Omesti Berhad				
Direct interests				
Monteiro Gerard Clair	9,238,800	10,080,500	–	19,319,300
Mah Xian-Zhen	9,588,300	130,400	(6,484,100)	3,234,600
Dato' Jaganath Derek Steven Sabapathy	3,100,000	–	–	3,100,000
Indirect interest				
Monteiro Gerard Clair#	68,142,300	–	(675,200)	67,467,100

	Number of warrants 2013/2018			
	Balance as at 1.4.2018	**Bought**	**Expired**	**Balance as at 31.3.2019**
Warrants 2013/2018 in the ultimate holding company – Omesti Berhad*				
Direct interests				
Monteiro Gerard Clair	759,500	–	(759,500)	–
Dato' Jaganath Derek Steven Sabapathy	300,000	–	(300,000)	–

* *Warrants 2013/2018 expired on 30 May 2018.*

\# *Deemed interest by virtue of his substantial interest in H2O Holdings Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.*

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

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 remuneration 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 made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the 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 mentioned in Note 37 to the financial statements.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 36 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

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 have 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.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D.)

(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 written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

(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 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.

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.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 March 2019 amounted to RM45,390 and RM158,307 respectively.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Monteiro Gerard Clair
Director

Mah Xian-Zhen
Director

Kuala Lumpur
15 July 2019

Statement by Directors

In the opinion of the Directors, the financial statements as set out on pages 15 to 89 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 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Monteiro Gerard Clair Director	**Mah Xian-Zhen** Director

Kuala Lumpur
15 July 2019

Statutory Declaration

I, Thoo W'y-Kit (CA 31394), 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 15 to 89 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	)	
15 July 2019	)	**Thoo W'y-Kit**

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 2019 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 15 to 89.

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 2019 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs) 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 judgment, 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.

(a) Impairment assessment of goodwill

The carrying amount of goodwill on consolidation as at 31 March 2019 amounted to RM18,409,459 as disclosed in Note 5 to the financial statements.

We determined this to be a key audit matter as the process is complex and it requires significant judgments and estimates about the future results and key assumptions applied to cash flow forecasts of the cash generating units (CGUs) in determining the recoverable amounts. These key assumptions include forecasted revenue growth rates and operating profit margins, as well as determining an appropriate pre-tax discount rate used for each CGU.

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

KEY AUDIT MATTERS (CONT'D.)

(a) Impairment assessment of goodwill (cont'd.)

Audit response

Our audit procedures included the following:

(i) compared prior period projections to actual outcomes to assess reliability of management's forecasting process and controls;

(ii) assessed and evaluated the assumptions used in forecasting revenues, operating profit margins and growth rates;

(iii) assessed appropriateness of pre-tax discount rates used by management by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

(iv) performed sensitivity analysis of our own to stress test the key assumptions used in the forecasts.

(b) Impairment assessment of trade receivables

As at 31 March 2019, the Group has gross trade receivables of RM56,252,978. The details of trade receivables and its credit risk have been disclosed in Note 13 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgment in determining the probability of default by trade receivables and appropriate forward looking information.

Audit response

Our audit procedures included the following:

(i) recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;

(ii) recomputed the correlation coefficient between the forward-looking factors used by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and

(iii) inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

(c) Impairment assessment of the carrying amount of investments in subsidiaries

As at 31 March 2019, the net carrying amount of investments in subsidiaries with impairment indicators amounted to RM17,446,417 as disclosed in Note 7(f) to the financial statements.

We determined this to be a key audit matter as the process is complex and it requires significant judgments and estimates about the future results and key assumptions applied to cash flow projections of the affected subsidiaries in determining the recoverable amounts which were based on the value-in-use model. These key assumptions include forecasted revenue growth rates and operating profit margins, as well as determining an appropriate pre-tax discount rate used for each subsidiary.

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

KEY AUDIT MATTERS (CONT'D.)

(c) Impairment assessment of the carrying amount of investments in subsidiaries (cont'd.)

Audit response

Our audit procedures included the following:

(i) compared prior period projections to actual outcomes to assess reliability of management's forecasting process;

(ii) assessed and evaluated the key assumptions used in forecasting revenues, operating profit margins and growth rates;

(iii) assessed appropriateness of pre-tax discount rates 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 of our own to stress test the key assumptions used in the forecast.

(d) Impairment assessment of the amounts owing by subsidiaries

As at 31 March 2019, the gross amounts owing by subsidiaries of the Company were RM67,135,686 as disclosed in Note 18 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgment in determining the probability of default by subsidiaries, appropriate forward looking information and significant increase in credit risk.

Audit response

Our audit procedures included the following:

(i) assessed probability of default applied by the Company against external market source of data;

(ii) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages; and

(iii) evaluated management's basis for determining cash flows recoverable, where applicable.

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.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON (CONT'D.)

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 judgment 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also: (cont'd.)

(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.

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 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 PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Koo Swee Lin
03281/08/2020 J
Chartered Accountant

15 July 2019
Kuala Lumpur

Statements of Financial Position

As at 31 March 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Goodwill	5	18,409,459	18,409,459	–	–
Software development expenditure	6	4,291,851	5,332,106	5,853,981	6,852,570
Investments in subsidiaries	7	–	–	17,446,927	15,446,925
Investment in a joint venture	8	–	–	–	–
Other investments	9	105,000	105,000	–	–
Deferred tax assets	10	4,397,060	4,239,319	951,414	765,594
Property, plant and equipment	11	814,417	1,028,735	354,830	477,835
		28,017,787	29,114,619	24,607,152	23,542,924
Current assets					
Inventories	12	2,611,590	16,176,862	–	–
Other investments	9	106,651	103,077	81,118	78,263
Trade receivables	13	44,258,508	41,000,262	13,560,047	41,713,247
Other receivables, deposits and prepayments	14	21,693,611	25,015,642	146,410	151,027
Contract assets	15	3,315,391	–	–	–
Amount owing by ultimate holding company	16	917,269	760,116	–	–
Amount owing by immediate holding company	17	5,886,024	5,924,526	–	–
Amounts owing by subsidiaries	18	–	–	2,266,743	42,079,536
Current tax assets		5,575,559	3,776,693	1,470,558	580,246
Cash and bank balances	19	27,961,333	19,414,426	75,775	600,249
		112,325,936	112,171,604	17,600,651	85,202,568
TOTAL ASSETS		140,343,723	141,286,223	42,207,803	108,745,492
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	20	43,627,817	43,627,817	43,627,817	43,627,817
Reserves	21	6,021,570	5,567,296	6,216,499	5,761,055
(Accumulated losses)/ Retained earnings		(31,079,979)	(18,961,028)	(39,172,056)	28,589,888
		18,569,408	30,234,085	10,672,260	77,978,760
Non-controlling interests	7(d)	460,469	436,844	–	–
TOTAL EQUITY		19,029,877	30,670,929	10,672,260	77,978,760

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
LIABILITIES					
Non-current liabilities					
Borrowings	22	2,737,240	5,463,947	200,399	275,515
Provision for gratuity obligations	35	1,549,422	1,503,952	–	–
Redeemable preference shares	25	–	25,193,044	–	25,193,044
		4,286,662	32,160,943	200,399	25,468,559
Current liabilities					
Trade payables	26	18,256,499	15,506,806	–	–
Other payables and accruals	27	16,716,317	39,335,399	515,132	1,953,465
Contract liabilities	28	28,335,907	–	2,204,275	–
Amount owing to ultimate holding company	16	2,502,187	2,688,839	2,291,765	2,543,382
Amount owing to immediate holding company	17	14,844	10,328	4,517	1
Amounts owing to subsidiaries	18	–	–	1,008,655	730,773
Amounts owing to related companies	29	711,439	677,846	42,542	–
Borrowings	22	25,011,566	20,232,925	75,214	70,552
Redeemable preference shares	25	25,193,044	–	25,193,044	–
Current tax liabilities		285,381	2,208	–	–
		117,027,184	78,454,351	31,335,144	5,298,173
TOTAL LIABILITIES		121,313,846	110,615,294	31,535,543	30,766,732
TOTAL EQUITY AND LIABILITIES LIABILITIES		140,343,723	141,286,223	42,207,803	108,745,492

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 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	31	190,620,478	206,043,313	11,056,732	12,551,710
Cost of sales		(155,365,916)	(166,801,522)	(403,518)	(227,055)
Gross profit		35,254,562	39,241,791	10,653,214	12,324,655
Other operating income		4,578,549	412,813	104,983	3,936
Distribution costs		(540,433)	(789,501)	(43,001)	(100,659)
Administrative expenses		(29,670,910)	(31,389,724)	(9,457,673)	(6,101,840)
Other operating expenses		(4,547,899)	(53,499,489)	(1,916,180)	(3,114,934)
Finance costs	32	(3,805,353)	(3,522,777)	(21,466)	(16,347)
Profit/(Loss) before tax		1,268,516	(49,546,887)	(680,123)	2,994,811
Taxation	33	(263,951)	(1,088,933)	32,912	(1,561,841)
Profit/(Loss) for the financial year		1,004,565	(50,635,820)	(647,211)	1,432,970
Other comprehensive income/ (loss), net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations for foreign operations, net of tax	33(c)	2,644	366,469	–	–
Total comprehensive income/ (loss)		1,007,209	(50,269,351)	(647,211)	1,432,970
Profit/(Loss) attributable to:					
Owners of the parent		869,919	(50,631,412)	(647,211)	1,432,970
Non-controlling interests	7(d)	134,646	(4,408)	–	–
		1,004,565	(50,635,820)	(647,211)	1,432,970
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		868,749	(50,608,320)	(647,211)	1,432,970
Non-controlling interests	7(d)	138,460	338,969	–	–
		1,007,209	(50,269,351)	(647,211)	1,432,970

Earnings/(Loss) per ordinary share attributable to equity holders of the Company:

	Note	Group 2019	Group 2018
Basic (sen)	34	0.52	(30.25)
Diluted (sen)	34	0.52	(30.14)

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 March 2019

Group	Note	Share capital RM	Accumulated losses RM	<------- *Non-distributable* -------> Equity compensation reserve RM	Translation reserve RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 April 2018, as previously reported		43,627,817	(18,961,028)	5,761,055	(193,759)	30,234,085	436,844	30,670,929
Adjustments on initial application of:								
MFRS 9	41.1(a)	–	(5,141,986)	–	–	(5,141,986)	(1,241)	(5,143,227)
MFRS 15	41.1(b)	–	(7,846,884)	–	–	(7,846,884)	(113,594)	(7,960,478)
Balance as at 1 April 2018, as restated		43,627,817	(31,949,898)	5,761,055	(193,759)	17,245,215	322,009	17,567,224
Profit for the financial year		–	869,919	–	–	869,919	134,646	1,004,565
Foreign currency translation for foreign operations, net of tax		–	–	–	(1,170)	(1,170)	3,814	2,644
Total comprehensive income		–	869,919	–	(1,170)	868,749	138,460	1,007,209
Transaction with owners								
Share based payment transactions		–	–	455,444	–	455,444	–	455,444
Total transaction with owners		–	–	455,444	–	455,444	–	455,444
Balance as at 31 March 2019		43,627,817	(31,079,979)	6,216,499	(194,929)	18,569,408	460,469	19,029,877

Group	Share capital RM	Retained earnings/ (Accumulated losses) RM	<------- Non-distributable -------> Equity compensation reserve RM	Translation reserve RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 April 2017	43,627,817	31,670,384	4,347,820	(216,851)	79,429,170	97,875	79,527,045
Loss for the financial year	–	(50,631,412)	–	–	(50,631,412)	(4,408)	(50,635,820)
Foreign currency translation for foreign operations, net of tax	–	–	–	23,092	23,092	343,377	366,469
Total comprehensive loss	–	(50,631,412)	–	23,092	(50,608,320)	338,969	(50,269,351)
Transaction with owners							
Share based payment transactions	–	–	1,413,235	–	1,413,235	–	1,413,235
Total transaction with owners	–	–	1,413,235	–	1,413,235	–	1,413,235
Balance as at 31 March 2018	43,627,817	(18,961,028)	5,761,055	(193,759)	30,234,085	436,844	30,670,929

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

Statement of Changes in Equity

For the financial year ended 31 March 2019

Company	Note	Share capital RM	Retained earnings/ (Accumulated losses) RM	*Non-distributable* <------------------> Equity compensation reserve RM	Total equity RM
Balance as at 1 April 2018, as previously reported		43,627,817	28,589,888	5,761,055	77,978,760
Adjustments on initial application of:					
MFRS 9	41.1(a)	–	(63,156,333)	–	(63,156,333)
MFRS 15	41.1(b)	–	(3,958,400)	–	(3,958,400)
Balance as at 1 April 2018, as restated		43,627,817	(38,524,845)	5,761,055	10,864,027
Loss for the financial year		–	(647,211)	–	(647,211)
Other comprehensive loss, net of tax		–	–	–	–
Total comprehensive loss		–	(647,211)	–	(647,211)
Transaction with owners					
Share based payment transactions		–	–	455,444	455,444
Total transaction with owners		–	–	455,444	455,444
Balance as at 31 March 2019		43,627,817	(39,172,056)	6,216,499	10,672,260

Company	Share capital RM	*Distributable* <------------------> Retained earnings RM	*Non-distributable* <------------------> Equity compensation reserve RM	Total equity RM
Balance as at 1 April 2017	43,627,817	27,156,918	4,347,820	75,132,555
Profit for the financial year	–	1,432,970	–	1,432,970
Other comprehensive income, net of tax	–	–	–	–
Total comprehensive income	–	1,432,970	–	1,432,970
Transaction with owners				
Share based payment transactions	–	–	1,413,235	1,413,235
Total transaction with owners	–	–	1,413,235	1,413,235
Balance as at 31 March 2018	43,627,817	28,589,888	5,761,055	77,978,760

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

Statements of Cash Flows

For the financial year ended 31 March 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		1,268,516	(49,546,887)	(680,123)	2,994,811
Adjustments for:					
Amortisation of software development expenditure	6	1,460,896	2,020,196	1,751,533	2,003,517
Bad debts written off		150,871	23,047	–	–
Depreciation of property, plant and equipment	11	429,777	702,606	127,055	95,268
Gain on disposal property, plant, and equipment		(219)	–	–	–
Impairment losses on:					
– amount owing by ultimate holding company	16(e)	1,309	–	–	–
– amount owing by immediate holding company	17(e)	61	–	–	–
– amounts owing by subsidiaries	18(e)	–	–	64,633,888	–
– investment in a subsidiary	7	–	–	–	360,451
– trade receivables	13(g)	2,593,419	7,910,772	933,802	–
– software development expenditure	6	–	39,156,454	–	439,722
Interest expense	32	3,805,353	3,522,777	21,466	16,347
Interest income		(413,481)	(394,296)	(3,298)	(3,866)
Inventories written off	12	2,502,476	3,114,541	–	–
Property, plant and equipment written off	11	625	2,005	–	–
Provision for gratuity obligations	35	45,470	74,910	–	–
Reversal of impairment losses on:					
– amount owing by ultimate holding company	16(e)	(83)	–	–	–
– amounts owing by subsidiaries	18(e)	–	–	(31,556,618)	–
– trade receivables	13(g)	(3,640,968)	–	(31,322,886)	–
Share options granted under ESOS		455,444	1,413,235	379,962	915,301
Software development expenditure written off	6	–	528,799	–	528,799
Net unrealised (gain)/loss on foreign exchange		(381)	7,386	(381)	7,066
Operating profit before changes in working capital		8,659,085	8,535,545	4,284,400	7,357,416

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Decrease in inventories		11,062,796	1,771,376	–	–
Decrease/(Increase) in trade and other receivables		29,168	2,277,412	(3,275,279)	(1,991,215)
Increase in contract assets		(11,286,866)	–	–	–
(Decrease)/Increase in trade and other payables		(19,851,103)	(4,170,680)	(1,395,410)	(2,932,704)
Increase/(Decrease) in contract liabilities		24,398,726	–	(1,754,125)	–
Cash generated from/(used in) operations		13,011,806	8,413,653	(2,140,414)	2,433,497
Tax paid		(2,661,549)	(3,974,770)	(1,043,220)	(1,511,736)
Tax refunded		724,164	242,913	–	–
Net cash from/(used in) operating activities		11,074,421	4,681,796	(3,183,634)	921,761
CASH FLOWS FROM INVESTING ACTIVITIES					
Addition of software development expenditure	6	(420,641)	(302,661)	(752,944)	(702,563)
(Repayment to)/Advances from ultimate holding company		(350,707)	770,991	(251,617)	1,132,384
(Repayment to)/Advances from immediate holding company		(1,287)	(5,788,398)	4,516	–
Repayments from subsidiaries		–	–	5,754,734	1,063,546
Interest received		413,481	394,296	3,298	3,866
Placement of deposits pledged to licensed banks		(714,556)	(1,472,831)	–	–
Proceeds from disposal of property, plant and equipment		220	2,845	–	–
Proceeds from disposal of other investments		–	38,980	–	7,107
Purchase of other investments		(3,574)	(22,068)	(2,855)	–
Purchase of property, plant and equipment	11(b)	(215,797)	(224,102)	(4,050)	(107,235)
Subscription of new issued shares in subsidiaries	7(c)	–	–	(2,000,002)	–
Net cash (used in)/from investing activities		(1,292,861)	(6,602,948)	2,751,080	1,397,105

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Net drawdowns/(repayments) of borrowings		2,237,180	83,249	(70,454)	(44,933)
Redemption of redeemable preference shares		–	(2,000,000)	–	(2,000,000)
Interest paid		(3,805,353)	(3,522,777)	(21,466)	(16,347)
Net cash used in financing activities		(1,568,173)	(5,439,528)	(91,920)	(2,061,280)
Net increase/(decrease) in cash and cash equivalents		8,213,387	(7,360,680)	(524,474)	257,586
Cash and cash equivalents at beginning of financial year		9,609,180	16,836,206	600,249	342,663
Effect of changes in exchange rates		(195,790)	133,654	–	–
Cash and cash equivalents at end of financial year	19(c)	17,626,777	9,609,180	75,775	600,249
Reconciliation of liabilities arising from financing activities					
(i) Borrowings					
As at 1 April 2018/2017		25,511,626	17,112,837	346,067	–
Cash flows		2,237,180	83,249	(70,454)	(44,933)
Non-cash flows:					
– Purchase of property, plant and equipment		–	391,000	–	391,000
– Purchase of inventories		–	7,924,540	–	–
		–	8,315,540	–	391,000
As at 31 March 2019/2018		27,748,806	25,511,626	275,613	346,067
(ii) Redeemable preference shares					
As at 1 April 2018/2017		25,193,044	27,193,044	25,193,044	27,193,044
Cash flows		–	(2,000,000)	–	(2,000,000)
As at 31 March 2019/2018	25	25,193,044	25,193,044	25,193,044	25,193,044
Total liabilities from financing activities		52,941,850	50,704,670	25,468,657	25,539,111

* *For reconciliation of liabilities arising from financing activities purpose, the bank overdrafts have been excluded from the borrowings. This is because of the cash and cash equivalents had already included bank overdrafts.*

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

1. CORPORATE INFORMATION

Microlink Solutions Berhad (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 47-5, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Ho Hup Tower – Aurora Place – 2-08-01, Level 8, Plaza Bukit Jalil, No 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur.

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

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

The consolidated financial statements for the financial year ended 31 March 2019 comprise the Company and its subsidiaries and the interests of the Group in joint ventures. These financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 15 July 2019.

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 and the details of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities 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.

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.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 April 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements and on a going concern basis.

3. BASIS OF PREPARATION (CONT'D.)

As at 31 March 2019, the current liabilities of the Group and Company exceeded their current assets by RM4,701,248 and RM13,734,493 respectively. The Directors are of the opinion that the net current liabilities position as at 31 March 2019 was temporary and there is no material uncertainty on the going concern assumption in the preparation of financial statements. There are on-going plans to improve operational cash flows in the Group and the Company in the near future.

4. OPERATING SEGMENTS

The Company and its subsidiaries in Malaysia are principally engaged in financial services, enterprise solutions, distribution services and solution delivery for computer software solutions.

(a) Business segments

The Group has arrived at four (4) 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) Financial Services
Provision of business and technical services for financial institutions.

ii) Enterprise Solutions
Provision of emerging technologies for enterprise.

iii) Distribution Services
Distribution and maintenance of computer equipment and software.

iv) Solution Delivery
Provision of project and software solutions delivery services.

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.

4. OPERATING SEGMENTS (CONT'D.)

(a) Business segments (cont'd.)

2019	Financial Services RM	Enterprise Solutions RM	Distribution Services RM	Solution Delivery RM	Elimination RM	Consolidation RM
Revenue						
External sales	32,681,773	18,954,944	129,320,453	9,663,308	–	190,620,478
Inter-segment sales	13,465,803	488,951	6,185,377	1,534,737	(21,674,868)	–
Total	46,147,576	19,443,895	135,505,830	11,198,045	(21,674,868)	190,620,478
Results						
Interest income	131,382	18,282	263,817	–	–	413,481
Reversal of impairment losses on amount owing by ultimate holding company	–	–	83	–	–	83
Reversal of impairment losses on trade receivables	891,472	165,306	2,441,191	142,999	–	3,640,968
Amortisation of software development expenditure	(2,217,161)	–	–	–	756,265	(1,460,896)
Bad debts written off	(61,678)	–	(89,193)	–	–	(150,871)
Depreciation of property, plant and equipment	(235,629)	(33,548)	(130,505)	(30,095)	–	(429,777)
Impairment losses on amount due from ultimate holding company	–	(1,074)	(235)	–	–	(1,309)
Impairment losses on amount due from immediate holding company	–	(61)	–	–	–	(61)
Impairment losses on trade receivables	–	(163,066)	(2,267,492)	(162,861)	–	(2,593,419)
Interest expense	(320,413)	–	(3,478,421)	(6,519)	–	(3,805,353)
Inventories written off	–	(1,617)	(2,500,859)	–	–	(2,502,476)
Property, plant and equipment written off	–	(362)	(263)	–	–	(625)
Taxation	696,016	(4,500)	(760,201)	(195,266)	–	(263,951)
Segment (loss)/profit before tax	(1,027,087)	841,425	(1,568,903)	2,388,760	634,321	1,268,516
Capital expenditure	12,350	9,591	193,856	–	–	215,797
Software development expenditure	752,943	–	–	–	(332,302)	420,641
Segment assets	68,197,982	12,712,163	100,308,954	10,266,485	(51,141,861)	140,343,723
Segment liabilities	122,568,809	12,267,766	129,358,476	11,531,349	(154,412,554)	121,313,846

4. OPERATING SEGMENTS (CONT'D.)

(a) Business segments (cont'd.)

2018	Financial Services RM	Enterprise Solutions RM	Distribution Services RM	Solution Delivery RM	Elimination RM	Consolidation RM
Revenue						
External sales	35,838,527	12,533,515	149,744,569	7,926,702	–	206,043,313
Inter-segment sales	16,448,517	816,513	2,867,221	2,287,288	(22,419,539)	–
Total	52,287,044	13,350,028	152,611,790	10,213,990	(22,419,539)	206,043,313
Results						
Interest income	134,323	19,544	240,429	–	–	394,296
Amortisation of software development expenditure	(2,780,049)	–	–	–	759,853	(2,020,196)
Depreciation of property, plant and equipment	(263,615)	(61,956)	(345,821)	(31,214)	–	(702,606)
Impairment losses on software development expenditure	(39,156,454)	–	–	–	–	(39,156,454)
Impairment losses on trade receivables	–	–	(7,096,041)	(814,731)	–	(7,910,772)
Interest expense	(128,907)	–	(3,391,383)	(2,487)	–	(3,522,777)
Inventories written off	–	(2,519,136)	(595,405)	–	–	(3,114,541)
Property, plant and equipment written off	–	–	–	(2,005)	–	(2,005)
Software development expenditure written off	(555,798)	–	–	–	26,999	(528,799)
Taxation	(1,508,921)	(216,371)	636,359	–	–	(1,088,933)
Segment loss before tax	(36,585,939)	(3,919,339)	(9,246,236)	(382,663)	587,290	(49,546,887)
Capital expenditure	565,075	–	50,027	–	–	615,102
Software development expenditure	702,563	–	–	–	(399,902)	302,661
Segment assets	149,734,701	16,155,464	124,456,251	6,524,565	(155,584,758)	141,286,223
Segment liabilities	117,729,322	12,464,438	128,823,315	8,355,089	(156,756,870)	110,615,294

4. OPERATING SEGMENTS (CONT'D.)

(b) Geographical segments

	Revenue RM	Segment assets RM	Segment liabilities RM	Capital and software development expenditure RM	Depreciation and amortisation RM
2019					
Malaysia	189,385,260	139,565,304	121,128,049	636,438	1,890,673
Overseas	1,235,218	778,419	185,797	–	–
	190,620,478	140,343,723	121,313,846	636,438	1,890,673
2018					
Malaysia	205,343,654	140,880,741	110,475,854	917,763	2,722,802
Overseas	699,659	405,482	139,440	–	–
	206,043,313	141,286,223	110,615,294	917,763	2,722,802

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

(c) Major customers

The Group does not have significant reliance on a single major customer, with whom the Group transacted ten (10) percent or more of its revenue during the financial year.

5. GOODWILL

	Group	
	2019 RM	2018 RM
Carrying amount		
Goodwill	18,409,459	18,409,459

	Cost RM	Accumulated impairment losses RM	Carrying amount RM
As at 31 March 2019			
Goodwill	18,473,370	(63,911)	18,409,459
As at 31 March 2018			
Goodwill	18,473,370	(63,911)	18,409,459

5. GOODWILL (CONT'D.)

(a) Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

(b) Goodwill has been allocated to the Cash Generating Units (CGUs) of the Group based on the following reportable segments:

	Group	
	2019 RM	**2018 RM**
Financial Services	2,817,852	2,817,852
Enterprise Solutions	3,449,874	3,449,874
Distribution Services	8,672,340	8,672,340
Solution Delivery	3,469,393	3,469,393
	18,409,459	18,409,459

In the previous financial years, a goodwill impairment amounted to RM63,911 had been made on the Enterprise Solutions segment.

(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 7.7% (2018: 6.7%) per annum;

(iii) Forecasted growth rates ranging from 5.0% to 6.0% (2018: 5.0% to 7.0%) 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.

Management believes that there is no reasonably possible change in the key assumptions on which management has based its determination of the CGUs' recoverable amounts, which would cause the CGUs' carrying amounts to materially exceed their recoverable amounts.

6. SOFTWARE DEVELOPMENT EXPENDITURE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At cost				
As at 1 April 2018/2017	68,331,099	68,557,237	30,147,143	29,973,379
Additions during the financial year	420,641	302,661	752,944	702,563
Written off during the financial year	–	(528,799)	–	(528,799)
As at 31 March 2019/2018	68,751,740	68,331,099	30,900,087	30,147,143
Accumulated amortisation				
As at 1 April 2018/2017	(23,842,539)	(21,822,343)	(22,854,851)	(20,851,334)
Amortisation during the financial year	(1,460,896)	(2,020,196)	(1,751,533)	(2,003,517)
As at 31 March 2019/2018	(25,303,435)	(23,842,539)	(24,606,384)	(22,854,851)
Accumulated impairment losses				
As at 1 April 2018/2017	(39,156,454)	–	(439,722)	–
Impairment losses charged during the financial year	–	(39,156,454)	–	(439,722)
As at 31 March 2019/2018	(39,156,454)	(39,156,454)	(439,722)	(439,722)
Carrying amount	4,291,851	5,332,106	5,853,981	6,852,570

(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 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 cash payments of RM420,641 (2018: RM302,661) and RM752,944 (2018: RM702,563) respectively to purchase software development expenditure.

(d) On 14 February 2018, the Group received a letter from a prospective customer advising of the cancellation of its Non-Binding Letter of Intent (LOI) issued to the Group on 14 July 2016 (Cancellation Letter). The LOI had invited the Group to participate in detailed discussions relating to the improvement and enhancement of prospective customer's system. The Cancellation Letter advised that the prospective customer will not pursue the discussions further with the Group due to a change of project requirements and specifications. As such, the software development expenditure of RM38,743,731 in relation to this development had been impaired in the previous financial year.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost	17,807,378	15,807,376
Less: Accumulated impairment losses	(360,451)	(360,451)
	17,446,927	15,446,925

(a) Investments in subsidiaries, which are eliminated on consolidation, are stated in separate financial statements of the Company at cost less impairment losses, if any.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' shares of subsequent changes in equity.

(b) Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal Activities
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

7. INVESTMENTS 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
		2019 %	2018 %	
Direct subsidiaries				
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
A subsidiary of MSSB				
PT Microlink International Maju (PTMIM) @	Republic of Indonesia	65	65	Provision of information technology solutions to the financial services industry and dealing in related products
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

@ Subsidiaries not audited by BDO PLT or BDO PLT member firms

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

7. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(c) Other details of investments in subsidiaries:

During the financial year, the Company subscribed for additional 500,001 and 1,500,001 ordinary shares in MSSB and OIL respectively for a total cash consideration of RM2,000,002.

In the previous financial year, MSSB, a wholly owned subsidiary of the Company, subscribed for 162,500 ordinary shares in PTMIM, a company incorporated in Indonesia for a total cash consideration of RM697,283. This subscription represents 65% of equity interests in PTMIM.

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

	MSB RM	FAS RM	PTMIM RM	Total RM
2019				
NCI percentage of ownership interest and voting interest	49%	15%	35%	
Carrying amount of NCI (RM)	278,927	3,186	178,356	460,469
Profit/(Loss) allocated to NCI (RM)	149,632	(1,462)	(13,524)	134,646
Total comprehensive income/(loss) allocated to NCI	149,632	(1,462)	(9,710)	138,460
2018				
NCI percentage of ownership interest and voting interest	49%	15%	35%	
Carrying amount of NCI (RM)	244,130	4,648	188,066	436,844
Profit/(Loss) allocated to NCI (RM)	153,869	(2,967)	(155,310)	(4,408)
Total comprehensive income/(loss) allocated to NCI	153,869	(2,967)	188,067	338,969

7. INVESTMENTS 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:

	MSB RM	FAS RM	PTMIM RM	Total RM
2019				
Assets and liabilities				
Non-current assets	6,441	1	13,776	20,218
Current assets	1,087,183	24,243	746,461	1,857,887
Current liabilities	(524,385)	(3,000)	(250,646)	(778,031)
Net assets	569,239	21,244	509,591	1,100,074
Results				
Revenue	2,954,022	–	–	2,954,022
Profit/(Loss) for the financial year	305,371	(9,744)	(38,641)	256,986
Total comprehensive income/ (loss)	305,371	(9,744)	(27,742)	267,885
Cash flow from/(used in):				
– operating activities	587,712	(9,645)	(23,316)	554,751
– investing activities	(624,419)	–	17	(624,402)
– financing activities	–	–	(74)	(74)
Net decrease in cash and cash equivalents	(36,707)	(9,645)	(23,373)	(69,725)
2018				
Assets and liabilities				
Non-current assets	8,397	323	13,488	22,208
Current assets	1,076,227	33,713	778,523	1,888,463
Current liabilities	(586,401)	(3,050)	(254,679)	(844,130)
Net assets	498,223	30,986	537,332	1,066,541
Results				
Revenue	3,286,561	–	–	3,286,561
Profit/(Loss) for the financial year	314,019	(19,782)	(443,744)	(149,507)
Total comprehensive income/ (loss)	314,019	(19,782)	537,334	831,571
Cash flow from/(used in):				
– operating activities	341,018	(8,791)	60,015	392,242
– investing activities	(195,505)	–	(13,362)	(208,867)
– financing activities	–	(300)	66,624	66,324
Net increase/(decrease) in cash and cash equivalents	145,513	(9,091)	113,277	249,699

7. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(f) The Company assessed whether there were any indicators of impairment during the financial year. In doing this, management considered the current environments and performance of the subsidiaries. Management has considered the shareholders' deficit as at financial year end in certain subsidiaries as impairment indicators. The carrying amount of these subsidiaries as at 31 March 2019 was RM17,446,417.

Management has made estimates about the future results and key assumptions applied to cash flow projections of the affected subsidiaries in determining their recoverable amounts using the value-in-use model. These key assumptions include forecasted revenue growth rates and operating profit margins, as well as determining an appropriate pre-tax discount rate used for each subsidiary. Management has determined that the recoverable amounts are in excess of the carrying amounts of the investments in subsidiaries and no further impairment has been recorded in the current financial year.

8. INVESTMENT IN A JOINT VENTURE

	Group	
	2019 RM	2018 RM
Unquoted equity shares, at cost	374,060	374,060
Share of post-acquisition reserves	(374,060)	(374,060)
	–	–

(a) The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

(b) Details of the joint venture are as follows:

Name of Company	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal Activities
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	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current				
Equity securities:				
– Transferable club memberships	105,000	105,000	–	–
Current				
Equity securities:				
– Quoted income funds in Malaysia	106,651	103,077	81,118	78,263
Total other investments	211,651	208,077	81,118	78,263

(a) The equity securities are classified as financial assets at fair value through profit or loss.

(b) The fair values of transferable club memberships are estimated based on references to current available counter party quotations of the same investments.

(c) The fair values of quoted income funds in Malaysia are determined by reference to the exchange quoted market bid prices at the close of business at the end of each reporting period.

(d) Fair value hierarchy

	Fair value of financial instruments carried at fair value					
Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
2019						
Equity securities						
– Quoted income funds	106,651	–	–	106,651	106,651	106,651
– Transferable golf club memberships	–	–	105,000	105,000	105,000	105,000
2018						
Equity securities						
– Quoted income funds	103,077	–	–	103,077	103,077	103,077
– Transferable golf club memberships	–	–	105,000	105,000	105,000	105,000

9. OTHER INVESTMENTS (CONT'D.)

(d) Fair value hierarchy (cont'd.)

Company	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
2019						
Equity securities						
– Quoted income funds	81,118	–	–	81,118	81,118	81,118
2018						
Equity securities						
– Quoted income funds	78,263	–	–	78,263	78,263	78,263

Sensitivity analysis of transferable golf club memberships and quoted income funds

As the Group and the Company neither have the intention, nor historical trend of active trading in these financial instruments, the Directors are of the opinion that the Group and the Company are not subject to significant exposure to price risk and accordingly, no sensitivity analysis is being presented at the end of each reporting period.

There is no transfer between levels in the hierarchy during the financial year.

(e) 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	Market comparison method	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	
	2019 RM	2018 RM	2019 RM	2018 RM
As at 1 April 2018/2017	4,239,319	2,767,738	765,594	1,229,724
Recognised in profit or loss (Note 33)	157,741	1,471,581	185,820	(464,130)
As at 31 March 2019/2018	4,397,060	4,239,319	951,414	765,594
Presented after appropriate offsetting:				
Deferred tax assets, net	4,397,060	4,239,319	951,414	765,594

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

Deferred tax assets of the Group	Unused tax losses RM	Unabsorbed capital allowances RM	Other temporary differences RM	Total RM
Balance as at 1 April 2018	545,416	3,095	4,027,597	4,576,108
Recognised in profit or loss	1,813,980	20,722	1,983,454	3,818,156
Balance as at 31 March 2019, prior to offsetting	2,359,396	23,817	6,011,051	8,394,264
Set-off				(3,997,204)
Balance as at 31 March 2019				4,397,060
Balance as at 1 April 2017	222,718	5,515	2,539,505	2,767,738
Recognised in profit or loss	322,698	(2,420)	1,488,092	1,808,370
Balance as at 31 March 2018, prior to offsetting	545,416	3,095	4,027,597	4,576,108
Set-off				(336,789)
Balance as at 31 March 2018				4,239,319

10. DEFERRED TAX (CONT'D.)

(b) The components and movements of deferred tax assets and deferred tax liabilities during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax liabilities of the Group	Property, plant and equipment RM	Software development expenditure RM	Other temporary differences RM	Total RM
Balance as at 1 April 2018	(45,305)	(291,484)	–	(336,789)
Recognised in profit or loss	(156,330)	59,371	(3,563,456)	(3,660,415)
Balance as at 31 March 2019, prior to offsetting	(201,635)	(232,113)	(3,563,456)	(3,997,204)
Set-off				3,997,204
Balance as at 31 March 2019				–
Balance as at 1 April 2017	–	–	–	–
Recognised in profit or loss	(45,305)	(291,484)	–	(336,789)
Balance as at 31 March 2018, prior to offsetting	(45,305)	(291,484)	–	(336,789)
Set-off				336,789
Balance as at 31 March 2018				–

Deferred tax assets of the Company	Other temporary differences RM	Total RM
Balance as at 1 April 2018	1,064,764	1,064,764
Recognised in profit or loss	123,594	123,594
Balance as at 31 March 2019, prior to offsetting	1,188,358	1,188,358
Set-off		(236,944)
Balance as at 31 March 2019		951,414
Balance as at 1 April 2017	1,229,724	1,229,724
Recognised in profit or loss	(164,960)	(164,960)
Balance as at 31 March 2018, prior to offsetting	1,064,764	1,064,764
Set-off		(299,170)
Balance as at 31 March 2018		765,594

10. DEFERRED TAX (CONT'D.)

(b) The components and movements of deferred tax assets and deferred tax liabilities during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax liabilities of the Company	Property, plant and equipment RM	Software development expenditure RM	Total RM
Balance as at 1 April 2018	(7,686)	(291,484)	(299,170)
Recognised in profit or loss	2,855	59,371	62,226
Balance as at 31 March 2019, prior to offsetting	(4,831)	(232,113)	(236,944)
Set-off			236,944
Balance as at 31 March 2019			–
Balance as at 1 April 2017	–	–	–
Recognised in profit or loss	(7,686)	(291,484)	(299,170)
Balance as at 31 March 2018, prior to offsetting	(7,686)	(291,484)	(299,170)
Set-off			299,170
Balance as at 31 March 2018			–

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised tax losses	13,522,268	13,809,803	–	–
Unabsorbed capital allowances	2,068,979	2,060,740	–	–
Other deductible temporary differences	10,481,999	1,034,185	1,010,654	–
	26,073,246	16,904,728	1,010,654	–

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

The unutilised tax losses and unabsorbed capital allowances up to the year of assessment 2019 shall be deductible until year of assessment 2026. The unutilised tax losses for the year of assessment 2020 onwards will expire in 7 years.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.4.2018 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Exchange adjustments RM	Balance as at 31.3.2019 RM
Carrying amount							
Furniture and fittings	6,717	–	(362)	–	(3,726)	–	2,629
Office equipment	22,256	3,600	(263)	–	(15,821)	–	9,772
Computer software and hardware	527,687	212,197	–	(1)	(278,650)	–	461,233
Renovations	73,408	–	–	–	(39,580)	288	34,116
Motor vehicles	398,667	–	–	–	(92,000)	–	306,667
	1,028,735	215,797	(625)	(1)	(429,777)	288	814,417

	As at 31.3.2019		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture and fittings	236,220	(233,591)	2,629
Office equipment	181,484	(171,712)	9,772
Computer software and hardware	2,856,488	(2,395,255)	461,233
Renovations	438,646	(404,530)	34,116
Motor vehicles	480,800	(174,133)	306,667
	4,193,638	(3,379,221)	814,417

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

Group	Balance as at 1.4.2017 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Exchange adjustments RM	Balance as at 31.3.2018 RM
Carrying amount							
Furniture and fittings	17,184	–	–	–	(10,467)	–	6,717
Office equipment	46,001	1,300	–	–	(25,045)	–	22,256
Computer software and hardware	902,411	138,730	(2,005)	(2,845)	(508,604)	–	527,687
Renovations	139,677	15,072	–	–	(79,757)	(1,584)	73,408
Motor vehicles	17,400	460,000	–	–	(78,733)	–	398,667
	1,122,673	615,102	(2,005)	(2,845)	(702,606)	(1,584)	1,028,735

	As at 31.3.2018		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture and fittings	266,443	(259,726)	6,717
Office equipment	308,687	(286,431)	22,256
Computer software and hardware	4,187,697	(3,660,010)	527,687
Renovations	668,979	(595,571)	73,408
Motor vehicles	480,800	(82,133)	398,667
	5,912,606	(4,883,871)	1,028,735

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

Company	Balance as at 1.4.2018 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.3.2019 RM
Carrying amount				
Furniture and fittings	1,565	–	(1,561)	4
Office equipment	3,894	–	(3,592)	302
Computer software and hardware	73,709	4,050	(29,902)	47,857
Motor vehicles	398,667	–	(92,000)	306,667
	477,835	4,050	(127,055)	354,830

	As at 31.3.2019		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture and fittings	27,647	(27,643)	4
Office equipment	31,368	(31,066)	302
Computer software and hardware	208,359	(160,502)	47,857
Motor vehicles	460,000	(153,333)	306,667
	727,374	(372,544)	354,830

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

Company	Balance as at 1.4.2017 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.3.2018 RM
Carrying amount				
Furniture and fittings	6,695	–	(5,130)	1,565
Office equipment	9,458	–	(5,564)	3,894
Computer software and hardware	58,715	38,235	(23,241)	73,709
Motor vehicles	–	460,000	(61,333)	398,667
	74,868	498,235	(95,268)	477,835

	As at 31.3.2018		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Furniture and fittings	27,647	(26,082)	1,565
Office equipment	31,368	(27,474)	3,894
Computer software and hardware	204,309	(130,600)	73,709
Motor vehicles	460,000	(61,333)	398,667
	723,324	(245,489)	477,835

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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. The principal annual depreciation rates are as follows:

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

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Purchase of property, plant and equipment	215,797	615,102	4,050	498,235
Financed by hire purchase arrangement	–	(391,000)	–	(391,000)
Cash payments on purchase of property, plant and equipment	215,797	224,102	4,050	107,235

(c) Included in property, plant and equipment of the Group and of the Company are assets acquired under hire purchase facilities with carrying amounts of RM306,667 (2018: RM427,104) and RM306,667 (2018: RM398,667) respectively.

12. INVENTORIES

	Group	
	2019 RM	2018 RM
At cost		
Hardware and software	1,311,854	15,424,466
Hardware maintenance parts and spares	1,299,736	752,396
	2,611,590	16,176,862

(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 RM105,413,919 (2018: RM147,971,444). The amount of inventories written off recognised as expenses during the financial year amounted to RM2,502,476 (2018: RM3,114,541).

(c) The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses sales trend and current economic trends when making a judgment to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where actual results differ from the original estimates, the differences would impact the carrying amount of inventories.

13. TRADE RECEIVABLES

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Third parties		42,409,212	47,693,077	–	–
Related parties		13,843,766	1,255,896	14,653,298	41,762,486
		56,252,978	48,948,973	14,653,298	41,762,486
Less: Impairment losses					
– Third parties	(e)(ii)	(11,213,917)	(7,948,711)	–	–
– Related parties		(780,553)	–	(1,093,251)	(49,239)
		(11,994,470)	(7,948,711)	(1,093,251)	(49,239)
		44,258,508	41,000,262	13,560,047	41,713,247

(a) Trade receivables are classified as financial assets measured at amortised cost.

(b) The trade credit terms of trade receivables granted by the Group and by the Company range from 30 to 90 days (2018: 30 to 90 days) from date of invoice. They are recognised at their original invoices amounts, which represent their fair values on initial recognition.

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	44,258,508	40,983,574	13,560,047	41,713,247
Brunei Dollar	–	16,688	–	–
	44,258,508	41,000,262	13,560,047	41,713,247

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

	Group	
	2019 RM	2018 RM
Effects of 10% changes to RM against foreign currencies		
Profit/(Loss) after tax	–	±2,000

13. TRADE RECEIVABLES (CONT'D.)

(e) Third party receivables

(i) Impairment for third party receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on the following common credit risk characteristic which is age of customer relationship.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgment in determining the probability of default by trade receivables and appropriate forward looking information.

(ii) Ageing analysis of third party receivables of the Group is as follows:

Group 2019	**Gross carrying amount RM**	**Total allowance RM**	**Net carrying amount RM**
Current	24,713,064	(214,192)	24,498,872
Past due			
31 to 60 days	4,206,819	(45,588)	4,161,231
61 to 90 days	1,870,556	(52,851)	1,817,705
More than 91 days	11,618,773	(10,901,286)	717,487
	17,696,148	(10,999,725)	6,696,423
	42,409,212	(11,213,917)	31,195,295

13. TRADE RECEIVABLES (CONT'D.)

(e) Third party receivables (cont'd.)

(ii) Ageing analysis of third party receivables of the Group is as follows (cont'd.):

Group 2018	Gross carrying amount RM	Total allowance RM	Net carrying amount RM
Current	21,909,509	–	21,909,509
Past due			
31 to 60 days	6,002,081	–	6,002,081
61 to 90 days	5,051,605	–	5,051,605
More than 91 days	14,729,882	(7,948,711)	6,781,171
	25,783,568	(7,948,711)	17,834,857
	47,693,077	(7,948,711)	39,744,366

(f) Related party receivables

Impairment for related party receivables that do not contain a significant financing component are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment by the related parties is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss of the subsidiaries.

13. TRADE RECEIVABLES (CONT'D.)

(g) The reconciliation of movements in allowance for impairment accounts is as follows:

Group	12-month expected credit loss RM	Lifetime expected credit loss Not credit-impaired RM	Lifetime expected credit loss Credit-impaired RM	Total allowance RM
At 1 April 2018 under MFRS 139	–	–	7,948,711	7,948,711
Restated through opening retained earnings	5,404	4,950,561	137,343	5,093,308
Opening impairment loss of trade receivables in accordance with MFRS 9	5,404	4,950,561	8,086,054	13,042,019
Charge for the financial year	93,175	–	2,500,244	2,593,419
Reversal of impairment losses	(9,967)	(3,402,438)	(228,563)	(3,640,968)
At 31 March 2019	88,612	1,548,123	10,357,735	11,994,470
At 1 April 2017 under MFRS 139	–	–	37,939	37,939
Charge for the financial year	–	–	7,910,772	7,910,772
At 31 March 2018	–	–	7,948,711	7,948,711

Company	12-month expected credit loss RM	Lifetime expected credit loss Not credit-impaired RM	Lifetime expected credit loss Credit-impaired RM	Total allowance RM
At 1 April 2018 under MFRS 139	–	–	49,239	49,239
Restated through opening retained earnings	146,669	31,286,427	–	31,433,096
Opening impairment loss of trade receivables in accordance with MFRS 9	146,669	31,286,427	49,239	31,482,335
Charge for the financial year	–	–	933,802	933,802
Reversal of impairment losses	(45,053)	(31,277,833)	–	(31,322,886)
At 31 March 2019	101,616	8,594	983,041	1,093,251
At 1 April 2017 under MFRS 139	–	–	49,239	49,239
At 31 March 2018	–	–	49,239	49,239

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

13. TRADE RECEIVABLES (CONT'D.)

(h) As at the end of each reporting period, no collateral has been obtained by the Group. Thus, the maximum credit risk exposure is equivalent to the gross carrying amount of trade receivables of the Group.

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

	Group			
	2019		2018	
	RM	% of total	RM	% of total
By country				
Malaysia	44,258,508	100.0%	40,983,574	99.9%
Brunei	–	0.0%	16,688	0.1%
	44,258,508	100.0%	41,000,262	100.0%

	Company			
	2019		2018	
	RM	% of total	RM	% of total
By country				
Malaysia	13,560,047	100.0%	41,713,247	100.0%

At the end of each reporting period, approximately 38% (2018: 28%) of the trade receivables of the Group were due from three (3) customers (2018: two (2) customers).

At the end of each reporting period, the Company does not have significant concentration of credit risk other than related parties of RM14,653,298 (2018: RM41,762,486), which contributes 100% (2018: 100%) of total receivables of the Company.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	2,392,937	367,901	35,067	700
Deposits	709,835	628,743	71,176	71,176
Amounts owing from contract customers	–	10,774,028	–	–
	3,102,772	11,770,672	106,243	71,876
Prepayments	18,590,839	13,244,970	40,167	79,151
	21,693,611	25,015,642	146,410	151,027

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

(a) Other receivables and deposits are classified as financial assets measured at amortised cost.

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

	Group
	2018 RM
Contract costs incurred plus recognised profits	52,802,149
Progress billings received and receivables	(42,148,105)
Amounts owing from contract customers	10,654,044
Represented by:	
Amounts owing from contract customers	10,774,028
Amounts owing to contract customers (Note 27)	(119,984)
	10,654,044

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Ringgit Malaysia	2,768,123	11,436,148	106,243	71,876
Indonesian Rupiah	334,649	334,524	–	–
	3,102,772	11,770,672	106,243	71,876

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

	Group	
	2019 RM	**2018 RM**
Effects of 10% changes to RM against foreign currencies		
Profit/(Loss) after tax	±26,000	±26,000

(e) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 13(f) to the financial statements.

(f) No expected credit loss is recognised arising from other receivables as it is negligible.

15. CONTRACT ASSETS

	Note	Group 2019 RM
Aggregate pre-contract costs incurred to date		31,880,957
Add: Attributable profits		3,811,318
		35,692,275
Less: Progress billings		(40,233,060)
		(4,540,785)
Represented by:		
Contract assets		
Projects		3,315,391
Contract liabilities		
Projects	28	(7,856,176)
		(4,540,785)

(a) Projects

Projects represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

There were no significant changes in the contract assets and liabilities during the financial year.

(b) Impairment for contract assets that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 13(e) to the financial statements.

(c) No expected credit loss is recognised arising from contract assets as it is negligible.

16. AMOUNT OWING BY/(TO) ULTIMATE HOLDING COMPANY

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Amount owing by ultimate holding company	924,170	760,116	–	–
Less: Impairment losses	(6,901)	–	–	–
	917,269	760,116	–	–
Amount owing to ultimate holding company	(2,502,187)	(2,688,839)	(2,291,765)	(2,543,382)

(a) Amount owing by/(to) ultimate holding company is classified as financial assets/(liabilities) measured at amortised cost.

(b) Amount owing by/(to) ultimate holding company represent payments made on behalf, which are unsecured, interest-free and collectible/payable within twelve months in cash and cash equivalents.

(c) All amounts owing by/(to) ultimate holding company of the Group and the Company are denominated in RM.

(d) Impairment for amount owing by ultimate holding company is recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 13(f) to the financial statements.

(e) The reconciliation of movements in allowance for impairment accounts is as follows:

	Group
	12-month expected credit loss RM
At 1 April 2018 under MFRS 139	–
Restated through opening retained earnings	5,675
Opening impairment loss in accordance with MFRS 9	5,675
Charge for the financial year	1,309
Reversal of impairment losses	(83)
At 31 March 2019	6,901

(f) The maturity profile of amount owing to ultimate holding company of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligation is repayable within one year.

17. AMOUNT OWING BY/(TO) IMMEDIATE HOLDING COMPANY

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Amount owing by immediate holding company	5,930,329	5,924,526	–	–
Less: Impairment losses	(44,305)	–	–	–
	5,886,024	5,924,526	–	–
Amount owing to immediate holding company	(14,844)	(10,328)	(4,517)	(1)

(a) Amount owing by/(to) immediate holding company is classified as financial asset/(liability) measured at amortised cost.

(b) Amount owing by/(to) immediate holding company represents payments made on behalf, which are unsecured, interest-free and collectible/payable within twelve month in cash and cash equivalents.

(c) All amounts owing by/(to) immediate holding company of the Group and the Company are denominated in RM.

(d) Impairment for amount owing by immediate holding company is recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 13(f) to the financial statements.

(e) The reconciliation of movements in allowance for impairment accounts is as follows:

	Group
	12-month expected credit loss RM
At 1 April 2018 under MFRS 139	–
Restated through opening retained earnings	44,244
Opening impairment loss in accordance with MFRS 9	44,244
Charge for the financial year	61
At 31 March 2019	44,305

(f) The maturity profile of amount owing to immediate holding company of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligation is repayable within one year.

18. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Amounts owing by subsidiaries	67,135,686	42,147,972
Less: Impairment losses	(64,868,943)	(68,436)
	2,266,743	42,079,536
Amounts owing to subsidiaries	(1,008,655)	(730,773)

(a) Amounts owing by/(to) subsidiaries are classified as as financial assets/(liabilities) measured at amortised cost.

(b) Amounts owing by/(to) subsidiaries represent management fees, advances and payments made on behalf, which are unsecured, interest-free and collectible/payable within twelve month in cash and cash equivalents.

(c) All amounts owing by/(to) subsidiaries are denominated in RM.

(d) Impairment for amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 13(f) to the financial statements.

(e) The reconciliation of movements in allowance for impairment accounts is as follows:

		Lifetime expected credit loss		
Company	12-month expected credit loss RM	Not credit-impaired RM	Credit-impaired RM	Total allowance RM
At 1 April 2018 under MFRS 139	–	–	68,436	68,436
Restated through opening retained earnings	8,603	31,714,634	–	31,723,237
Opening impairment loss of trade receivables in accordance with MFRS 9	8,603	31,714,634	68,436	31,791,673
Charge for the financial year	901	–	64,632,987	64,633,888
Reversal of impairment losses	(24)	(31,556,594)	–	(31,556,618)
At 31 March 2019	9,480	158,040	64,701,423	64,868,943

(f) The maturity profile of amounts owing to subsidiaries of the Company at the end of the reporting period based on contractual undiscounted repayment obligation is repayable within one year.

19. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	14,777,403	6,073,777	75,775	600,249
Deposits with licensed banks	13,183,930	13,340,649	–	–
	27,961,333	19,414,426	75,775	600,249

(a) Cash and bank balances are classified as financial assets measured at amortised cost.

(b) Included in deposits with licensed banks of the Group are amounts of RM10,334,556 (2018: RM9,620,000) pledged to licensed banks for credit facilities granted to the Group as disclosed in Note 24 to the financial statements.

(c) The interest rate profile and weighted average effective interest rates (WAEIR) per annum of deposit placed with a licensed bank are as follows:

	Group			
	2019		2018	
	WAEIR %	RM	WAEIR %	RM
Fixed rates				
Deposits placed with a licensed bank	2.38	13,183,930	2.42	13,340,649

Sensitivity analysis for fixed rate deposit placed with a licensed bank at the end of the reporting period is not presented as it is not affected by changes in interest rates.

(d) 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	14,777,403	6,073,777	75,775	600,249
Deposits with licensed banks	13,183,930	13,340,649	–	–
	27,961,333	19,414,426	75,775	600,249
Less: Deposits pledged to licensed banks	(10,334,556)	(9,620,000)	–	–
Bank overdraft (Note 22)	–	(185,246)	–	–
	17,626,777	9,609,180	75,775	600,249

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

(e) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Ringgit Malaysia	27,935,826	19,374,867	75,775	600,249
US Dollar	7,305	8,657	–	–
Indonesian Rupiah	18,202	30,902	–	–
	27,961,333	19,414,426	75,775	600,249

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

	Group	
	2019 RM	**2018 RM**
Effects of 10% changes to RM against foreign currencies		
Profit/(Loss) after tax	±3,000	±4,000

(g) No expected credit losses were recognised arising from the cash and bank balances because the probability of default by these financial institutions were negligible.

20. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares	**RM**	**Number of shares**	**RM**
Issued and fully paid up ordinary shares	167,368,100	43,627,817	167,368,100	43,627,817

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (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.

21. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable:				
Translation reserve	(194,929)	(193,759)	–	–
Equity compensation reserve	6,216,499	5,761,055	6,216,499	5,761,055
	6,021,570	5,567,296	6,216,499	5,761,055

(a) Translation reserve

Translation difference arising from translation of foreign controlled entities are taken to the translation reserve account.

(b) Equity compensation reserve

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

22. BORROWINGS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current liabilities				
Hire purchase creditors (Note 23)	2,726,804	2,614,129	75,214	70,552
Bank overdraft	–	185,246	–	–
Trust receipts (Note 24)	22,284,762	14,563,111	–	–
Factoring loan (Note 24)	–	2,870,439	–	–
	25,011,566	20,232,925	75,214	70,552
Non-current liabilities				
Hire purchase creditors (Note 23)	2,737,240	5,463,947	200,399	275,515
	27,748,806	25,696,872	275,613	346,067
Total borrowings				
Hire purchase creditors (Note 23)	5,464,044	8,078,076	275,613	346,067
Bank overdraft	–	185,246	–	–
Trust receipts (Note 24)	22,284,762	14,563,111	–	–
Factoring loan (Note 24)	–	2,870,439	–	–
	27,748,806	25,696,872	275,613	346,067

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) All borrowings are denominated in RM.

22. BORROWINGS (CONT'D.)

(c) 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	Total RM
31 March 2019			
Hire purchase creditors	2,919,840	2,810,019	5,729,859
Trust receipts	22,606,719	–	22,606,719
Total undiscounted financial liabilities	25,526,559	2,810,019	28,336,578
31 March 2018			
Factoring loan	2,870,439	–	2,870,439
Bank overdraft	185,246	–	185,246
Hire purchase creditors	2,933,255	5,729,166	8,662,421
Trust receipts	14,881,674	–	14,881,674
Total undiscounted financial liabilities	20,870,614	5,729,166	26,599,780

Company	On demand or within one year RM	One to five years RM	Total RM
31 March 2019			
Hire purchase creditors	91,920	217,759	309,679
Total undiscounted financial liabilities	91,920	217,759	309,679
31 March 2018			
Hire purchase creditors	91,920	308,986	400,906
Total undiscounted financial liabilities	91,920	308,986	400,906

(d) Factoring loan, bank overdraft and trust receipts of the Group are subject to floating weighted average effective interest rates of Nil (2018: 6.45%), Nil (2018: 8.25%) and 7.72% (2018: 8.32%) per annum respectively.

(e) Hire purchase creditors of the Group and of the Company are subject to fixed weighted average effective interest rates of 4.60% (2018: 4.58%) and 6.90% (2018: 6.80%) per annum respectively.

22. BORROWINGS (CONT'D.)

(f) Sensitivity analysis for fixed rate borrowings as at the end of the reporting period was not presented as fixed rate instruments as it is not affected by change in interest rate. Sensitivity analysis of interest rates at the end of the reporting period, assuming that all other variables remain constant, is as follows:

	Group	
	2019 RM	**2018 RM**
Effects of 100bp changes to profit/(loss) after tax		
Floating rate instruments	±169,364	±133,903

(g) Borrowings that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values are as follows:

	2019		2018	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Group				
Hire purchase creditors	5,464,044	4,927,424	8,078,076	7,046,698
Company				
Hire purchase creditors	275,613	237,193	346,067	288,607

The fair values of borrowings are categorised into Level 2 of the fair value hierarchy. There were no transfers between levels in the hierarchy during the financial year.

Carrying amounts of hire purchase creditors are reasonable approximation of fair values due to the current rates offered to the Group and the Company approximate the market rates for similar borrowing of the same remaining maturities.

23. HIRE PURCHASE CREDITORS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Minimum hire purchase payments:				
– not later than 1 year	2,919,840	2,933,255	91,920	91,920
– later than 1 year and not later than 5 years	2,810,019	5,729,166	217,759	308,986
	5,729,859	8,662,421	309,679	400,906
Less: Future interest charges	(265,815)	(584,345)	(34,066)	(54,839)
Present value of hire purchase creditors	5,464,044	8,078,076	275,613	346,067
Repayable as follows:				
Current liabilities				
– not later than 1 year	2,726,804	2,614,129	75,214	70,552
Non-current liabilities				
– later than 1 year and not later than 5 years	2,737,240	5,463,947	200,399	275,515
	5,464,044	8,078,076	275,613	346,067

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.

24. TRUST RECEIPTS AND FACTORING LOAN

The trust receipts and factoring loan are secured by the following:

(a) Pledge of deposits as disclosed in Note 19 to the financial statements; and

(b) Corporate guarantee from the ultimate holding company.

25. REDEEMABLE PREFERENCE SHARES

	Group and Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Non-current				
Redeemable preference shares	–	–	25,193,044	25,193,044
Current				
Redeemable preference shares	25,193,044	25,193,044	–	–

	Group and Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
As at 1 April 2018/2017	25,193,044	25,193,044	27,193,044	27,193,044
Redemption during the year	–	–	(2,000,000)	(2,000,000)
As at 31 March 2019/2018	25,193,044	25,193,044	25,193,044	25,193,044

(a) In the previous financial year, the Company redeemed 2,000,000 redeemable preference shares (RPS) for the total redemption sum of RM2,000,000 at the issue price of RM1.00 each (Redemption) in accordance with the provision of Article 4A of the Company's Articles Association.

(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.

26. TRADE PAYABLES

(a) Trade payables are classified as financial liabilities measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2018: 30 days to 90 days) from date of invoice.

(c) All trade payables are denominated in RM.

(d) The maturity profile of trade payables of the Group at the end of the reporting period based on contractual undiscounted repayment obligation is repayable within one year.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables and accruals	16,716,317	16,407,599	515,132	439,525
Amounts owing to contract customers (Note 14)	–	119,984	–	–
	16,716,317	16,527,583	515,132	439,525
Unearned revenue	–	22,807,816	–	1,513,940
	16,716,317	39,335,399	515,132	1,953,465

(a) Other payables and accruals are classified as financial liabilities measured at amortised cost.

(b) Unearned revenue represents advance billings for contracts works and maintenance services.

(c) The currency exposure profile of other payables and accruals (excluding unearned revenue) are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	16,530,520	16,388,142	495,275	430,345
Indonesia Rupiah	165,940	130,261	–	–
US Dollar	611	619	611	619
Euro	19,246	8,561	19,246	8,561
	16,716,317	16,527,583	515,132	439,525

27. OTHER PAYABLES AND ACCRUALS (CONT'D.)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Effects of 10% changes to RM against foreign currencies				
Profit/(Loss) after tax	±17,000	±15,000	±3,000	±4,000

(e) The maturity profile of other payables and accruals of the Group and the Company at the end of the reporting period based on contractual undiscounted repayment obligation is repayable within one year.

28. CONTRACT LIABILITIES

	Note	Group 2019 RM	Company 2019 RM
Contract liabilities in relation to:			
Projects	15	7,856,176	–
Deferred income:			
– maintenance income		20,479,731	1,435,525
– software licensing fees		–	768,750
		28,335,907	2,204,275

(a) Contract liabilities are the obligations to transfer goods or services to customers for which the Group and the Company have received the consideration, the fair values at initial recognition, or has billed the customers. For projects, contract liabilities are excess of the progress billings to customers over the project costs incurred plus profit accrued. Deferred maintenance income and software licensing fees are billings have been made to the customers before the services are provided to the customers.

(b) The amount of RM25,004,045 recognised in contract liabilities at the beginning of the financial year has been recognised as revenue for the financial year ended 31 March 2019.

(c) The amount of revenue recognised during the financial year ended 31 March 2019 from performance obligation satisfied (or partially satisfied) in the previous financial year is RM7,638,278. This is mainly due to changes in the estimate of the stage of completion of the projects.

28. CONTRACT LIABILITIES (CONT'D.)

(d) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, is as follows:

	Group		Company	
	Within 1 year RM	Between 1 and 4 years RM	Within 1 year RM	Between 1 and 4 years RM
Maintenance income	17,966,458	2,513,273	1,435,525	–
Software licensing fees	–	–	768,750	–
	17,966,458	2,513,273	2,204,275	–

29. AMOUNTS OWING TO RELATED COMPANIES

(a) Amounts owing to related companies are classified as financial liabilities measured at amortised cost.

(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 and the Company is 30 days (2018: 30 days) from date of invoice.

(c) All amounts owing to related companies are denominated in RM.

(d) The maturity profile of amounts owing to related companies of the Group and the Company at the end of the reporting period based on contractual undiscounted repayment obligation is repayable within one year.

30. CONTINGENT LIABILITIES

	Company	
	2019 RM	2018 RM
Corporate guarantees given to banks for credit facilities granted to:		
– Subsidiaries	50,500,000	50,090,000

The Company designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Company recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

30. CONTINGENT LIABILITIES (CONT'D.)

At the end of each reporting period, the Company assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

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.

31. REVENUE

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Revenue from contracts with customers:				
Projects	33,778,212	47,597,286	–	–
Maintenance income	33,452,500	32,470,237	2,277,446	5,641,027
Sales of hardware equipment and software	122,525,766	125,975,790	–	–
Management fees	864,000	–	4,923,800	–
Software licensing fees	–	–	3,189,650	6,150,000
Integration charges	–	–	665,836	760,683
	190,620,478	206,043,313	11,056,732	12,551,710
Timing of revenue recognition				
Transferred over time	67,230,712	80,067,523	5,467,096	11,791,027
Transferred at a point in time	123,389,766	125,975,790	5,589,636	760,683
	190,620,478	206,043,313	11,056,732	12,551,710

Disaggregation of revenue from contracts with customers has been presented in the operating segments, Note 4 to the financial statements, which has been presented based on geographical location from which the sale transactions originated.

31. REVENUE (CONT'D.)

(a) Projects

Projects may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from projects is measured at the fixed transaction price agreed under the agreement.

The Group determines the transaction price of a contract after considering the effect of variable consideration, constraining estimates of variable consideration, effect of significant financing component, non-cash consideration and consideration payable to customer.

When the fair value of variable consideration is uncertain, the Group estimates the amount of consideration by using the most likely amount method and only recognises to the extent that is highly probable that a significant reversal in cumulative revenue will not occur.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Control of the asset is transferred over time if the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group recognises revenue over time using an input method to measure progress towards complete satisfaction of the service, as the customer simultaneously receives and consumes the benefits provided by the Group. Revenue is recognised on a straight-line basis over the contracted period as services are provided on a continuous basis.

The Group identifies performance obligations that are distinct and material, which are judgmental in the context of contracts. Transaction prices are determined based on estimated profit margins prior to its allocation to the identified performance obligations. The Group also estimate total performance period in applying the input method to recognise revenue over time. In estimating total performance period to complete, the Group considers the completeness and accuracy of its performance period estimation, including performance period for contract variations.

(b) Maintenance income

Revenue from sale of maintenance and software support services rendered is recognised over time throughout the period of contracts. Income for the expired period is recognised in profit or loss on accrual basis and income relating to the unexpired period is carried forward as deferred maintenance income.

31. REVENUE (CONT'D.)

(c) Sales of hardware equipment and software

Revenue from sales of hardware equipment and sofware is recognised at a point in time when the hardware and software has been transferred to the customer and coincides with the delivery of products and acceptance by customers.

Some contracts include multiple deliverables, such as the installation of hardware and/or software. In most cases, the installation is simple, does not include an integration service and could be performed by another party. Therefore, it is accounted for as a separate performance obligation. The transaction price will be allocated to each performance obligation based on stand-alone selling prices. Where these are not directly observable, they are estimated based on cost plus expected margin. If contracts include the installation of hardware and software, the revenue for installation services are recognised at a point in time when the customer has accepted the installation of the hardware or software.

There is no significant financing component in the revenue arising from sales of hardware and software as the sales are made on the normal credit terms not exceeding twelve months.

(d) Management fees

Management fees are recognised at a point in time when management services are rendered and acceptance by customers.

(e) Software licensing fees

Revenue from sale of internally developed software licensing is recognised over the period of the contract when the customers activate or upon acceptance of delivery of the access code to customers. Such performance obligation is met over time as customer simultaneously receives and consumes benefits of services as and when the Company grants the right to access of the software license as well as keeps possession of the software.

(f) Integration charges

Revenue from sale of integration charges is recognised at a point in time when the services has been rendered to the customers and coincides with the delivery of services and acceptance by customers.

There is no significant financing component in the revenue arising from services rendered as the services are made on the normal credit terms not exceeding twelve months.

32. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expense on:				
– redeemable preference shares	2,393,339	1,870,748	–	–
– letter of credit and trust receipts	943,297	1,366,584	–	–
– factoring loan	–	142,565	–	–
– hire purchase	319,223	49,063	21,466	16,347
– bank overdraft	149,494	93,817	–	–
	3,805,353	3,522,777	21,466	16,347

33. TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense based on profit for the financial year	1,014,338	2,348,539	210,829	1,047,663
(Over)/Under provision in prior years	(592,646)	211,975	(57,921)	50,048
	421,692	2,560,514	152,908	1,097,711
Deferred tax (Note 10)				
Relating to origination on and reversal of temporary differences	(112,759)	(1,619,207)	(106,237)	348,275
(Over)/Under provision in prior years	(44,982)	147,626	(79,583)	115,855
	(157,741)	(1,471,581)	(185,820)	464,130
	263,951	1,088,933	(32,912)	1,561,841

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the fiscal year.

33. TAXATION (CONT'D.)

(b) Numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate of the Group and of the Company is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	304,444	(11,891,253)	(163,230)	718,755
Tax effects in respect of:				
Non-deductible expenses	1,337,675	11,454,154	975,966	677,853
Income not subject to tax	(2,940,984)	(3,811)	(950,701)	(670)
Deferred tax assets not recognised during the year	2,445,688	1,170,242	242,557	–
Utilisation of deferred tax previously not recognised	(245,244)	–	–	–
	901,579	729,332	104,592	1,395,938
(Over)/Under provision of tax in prior years:				
Income tax	(592,646)	211,975	(57,921)	50,048
Deferred tax	(44,982)	147,626	(79,583)	115,855
	(637,628)	359,601	(137,504)	165,903
	263,951	1,088,933	(32,912)	1,561,841

(c) Tax on each component of other comprehensive income/(loss) is as follows:

	Group		
	Before tax RM	Tax effect RM	After tax RM
Items that may be reclassified subsequently to profit or loss			
2019			
Foreign currency translations	2,644	–	2,644
2018			
Foreign currency translations	366,469	–	366,469

34. EARNINGS/(LOSS) PER SHARE

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

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

	Group	
	2019 **RM**	**2018** **RM**
Profit/(Loss) attributable to equity holders of the parent	869,919	(50,631,412)
Weighted average number of ordinary shares in issue	167,368,100	167,368,100
Basic earnings/(loss) per ordinary share (sen)	0.52	(30.25)

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

Diluted earnings/(loss) per ordinary share for the financial year is calculated by dividing the profit/(loss) for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2019 **RM**	**2018** **RM**
Profit/(Loss) attributable to equity holders of the parent	869,919	(50,631,412)
Weighted average number of ordinary shares in issue	167,368,100	167,368,100
Effect of dilution in exercise of Employee Share Option Scheme (ESOS)	–	627,520
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	167,368,100	167,995,620
Basic earnings/(loss) per ordinary share (sen)	0.52	(30.14)

ESOS that could potentially dilute the earnings/(loss) per share were not included in the calculation of diluted earnings per ordinary share as it would have an anti-dilution effect thereon.

35. 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	
	2019 RM	**2018 RM**
Present value of unfunded defined benefit obligations	1,549,422	1,503,952
Analysed as follows:		
Non-current liabilities		
– more than 4 years and less than 5 years	392,826	295,423
– more than 5 years	1,156,596	1,208,529
	1,549,422	1,503,952

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

	Group	
	2019 RM	**2018 RM**
Balance as at 1 April 2018/2017	1,503,952	1,429,042
Current service cost recognised in profit or loss	45,470	74,910
Balance as at 31 March 2019/2018	1,549,422	1,503,952

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

	Group	
	2019	**2018**
Discount rate	4.85%	4.83%
Salary increase rate	4.05%	4.47%
Annual voluntary resignation rate	41.70% – 60.00%	37.50% – 50.00%
Mortality rate	0.0002 – 0.0055	0.0003 – 0.0081
Normal retirement age	60 years	60 years

36. EMPLOYEE BENEFITS

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, wages, bonuses and allowances	14,922,208	17,444,070	2,992,712	3,567,819
Defined contribution plan	1,909,264	2,229,420	362,780	435,851
Share options granted under ESOS:				
– Directors	355,328	546,616	355,328	546,616
– Other employees	100,116	866,619	24,634	368,685
Provision for gratuity obligation	45,470	74,910	–	–
Other employee benefits	1,719,982	1,990,235	751,691	715,559
	19,052,368	23,151,870	4,487,145	5,634,530

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors' fees	477,500	410,935	477,500	410,935
Salaries and other short term employee benefits:				
– Directors	685,010	647,525	278,030	228,645
– Other key management personnel	2,414,404	2,477,228	1,263,399	1,284,484
	3,099,414	3,124,753	1,541,429	1,513,129

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.

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 6 months or 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	Offer 3
Exercise price (RM)	1.300	1.160	0.440
Date of grant	28 July 2016	13 September 2016	29 March 2018
Share price of the Company at grant date (RM)	1.580	1.300	0.510
Option life (years)	3.0	3.0	0.5
Volatility (%)	74.26	55.63	50.05
Risk-free rate (%)	3.76	3.76	3.76

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

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 1.4.2018	Movements during the financial year			Outstanding as at 31.3.2019
			Granted	Exercised	Lapsed	
28 July 2016	1.30	8,480,200	–	–	(715,200)	7,765,000
13 September 2016	1.16	2,900,400	–	–	(140,400)	2,760,000
29 March 2018	0.44	800,000	–	–	–	800,000
		12,180,600	–	–	(855,600)	11,325,000

38. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

38. RELATED PARTY DISCLOSURES (CONT'D.)

(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	
	2019 RM	2018 RM
Ultimate holding company		
Management fee income	864,000	–
Sales	18,535	11,648
Interest expense	2,393,339	1,870,748
Management fee expense	1,216,800	304,200
Meeting room rental expense	67,420	122,300
Office rental expense	55,000	132,000
Redemption of redeemable preference share	–	2,000,000
Immediate holding company		
Office rental expense	4,516	–
Related companies		
Sales	22,269,627	7,588,812
Purchases	165,864	965,188
Office rental expense	77,000	–
Secretarial fee	90,095	96,604
Staff accommodation expense	–	5,500
Related party		
Purchases	–	360,000
Equipment rental expense	102,800	106,800

	Company	
	2019 RM	2018 RM
Ultimate holding company		
Management fee income	864,000	–
Management fee expense	1,216,800	304,000
Immediate holding company		
Office rental expense	4,516	–

38. RELATED PARTY DISCLOSURES (CONT'D.)

(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: (cont'd.)

	Company	
	2019 RM	**2018 RM**
Subsidiaries		
Management fee income	4,059,800	1,302,396
Maintenance income	2,177,375	5,641,027
Integration income	665,836	760,683
Software licensing fee income	–	6,150,000
Software licensing fee expense	18,043	21,106
Integration charges	739,425	–
Related company		
Secretarial fee expense	47,542	44,648

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

(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 of the Company.

In the previous financial year, the Company had granted a total of 800,000 ESOS to eligible Director of the Company. These ESOS shall be in force for a period of six (6) months from the date of offer respectively.

The remuneration of the Directors and other members of key management are disclosed in the Note 36 to the financial statements.

39. OPERATING LEASE COMMITMENTS

As at 31 March 2019, the Group and the Company have operating lease commitments in respect of rental of premises and office equipment as follows:

	Future minimum lease payments			
	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Not later than 1 year	389,853	1,114,573	39,480	238,656
Later than 1 year and not later than 5 years	37,245	244,075	318	35,664
	427,098	1,358,648	39,798	274,320

40. CAPITAL AND FINANCIAL RISK 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 2019.

(a) Capital management

The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. The gearing ratios as at 31 March 2019 and 31 March 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Total borrowings (Note 22)	27,748,806	25,696,872	275,613	346,067
Total equity	18,569,408	30,234,085	10,672,260	77,978,760
Gearing ratio	149.43%	85.0%	2.58%	0.44%

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 the financial year ended 31 March 2019.

40. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Financial risk management

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from foreign currency risk, liquidity and cash flow risk, interest rate risk, credit risk and market risk.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to foreign currency risk, liquidity and cash flow risk, interest rate risk, credit risk and market risk. Information on the management of the related exposures is detailed below.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rate.

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the operating entities.

The sensitivity analysis for foreign currency risk has been disclosed in Notes 13, 14, 19 and 27 to the financial statements respectively.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The Group is actively managing its operating cash flows to ensure all commitments and funding needs are met. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 16, 17, 18, 22, 26, 27 and 29 to the financial statements respectively.

40. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Financial risk management (cont'd.)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The primary interest rate risk of the Group relates to interest-earning deposits and interest-bearing borrowings from financial institutions. The fixed-rate deposit and borrowings of the Group are not exposed to a risk of changes in their fair values due to changes in interest rates. The floating rate borrowings of the Group are exposed to a risk of change in cash flows due to changes in interest rates. The Group does not use derivative financial instruments to hedge its risk. The Group borrows in the desired currencies at both fixed and floating rates of interest.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 19 and 22 to the financial statements respectively.

(iv) Credit risk

Cash deposits and trade receivables could give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are reputable institutions and organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month to three (3) months.

The credit risk profiles have been disclosed in Note 13(i) to the financial statements.

(v) Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risks arising from quoted income funds held by the Group. These instruments are classified as financial assets designated at fair value through profit or loss.

The sensitivity analysis of market risk has been disclosed in Note 9 to the financial statements.

41. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

41.1 New MFRSs adopted during the current financial year

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

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014-2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014-2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 9 and MFRS 15 described in the following section.

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 retrospectively, with an initial application date of 1 April 2018. The Company has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

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

41.1 New MFRSs adopted during the current financial year (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and of the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset and Other Financial Liabilities (OFL) categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as Fair Value Through Profit or Loss (FVTPL) are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

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

41.1 New MFRSs adopted during the current financial year (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for third party trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the third party trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the third party trade receivables. For third party trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statement of profit or loss and other comprehensive income. On confirmation that the third party trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for receivables from related parties, other receivables and deposits are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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

41.1 New MFRSs adopted during the current financial year (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 April 2018:

Group	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM	New under MFRS 9 RM
Financial assets				
Other investments	FVTPL	FVTPL	208,077	208,077
Trade receivables	L&R	AC	41,000,262	35,906,954
Other receivables and deposits	L&R	AC	25,015,642	25,015,642
Amount owing by ultimate holding company	L&R	AC	760,116	754,441
Amount owing by immediate holding company	L&R	AC	5,924,526	5,880,282
Cash and bank balances	L&R	AC	19,414,426	19,414,426
Financial liabilities				
Trade payables	OFL	AC	15,506,806	15,506,806
Other payables and accruals	OFL	AC	39,335,399	39,335,399
Amount owing to ultimate holding company	OFL	AC	2,688,839	2,688,839
Amount owing to immediate holding company	OFL	AC	10,328	10,328
Amounts owing to related companies	OFL	AC	677,846	677,846
Borrowings	OFL	AC	25,696,872	25,696,872

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

41.1 New MFRSs adopted during the current financial year (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

(iii) Classification and measurement (cont'd.)

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 April 2018: (cont'd.)

	Classification		Carrying amount	
Company	**Existing under MFRS 139**	**New under MFRS 9**	**Existing under MFRS 139 RM**	**New under MFRS 9 RM**
Financial assets				
Other investments	FVTPL	FVTPL	78,263	78,263
Trade receivables	L&R	AC	41,713,247	10,280,151
Other receivables and deposits	L&R	AC	151,027	151,027
Amount owing by subsidiaries	L&R	AC	42,079,536	10,356,299
Cash and bank balances	L&R	AC	600,249	600,249
Financial liabilities				
Other payables and accruals	OFL	AC	1,953,465	1,953,465
Amount owing to ultimate holding company	OFL	AC	2,543,382	2,543,382
Amount owing to immediate holding company	OFL	AC	1	1
Amounts owing to subsidiaries	OFL	AC	730,773	730,773
Amounts owing to related companies	OFL	AC	–	–
Borrowings	OFL	AC	346,067	346,067

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

41.1 New MFRSs adopted during the current financial year (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

(iii) Classification and measurement (cont'd.)

The following tables are reconciliations of the carrying amounts of the statements of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 April 2018:

Group	Existing under MFRS 139 Carrying amount as at 31 March 2018 RM	Remeasurement RM	New under MFRS 9 Carrying amount as at 1 April 2018 RM
Trade receivables:			
Opening balance	41,000,262	–	41,000,262
Increase in impairment loss	–	(5,093,308)	(5,093,308)
Total trade receivables	41,000,262	(5,093,308)	35,906,954
Amount owing by ultimate holding company:			
Opening balance	760,116	–	760,116
Increase in impairment loss	–	(5,675)	(5,675)
Total amount owing by ultimate holding company	760,116	(5,675)	754,441
Amount owing by immediate holding company:			
Opening balance	5,924,526	–	5,924,526
Increase in impairment loss	–	(44,244)	(44,244)
Total amount owing by immediate holding company	5,924,526	(44,244)	5,880,282
Accumulated losses:			
Opening balance	(18,961,028)	–	(18,961,028)
Increase in impairment loss	–	(5,141,986)	(5,141,986)
Total accumulated losses	(18,961,028)	(5,141,986)	(24,103,014)
Non-controlling interests:			
Opening balance	436,844	–	436,844
Increase in impairment loss	–	(1,241)	(1,241)
Total non-controlling interests	436,844	(1,241)	435,603

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

41.1 New MFRSs adopted during the current financial year (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

(iii) Classification and measurement (cont'd.)

The following tables are reconciliations of the carrying amounts of the statements of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 April 2018: (cont'd.)

Company	Existing under MFRS 139 Carrying amount as at 31 March 2018 RM	Remeasurement RM	New under MFRS 9 Carrying amount as at 1 April 2018 RM
Trade receivables:			
Opening balance	41,713,247	–	41,713,247
Increase in impairment loss	–	(31,433,096)	(31,433,096)
Total trade receivables	41,713,247	(31,433,096)	10,280,151
Amounts owing by subsidiaries:			
Opening balance	42,079,536	–	42,079,536
Increase in impairment loss	–	(31,723,237)	(31,723,237)
Total amounts owing by subsidiaries	42,079,536	(31,723,237)	10,356,299
Retained earnings/ (Accumulated losses):			
Opening balance	28,589,888	–	28,589,888
Increase in impairment loss	–	(63,156,333)	(63,156,333)
Total retained earnings/ (accumulated losses)	28,589,888	(63,156,333)	(34,566,445)

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

41.1 New MFRSs adopted during the current financial year (cont'd.)

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgment.

The Group and the Company adopted MFRS 15 using the modified retrospective method, with the effect of initially applying this Standard at the date of initial application of 1 April 2018. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The following table summarises the impact, net of tax, of transition to MFRS 15 on retained earnings and non-controlling interests at 1 April 2018.

	Impact on adopting MFRS 15 on 1 April 2018 RM
Group	
Accumulated losses	
Performance obligation not satisfied	(7,846,884)
Impact at 1 April 2018	(7,846,884)
Non-controlling interests	
Performance obligation not satisfied	(113,594)
Impact at 1 April 2018	(113,594)
Company	
Retained earnings	
Performance obligation not satisfied	(3,958,400)
Impact at 1 April 2018	(3,958,400)

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

41.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been early adopted by the Group and the Company:

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015-2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015-2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015-2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015-2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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

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member of OMESTI group

MICROLINK SOLUTIONS BERHAD
(Co No 620782-P)
Ho Hup Tower – Aurora Place – 2-08-01 – Level 8, Plaza Bukit Jalil,
No 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur

+603 9779 1700

+603 9779 1702

www.microlink.com.my