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MICROLINK SOLUTIONS BERHAD (620782 - P)
(Incorporated in Malaysia)

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 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of research and development on information technology solutions to the financial services industry. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	<u>1,271,581</u>	<u>1,978,090</u>
Attributable to:		
Owners of the parent	1,346,280	1,978,090
Non-controlling interests	<u>(74,699)</u>	<u>-</u>
	<u>1,271,581</u>	<u>1,978,090</u>

DIVIDEND

Dividend proposed, declared or paid by the Company since the end of previous financial period were as follows:

The Company has declared cumulative 3% per annum redeemable preference shares ('RPS') dividend of RM1,055,791 for the period from 24 December 2014 to 23 December 2015, paid on 16 March 2016.

The Company has declared cumulative 4% per annum RPS dividend of RM369,239 for the period from 24 December 2015 to 28 March 2016, paid on 29 March 2016.

The Directors do not recommend the payment of any final dividend 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

Issued and paid up share capital

During the financial year, the issued and paid-up share capital of the Company was increased from RM13,835,290 to RM15,215,290 by way of issuance of 13,800,000 new ordinary shares of RM0.10 each at RM0.50 per share for cash via private placement.

The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

There were no issues of debentures during the financial year.

DIRECTORS

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

Monteiro Gerard Clair

Tai Keat Chai

Martin Chu Leong Meng

Mah Xian-Zhen (F)

Yong Kar Seng Peter

(Appointed on 1 April 2016)

(Resigned on 31 March 2016)

DIRECTORS' INTERESTS

The Director holding office at the end of the financial year and his beneficial interests in the ordinary shares in the related corporations during the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

---- Number of ordinary shares of RM0.10 each ----				
	Balance as at 1.4.2015	Bought	Sold	Balance as at 31.3.2016
Shares in the Company				
<u>Direct interests</u>				
Monteiro Gerard Clair	-	450,347	-	450,347
<u>Indirect interests</u>				
Monteiro Gerard Clair^	122,232,282	793,603	(26,897,089)	96,128,796
----- Number of ordinary shares of RM0.50 each -----				
	Balance as at 1.4.2015	Bought	Sold	Balance as at 31.3.2016
Shares in the ultimate holding company				
- Omesti Berhad				
<u>Direct interests</u>				
Monteiro Gerard Clair	1,188,900	1,693,300	-	2,882,200
<u>Indirect interests</u>				
Monteiro Gerard Clair#	73,960,300	-	(5,275,000)	68,685,300

DIRECTORS' INTERESTS (continued)

	Balance as at 1.4.2015	---- Number of warrants 2013/2018 ----			Balance as at 31.3.2016
		Bought		Sold	
Warrants 2013/2018 in the ultimate holding company					
- Omesti Berhad					
<u>Direct interests</u>					
Monteiro Gerard Clair	40,000	-		-	40,000
<u>Indirect interests</u>					
Monteiro Gerard Clair#	20,382,500	-		-	20,382,500
Number of options over ordinary shares of RM0.50 each					
	Balance as at 1.4.2015	Granted	Exercised	Lapsed	Balance as at 31.3.2016
ESOS in the ultimate holding company					
- Omesti Berhad					
<u>Direct interests</u>					
Monteiro Gerard Clair	1,100,000	1,100,000	-	-	2,200,000
Tai Keat Chai	100,000	100,000	-	-	200,000

^ Deemed interest by virtue of his substantial interest in Omesti Berhad, the holding company of Omesti Holdings Berhad and Red Zone Development Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

Deemed interest by virtue of his substantial interest in Red Zone Development Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those as disclosed in Note 33 to the financial statements.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, 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 there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(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 this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 39 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 40 to the financial statements.

HOLDING COMPANIES

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

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

AUDITORS

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

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

.....
Monteiro Gerard Clair
Director

Kuala Lumpur
4 July 2016

.....
Tai Keat Chai
Director

MICROLINK SOLUTIONS BERHAD (620782 - P)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements as set out on pages 10 to 98 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information as set out in Note 41 to the financial statements on page 99 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

.....
Monteiro Gerard Clair
Director

.....
Tai Keat Chai
Director

Kuala Lumpur
4 July 2016

STATUTORY DECLARATION

I, Chin Shin Yi, 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 10 to 99 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
4 July 2016)

Chin Shin Yi

Before me:

BALOO A/L T. PICHAJ (W 663)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROLINK SOLUTIONS BERHAD

Report on the Financial Statements

We have audited the financial statements of Microlink Solutions Berhad, which comprise the statements of financial position as at 31 March 2016 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 a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 98.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROLINK SOLUTIONS BERHAD (continued)

Opinion

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

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 9 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information as set out in Note 41 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MICROLINK SOLUTIONS BERHAD (continued)**

Other Matters

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

BDO
AF : 0206
Chartered Accountants

Francis Cyril A/L S R Singam
3056/04/17 (J)
Chartered Accountant

Kuala Lumpur
4 July 2016

MICROLINK SOLUTIONS BERHAD (620782 - P)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	1,799,552	2,595,201	86,082	75,682
Software development expenditure	8	10,498,194	12,436,645	10,223,577	10,472,243
Investment in subsidiaries	9	-	-	15,807,376	15,506,927
Investment in a joint venture	10	-	-	-	-
Other investment	11	105,000	105,000	-	-
Goodwill	12	18,473,370	18,473,370	-	-
Deferred tax assets	13	955,952	303,032	-	-
		31,832,068	33,913,248	26,117,035	26,054,852
Current assets					
Inventories	14	6,818,064	11,791,468	-	-
Trade and other receivables	15	101,166,927	64,822,608	58,991,610	56,591,732
Current tax assets		2,240,869	1,679,493	279,894	-
Cash and bank balances	16	32,185,619	30,382,320	1,214,610	594,983
		<u>142,411,479</u>	<u>108,675,889</u>	<u>60,486,114</u>	<u>57,186,715</u>
TOTAL ASSETS		<u><u>174,243,547</u></u>	<u><u>142,589,137</u></u>	<u><u>86,603,149</u></u>	<u><u>83,241,567</u></u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	15,215,290	13,835,290	15,215,290	13,835,290
Reserves	18	41,338,393	36,448,660	37,324,815	29,826,725
		56,553,683	50,283,950	52,540,105	43,662,015
Non-controlling interests	9	<u>106,172</u>	<u>(1,388,824)</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u><u>56,659,855</u></u>	<u><u>48,895,126</u></u>	<u><u>52,540,105</u></u>	<u><u>43,662,015</u></u>

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

MICROLINK SOLUTIONS BERHAD (620782 - P)

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2016 (continued)**

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
LIABILITIES					
Non-current liabilities					
Borrowings	19	33,073	67,301	-	-
Provision for gratuity obligations	22	1,184,383	1,490,163	-	-
Redeemable preference shares	23	27,193,044	35,193,044	27,193,044	35,193,044
Deferred tax liabilities	13	898,043	938,665	840,261	346,854
		<u>29,308,543</u>	<u>37,689,173</u>	<u>28,033,305</u>	<u>35,539,898</u>
Current liabilities					
Trade and other payables	24	76,101,254	40,885,651	6,029,739	2,914,112
Borrowings	19	12,044,705	13,409,421	-	-
Current tax liabilities		129,190	1,709,766	-	1,125,542
		<u>88,275,149</u>	<u>56,004,838</u>	<u>6,029,739</u>	<u>4,039,654</u>
TOTAL LIABILITIES		<u>117,583,692</u>	<u>93,694,011</u>	<u>34,063,044</u>	<u>39,579,552</u>
TOTAL EQUITY AND LIABILITIES		<u>174,243,547</u>	<u>142,589,137</u>	<u>86,603,149</u>	<u>83,241,567</u>

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

MICROLINK SOLUTIONS BERHAD (620782 - P)

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

		Group		Company	
		1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
	Note				
Revenue	25	236,298,881	137,660,238	8,372,858	12,005,849
Cost of sales		<u>(196,052,905)</u>	<u>(95,687,664)</u>	<u>(377,037)</u>	<u>(573,071)</u>
Gross profit		40,245,976	41,972,574	7,995,821	11,432,778
Other operating income		707,343	768,238	119,112	3,632,148
Distribution costs		(879,967)	(866,412)	(53,375)	(23,317)
Administrative expenses		(31,259,078)	(26,134,977)	(2,514,791)	(7,234,509)
Other operating expenses		(3,900,625)	(3,937,569)	(2,579,611)	(2,568,294)
Finance costs		<u>(1,795,645)</u>	<u>(598,257)</u>	<u>-</u>	<u>-</u>
Profit before tax	26	3,118,004	11,203,597	2,967,156	5,238,806
Tax expense	27	<u>(1,846,423)</u>	<u>(2,441,385)</u>	<u>(989,066)</u>	<u>(1,257,076)</u>
Profit for the financial year/period		1,271,581	8,762,212	1,978,090	3,981,730
Other comprehensive					
(loss)/income, net of tax					
Items that may be reclassified					
subsequently to profit or loss:					
Foreign currency translations for foreign operations, net of tax		<u>(52,522)</u>	<u>1,655</u>	<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,219,059</u>	<u>8,763,867</u>	<u>1,978,090</u>	<u>3,981,730</u>
Profit attributable to:					
Owners of the parent		1,346,280	9,358,633	1,978,090	3,981,730
Non-controlling interests	9	<u>(74,699)</u>	<u>(596,421)</u>	<u>-</u>	<u>-</u>
		<u>1,271,581</u>	<u>8,762,212</u>	<u>1,978,090</u>	<u>3,981,730</u>

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

MICROLINK SOLUTIONS BERHAD (620782 - P)
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (continued)**

		Group		Company	
	Note	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Total comprehensive income attributable to:					
Owners of the parent		1,293,758	9,360,288	1,978,090	3,981,730
Non-controlling interests		<u>(74,699)</u>	<u>(596,421)</u>	<u>-</u>	<u>-</u>
		<u>1,219,059</u>	<u>8,763,867</u>	<u>1,978,090</u>	<u>3,981,730</u>
Earnings per ordinary share attributable to owners of the parent:					
Basic (sen)	28	0.89	6.77		
Diluted (sen)	28	<u>0.89</u>	<u>6.77</u>		

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

MICROLINK SOLUTIONS BERHAD (620782 - P)

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

Group	Share capital RM	Distributable Retained earnings RM	Non-distributable-----]				Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM
			Share premium RM	Equity compensation reserve RM	Translation reserve RM				
Balance as at 1 January 2014	13,805,060	26,317,915	4,961,985	13,236	(157,134)		44,941,062	(849,871)	44,091,191
Profit for the financial period	-	9,358,633	-	-	-		9,358,633	(596,421)	8,762,212
Other comprehensive income, net of tax	-	-	-	-	1,655		1,655	-	1,655
Total comprehensive income	-	9,358,633	-	-	1,655		9,360,288	(596,421)	8,763,867
Transactions with owners									
Additional non-controlling interests arising on business combination	-	-	-	-	-		-	57,468	57,468
Dividends (Note 29)	-	(4,141,818)	-	-	-		(4,141,818)	-	(4,141,818)
Ordinary shares issued pursuant to ESOS (Note 17)	30,230	-	94,188	-	-		124,418	-	124,418
Options exercised	-	11,039	-	(11,039)	-		-	-	-
Options terminated	-	2,197	-	(2,197)	-		-	-	-
Total transactions with owners	30,230	(4,128,582)	94,188	(13,236)	-		(4,017,400)	57,468	(3,959,932)
Balance as at 31 March 2015	13,835,290	31,547,966	5,056,173	-	(155,479)		50,283,950	(1,388,824)	48,895,126

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

MICROLINK SOLUTIONS BERHAD (620782 - P)

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (continued)**

Group	Share capital RM	Distributable Retained earnings RM	Share premium RM	[-----Non-distributable-----]		Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM
Balance as at 1 April 2015	13,835,290	31,547,966	5,056,173	-	(155,479)	50,283,950	(1,388,824)	48,895,126
Profit for the financial year	-	1,346,280	-	-	-	1,346,280	(74,699)	1,271,581
Other comprehensive income, net of tax	-	-	-	-	(52,522)	(52,522)	-	(52,522)
Total comprehensive income	-	1,346,280	-	-	(52,522)	1,293,758	(74,699)	1,219,059
Transactions with owners								
Ordinary shares issued pursuant to private placement (Note 17)	1,380,000	-	5,520,000	-	-	6,900,000	-	6,900,000
Arising from accretion of equity interest in subsidiaries (Note 32)	-	(1,924,025)	-	-	-	(1,924,025)	1,569,695	(354,330)
Redemption of redeemable preference shares	-	(80,000)	-	80,000	-	-	-	-
Total transactions with owners	1,380,000	(2,004,025)	5,520,000	80,000	-	4,975,975	1,569,695	6,545,670
Balance as at 31 March 2016	15,215,290	30,890,221	10,576,173	80,000	(208,001)	56,553,683	106,172	56,659,855

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

MICROLINK SOLUTIONS BERHAD (620782 - P)
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (continued)**

Company	Share capital RM	Distributable Retained earnings RM	Share premium RM	Equity compensation reserve RM	Total equity RM
2015					
Balance as at 1 January 2014	13,805,060	24,917,404	4,961,985	13,236	43,697,685
Profit for the financial period	-	3,981,730	-	-	3,981,730
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	3,981,730	-	-	3,981,730
Transactions with owners					
Dividends (Note 29)	-	(4,141,818)	-	-	(4,141,818)
Ordinary shares issued pursuant to ESOS (Note 17)	30,230	-	94,188	-	124,418
Options exercised	-	11,039	-	(11,039)	-
Options terminated	-	2,197	-	(2,197)	-
Total transactions with owners	30,230	(4,128,582)	94,188	(13,236)	(4,017,400)
Balance as at 31 March 2015	13,835,290	24,770,552	5,056,173	-	43,662,015

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

MICROLINK SOLUTIONS BERHAD (620782 - P)
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (continued)**

Company	Share capital RM	Distributable Retained earnings RM	Share premium RM	Non-distributable Capital redemption reserve RM	Total equity RM
2016					
Balance as at 1 April 2015	13,835,290	24,770,552	5,056,173	-	43,662,015
Profit for the financial year	-	1,978,090	-	-	1,978,090
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	1,978,090	-	-	1,978,090
Transactions with owners					
Ordinary shares issued pursuant to private placement (Note 17)	1,380,000	-	5,520,000	-	6,900,000
Redemption of redeemable preference shares	-	(80,000)	-	80,000	-
Total transactions with owners	1,380,000	(80,000)	5,520,000	80,000	6,900,000
Balance as at 31 March 2016	15,215,290	26,668,642	10,576,173	80,000	52,540,105

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

MICROLINK SOLUTIONS BERHAD (620782 - P)

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

		Group		Company	
		1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
	Note				
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		3,118,004	11,203,597	2,967,156	5,238,806
Adjustments for:					
Amortisation of software development expenditure	8	2,907,973	2,983,627	2,555,156	2,545,195
Depreciation of property, plant and equipment	7	994,898	948,479	23,817	23,094
Impairment losses on:					
- trade and other receivables	15	37,939	22,588	-	-
Investment in a subsidiary written off		-	-	2	-
Interest expense		1,795,645	598,257	-	-
Interest income		(443,818)	(686,817)	(119,112)	(13,628)
Inventories written off		-	145,575	-	-
(Gain)/Loss on disposal property, plant and equipment		(4,091)	13,383	(7)	-
Property, plant and equipment written off	7	2,582	18,829	2,582	4
Reversal of post-employment benefits no longer required		(196,230)	-	-	-
Reversal of impairment loss no longer required on:	15				
- trade and other receivables		(89,268)	(38,570)	-	-
- amount owing by a subsidiary		-	-	-	(3,360,267)
Net unrealised (gain)/loss on foreign exchange		(19,310)	6,632	(516)	-
Operating profit before changes in working capital		8,104,324	15,215,580	5,429,078	4,433,204
Decrease/(Increase) in inventories		4,973,404	(3,825,610)	-	-
(Increase)/Decrease in trade and other receivables		(38,307,643)	25,479,268	(11,238,112)	7,740,146
Increase/(Decrease) in trade and other payables		34,728,417	(31,423,550)	(4,883,857)	1,190,023
Cash generated (used in)/from operations		9,498,502	5,445,688	(10,692,891)	13,363,373
Tax paid		(4,703,957)	(1,518,252)	(1,901,095)	(15,605)
Tax refunded		22,042	389,766	-	-
Net cash from/(used in) operating activities		4,816,587	4,317,202	(12,593,986)	13,347,768

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

MICROLINK SOLUTIONS BERHAD (620782 - P)

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (continued)

		Group		Company	
	Note	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash acquired	31	-	8,857,459	-	(1,829,523)
Acquisition of additional interest in subsidiaries	9	(354,330)	-	(300,451)	-
Interest received		443,818	686,817	119,112	13,628
Placement of deposits pledged to licensed banks		(264,127)	(3,987,260)	-	-
Addition of software development expenditure	8	(969,522)	(1,143,975)	(2,306,490)	(1,808,804)
Proceeds from disposal of property, plant and equipment		15,870	9,171	8	-
Purchase of property, plant and equipment (Repayments to)/Advances from ultimate holding company	7	(158,196)	(455,837)	(36,800)	(44,850)
Advances from /(Repayment to) subsidiaries		-	(113,690)	-	631,971
		-	-	8,838,234	(6,229,930)
Net cash (used in)/from investing activities		(1,286,487)	3,852,685	6,313,613	(9,267,508)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	29	-	(4,141,818)	-	(4,141,818)
Proceeds from issuance of shares pursuant to ESOS	17	-	124,418	-	124,418
Proceeds from issuance of shares pursuant to Private Placement	17	6,900,000	-	6,900,000	-
Repayments of borrowings		(1,454,358)	(72,345)	-	-
Redemption of redeemable preference shares		(5,640,347)	-	-	-
Interest paid		(1,795,645)	(598,257)	-	-
Net cash (used in)/from financing activities		(1,990,350)	(4,688,002)	6,900,000	(4,017,400)
Net increase in cash and cash equivalents		1,539,750	3,481,885	619,627	62,860
Cash and cash equivalents at beginning of financial year/period		23,200,532	19,707,642	594,983	532,123
Effect of changes in exchange rates		(578)	11,005	-	-
Cash and cash equivalents at end of financial year/period	16	<u>24,739,704</u>	<u>23,200,532</u>	<u>1,214,610</u>	<u>594,983</u>

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

MICROLINK SOLUTIONS BERHAD (620782 - P)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

1. CORPORATE INFORMATION

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

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

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

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

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

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

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 4 July 2016.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of research and development on information technology solutions to the financial services industry. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

3. BASIS OF PREPARATION

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

However, Note 41 to the financial statements has been prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgment in the process of applying the accounting policies. The areas involving such judgments, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed off. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other 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' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.7(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

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 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%

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4.6 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investments (continued)

(b) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

(i) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are known as joint operators.

The Group and the Company recognise in relation to its interest in a joint operation:

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

When the Group transacts with a joint operation (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, as such the gains and losses resulting from the transactions are recognised only to the extent of interests of other parties in the joint operation.

When the Group transacts with a joint operation (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(ii) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

In the separate financial statements of the Company, an investment in a joint venture is stated at cost.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investments (continued)

(b) Joint arrangements (continued)

(ii) Joint venture (continued)

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with MFRS 128 *Investments in Associates and Joint Ventures*.

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

- (a) The structure of the joint arrangement;
- (b) The legal form of joint arrangements structured through a separate vehicle;
- (c) The contractual terms of the joint arrangement agreement; and
- (d) Any other facts and circumstances.

When there are changes in the facts and circumstances, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

4.7 Intangible assets

(a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Intangible assets (continued)

(a) Goodwill (continued)

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Software development costs

Software development costs comprise salaries of personnel involved in development projects. Software development costs are charged to the profit or loss in the financial year in which it is incurred except for that relating to specific projects intended for commercial exploitation where it is expected to generate future economic benefits and can reasonably be recovered from related future revenue. Such development expenditure is amortised on a straight-line method over a period of five (5) to ten (10) years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

4.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and a joint venture), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible assets might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Impairment of non-financial assets (continued)

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.9 Inventories

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

Cost of computer hardware, software and spare parts are determined on a specific identification basis while costs of other inventories are determined on the first-in-first-out basis. The cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.

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

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other operating income or other operating expenses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Held-to-maturity investments (continued)

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

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

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(a) Financial assets (continued)

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

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

A regular way purchase or sales of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other operating income or other operating expenses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as fair value through profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(b) Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group 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.

At the end of each reporting period, the Group 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 statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(c) Equity (continued)

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

4.11 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

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

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

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment loss reversed is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised in profit or loss in the period in which they are incurred.

4.13 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary to the Group and Company, and real property gains taxes payable on disposal of properties, if any.

Taxes in the profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties, if any.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) The same taxable entity; or
- (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of the reporting period.

4.14 Provisions

Provisions are recognised 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.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.16 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Employee benefits (continued)

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and a foreign subsidiary make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

(c) Long term employee benefits

Long term employee benefits include retirement gratuities payable under a retirement gratuity scheme which was established by the Group. The level of retirement gratuities payable is determined by the Board of Directors in relation to services rendered and it does not take into account the employee's performance to be rendered in the later years up to the retirement and the gratuity is a vested benefit when the employee reaches retirement age.

The present value of the retirement gratuities is determined by discounting the amount payable by reference to market yields at the date of the statement of financial position on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Employee turnover is also factored in arriving at the level of the retirement gratuities payable. Past service costs are recognised immediately in profit or loss.

Such retirement gratuities payable are classified as current liabilities where it is probable that a payment will be made within the next twelve months and also provided that the amount has been approved for payment by the Board of Directors.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at the end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statements of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed off or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of hardware equipments

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

(b) Software licensing

Revenue from software licensing fee is recognised based on a fixed percentage of the revenue generated by the licensee of the licensed software in accordance with the licensing agreement.

(c) Provision of information technology solutions

Revenue from provision of information technology solutions that are short duration is recognised when the services are rendered. Regular maintenance revenue is recognised evenly over the period in which the maintenance services are carried out and revenue in respect of subsequent periods is deferred and shown as deferred maintenance income under current liabilities until it is earned.

(d) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(e) Interest income

Interest income is recognised as it accrues, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Operating segments

Operating segments are defined as components of the Group that:

- (a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) The combined reported profit of all operating segments that did not report a loss; and
 - (ii) The combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior year segment data for comparative purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Earnings per share

(a) Basic

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

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit 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.

4.21 Fair value measurements

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

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

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

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRSs adopted during the current financial year

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

Title	Effective Date
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2010 - 2012 Cycle</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2011 - 2013 Cycle</i>	1 July 2014

There is no material effect upon adoption of these Amendments during the financial year.

5.2 New MFRSs that have been issued, but only effective for annual years beginning on or after 1 January 2016

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

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012 - 2014 Cycle</i>	1 January 2016
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

6.2 Critical judgment made in applying accounting policies

The following are judgments made by management in the process of applying the accounting policies of the Group that have the most significant effect on the amount recognised in the financial statements.

Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of goodwill on consolidation

The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 12 to the financial statements.

(b) Software development costs

The software development costs are carried at cost less amortisation and are assessed for any indication that the asset may be impaired. This requires an estimation of the value-in-use of the software development costs. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from software development and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Impairment loss would be recognised in profit or loss when the estimated value-in-use is lower than the carrying amount of the software development costs.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amount may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of the receivables.

(d) Write down for obsolete or slow moving inventories

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 could not be recoverable. Management specifically analyses sales trends and current economic trends when making this judgment to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(e) Impairment of investment in subsidiaries

The investment in subsidiaries is assessed for impairment when there is an indication of impairment. Such assessment requires the Directors to make estimates of the recoverable amounts. Impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. The Directors believe that the estimates of the recoverable amounts are reasonable.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(f) Fair value measurement

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable.

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the year they occur.

The Group measures the financial instruments at fair value, as disclosed in Note 36 to the financial statements.

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1.1.2014 RM	Additions RM	Acquisition of subsidiaries (Note 31) RM	Written off RM	Disposals RM	Depreciation charge for the financial period RM	Balance as at 31.3.2015 RM
2015							
Carrying amount							
Furniture and fittings	107,824	3,618	46,046	(16,629)	-	(60,071)	80,788
Office equipment	80,656	49,477	24,528	-	(2,711)	(43,626)	108,324
Computer software and hardware	929,955	402,742	1,292,001	(2,200)	(3,337)	(709,277)	1,909,884
Renovations	599,967	-	27,449	-	(16,506)	(134,505)	476,405
Motor vehicles	-	-	20,800	-	-	(1,000)	19,800
	1,718,402	455,837	1,410,824	(18,829)	(22,554)	(948,479)	2,595,201

	<----- As at 31.3.2015 ----->	
	Cost RM	Accumulated depreciation RM
		Carrying amount RM
Furniture and fittings	385,043	(304,255)
Office equipment	342,871	(234,547)
Computer software and hardware	4,786,455	(2,876,571)
Renovations	1,029,382	(552,977)
Motor vehicles	20,800	(1,000)
	6,564,551	(3,969,350)
		2,595,201

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.1.2014 RM	Additions RM	Written off RM	Depreciation charge for the financial period RM	Balance as at 31.3.2015 RM
2015					
Carrying amount					
Furniture and fittings	22,977	-	-	(6,021)	16,956
Office equipment	8,777	17,849	-	(5,820)	20,806
Computer software and hardware	17,226	27,001	(4)	(10,634)	33,589
Renovations	4,950	-	-	(619)	4,331
	53,930	44,850	(4)	(23,094)	75,682

	As at 31.3.2015			
	Cost RM	Accumulated depreciation RM	Carrying amount RM	
Furniture and fittings	27,647	(10,691)	16,956	
Office equipment	31,368	(10,562)	20,806	
Computer software and hardware	126,141	(92,552)	33,589	
Renovations	4,950	(619)	4,331	
	190,106	(114,424)	75,682	

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in property, plant and equipment of the Group are assets under hire purchase with a carrying amount of RM201,481 (2015: RM224,934).

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Purchase of property, plant and equipment	213,610	455,837	36,800	44,850
Financed by hire purchase	<u>(55,414)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash payments on purchase of property, plant and equipment	<u>158,196</u>	<u>455,837</u>	<u>36,800</u>	<u>44,850</u>

8. SOFTWARE DEVELOPMENT EXPENDITURE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At cost:				
At beginning of financial year/period	28,590,284	26,592,859	26,313,476	24,504,672
Acquisition of subsidiaries (Note 31)	-	853,450	-	-
Additions	<u>969,522</u>	<u>1,143,975</u>	<u>2,306,490</u>	<u>1,808,804</u>
At end of financial year/period	29,559,806	28,590,284	28,619,966	26,313,476
Accumulated amortisation:				
At beginning of financial year/period	(16,153,639)	(13,170,012)	(15,841,233)	(13,296,038)
Amortisation during the financial year/period	<u>(2,907,973)</u>	<u>(2,983,627)</u>	<u>(2,555,156)</u>	<u>(2,545,195)</u>
At end of financial year/period	<u>(19,061,612)</u>	<u>(16,153,639)</u>	<u>(18,396,389)</u>	<u>(15,841,233)</u>
Carrying amount	<u>10,498,194</u>	<u>12,436,645</u>	<u>10,223,577</u>	<u>10,472,243</u>

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM	2015 RM
Unquoted shares, at cost	<u>15,807,376</u>	<u>15,506,927</u>

(a) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity interest		Principal Activities
		2016 %	2015 %	
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
Microlink Worldwide Sdn. Bhd. ("MWSB") ^	Malaysia	100	100	In liquidation
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	60	Provision of research and development for information technology solutions to the financial services industry
Microlink Software Sdn. Bhd. ("MSB")	Malaysia	51	51	Provision of consultancy services in supporting and modifying banking software

9. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Effective equity interest		Principal Activities
		2016 %	2015 %	
Direct subsidiaries (continued)				
CSA Servis (M) Sdn. Bhd. ("CSAS")	Malaysia	100	100	Investment holding and provision of computer repair and maintenance service, supply of computer parts, accessories, computers and peripherals
Omesti Innovation Lab (Malaysia) Sdn. Bhd. ("OIL")	Malaysia	100	100	Development of information and multimedia technology and provision of deployment services
PT Microlink Indonesia ("PTMI") @	Republic of Indonesia	100	100	Provision of information technology solutions to the financial services industry and dealing in related products
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	60	Provision of information technology services in terms of hardware, software, consultancy and maintenance

@ Subsidiary not audited by BDO

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

9. INVESTMENT IN SUBSIDIARIES (continued)

(b) Other details of investments in subsidiaries:

(i) During the financial year:

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

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

(ii) In the previous financial period:

On 1 August 2014, the Company acquired 100% equity-interest in CSAS for a purchase consideration of RM1,829,521.

On 1 November 2014, CSAS acquired 100% equity-interest in ABS, FST, FCS and FIRST, and 60% equity-interest in FAS for a total purchase consideration of RM43,193,044.

On 3 December 2014, the Company acquired 100% equity-interest in OIL for a cash consideration of RM1.00.

On 30 March 2015, MWSB transferred 200,000 ordinary shares of USD1.00 each representing 80% of the total issued and paid-up share capital of PTMI, a subsidiary owned by MWSB and MSSB, to the Company for a cash consideration of RM1.00 ("Re-Organisation"). The Re-Organisation is part of the Group's intention to streamline and realign the businesses to achieve greater operational efficiency.

(c) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:

	MISB RM	Other individual immaterial subsidiaries RM	Total RM
2016			
NCI percentage of ownership interest and voting interest	0%	-	
Carrying amount of NCI (RM)	-	106,172	106,172
Loss allocated to NCI (RM)	-	(74,699)	(74,699)
2015			
NCI percentage of ownership interest and voting interest	40%	-	
Carrying amount of NCI (RM)	(1,487,753)	98,929	(1,388,824)
Loss allocated to NCI (RM)	(586,153)	(10,268)	(596,421)

9. INVESTMENT IN SUBSIDIARIES (continued)

- (d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	MISB RM	Other individual immaterial subsidiaries RM	Total RM
2016			
Assets and liabilities			
Non-current assets	-	23,999	23,999
Current assets	-	1,228,781	1,228,781
Current liabilities	-	(1,015,102)	(1,015,102)
Net assets	-	237,678	237,678
Results			
Revenue	-	2,511,819	2,511,819
Profit for the financial year	-	23,044	23,044
Total comprehensive income	-	23,044	23,044
Cash flow from:			
- operating activities	-	636,253	636,253
- investing activities	-	10,505	10,505
Net increase in cash and cash equivalents	-	646,758	646,758
2015			
Assets and liabilities			
Non-current assets	5,131,713	40,548	5,172,261
Current assets	70,882	743,852	814,734
Current liabilities	(8,921,978)	(569,765)	(9,491,743)
Net (liabilities)/assets	(3,719,383)	214,635	(3,504,748)
Results			
Revenue	191,644	3,130,423	3,322,067
Loss for the financial year	(1,465,382)	(34,608)	(1,499,990)
Total comprehensive loss	(1,465,382)	(34,608)	(1,499,990)
Cash flow from/(used in):			
- operating activities	(9,938)	55,300	45,362
- investing activities	2,025	2,656	4,681
Net (decrease)/increase in cash and cash equivalents	(7,913)	57,956	50,043

10. INVESTMENT IN A JOINT VENTURE

	Group	
	2016 RM	2015 RM
Unquoted equity shares, at cost	374,060	374,060
Share of post acquisition reserves	(374,060)	(374,060)
	<u>-</u>	<u>-</u>

The details of the joint venture are as follows:

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2016 %	2015 %	
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

11. OTHER INVESTMENT

	Group	
	2016 RM	2015 RM
Non-current		
Financial assets at fair value through profit or loss		
- Transferable club membership	<u>105,000</u>	<u>105,000</u>

- (a) Information on the fair value hierarchy is disclosed in Note 36(d) to the financial statements.
- (b) Information on financial risks of other investment is disclosed in Note 37 to the financial statements.

12. GOODWILL

	Group	
	2016 RM	2015 RM
As at 1 April 2015/1 January 2014	18,473,370	2,817,852
Add: Goodwill arising from the acquisition of subsidiaries (Note 31)	<u>-</u>	<u>15,655,518</u>
As at 31 March 2016/2015	<u>18,473,370</u>	<u>18,473,370</u>

12. GOODWILL (continued)

Goodwill arising from the business combinations has been allocated to the Group's CGUs which have been identified according to business segments as follows:

	Group	
	2016 RM	2015 RM
Business Performance Services	6,287,245	6,287,245
Distribution	7,486,215	7,486,215
Services and systems integration	4,699,910	4,699,910
	<u>18,473,370</u>	<u>18,473,370</u>

The recoverable amount of goodwill for the current financial year and the previous financial period was determined based on value-in-use. Value-in-use was determined by discounting the future cash flows to be generated from the continuing use of the CGUs based on the following assumptions:

- (i) Cash flow projections on financial budgets approved by the management covering a five- (5) years period;
- (ii) Terminal value computed based on the fifth year cash flows without incorporating any growth rate;
- (iii) Discount rate used for cash flow discounting purposes is based on the weighted average cost of capital of the Group. The discount rate applied to the cash flow projections was 4.00% (2015: 4.70%) per annum;
- (iv) Long-term growth rate are ranging from 3.00% to 6.00% (2015: 5.00%) determined based on past performance of the subsidiaries; and
- (v) Profit margins are projected based on historical profit margins achieved.

Discount rate assumptions

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

Growth rate assumptions

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

13. DEFERRED TAX

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At end of the financial year/period	635,633	481,621	346,854	229,000
Acquisition of subsidiaries (Note 31)	-	293,782	-	-
Recognised in profit or loss (Note 27)	<u>(693,542)</u>	<u>(139,770)</u>	<u>493,407</u>	<u>117,854</u>
At end of the financial year/period	<u>(57,909)</u>	635,633	840,261	346,854

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Presented after appropriate offsetting:				
Deferred tax assets, net	(955,952)	(303,032)	-	-
Deferred tax liabilities, net	<u>898,043</u>	<u>938,665</u>	<u>840,261</u>	<u>346,854</u>
	<u>(57,909)</u>	<u>635,633</u>	<u>840,261</u>	<u>346,854</u>

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deferred tax assets				
At end of the financial year/period	303,032	-	-	-
Recognised in profit or loss	<u>652,920</u>	<u>303,032</u>		
At end of the financial year/period	955,952	303,032	-	-

13. DEFERRED TAX (continued)

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

	Group		Company	
Deferred tax liabilities	2016 RM	2015 RM	2016 RM	2015 RM
At end of the financial year/period	938,665	481,621	346,854	229,000
Acquisition of subsidiaries (Note 31)	-	293,782	-	-
Recognised in profit or loss	<u>(40,622)</u>	<u>163,262</u>	<u>493,407</u>	<u>117,854</u>
At end of the financial year/period	<u>898,043</u>	<u>938,665</u>	<u>840,261</u>	<u>346,854</u>

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

	Group		Company	
Deferred tax assets	2016 RM	2015 RM	2016 RM	2015 RM
Unused tax losses	833,231	-	-	-
Unabsorbed capital allowance	81,253	-	-	-
Other temporary difference	<u>41,468</u>	<u>303,032</u>	<u>-</u>	<u>-</u>
	<u>955,952</u>	<u>303,032</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities				
Property, plant and equipment	72,240	389,767	14,458	3,112
Software development expenditure	<u>825,803</u>	<u>548,898</u>	<u>825,803</u>	<u>343,742</u>
	<u>898,043</u>	<u>938,665</u>	<u>840,261</u>	<u>346,854</u>

13. DEFERRED TAX (continued)

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

	Group	
	2016 RM	2015 RM
Unutilised tax losses	11,752,473	10,253,565
Unabsorbed capital allowances	2,795,416	2,735,520
Other deductible temporary differences	278,809	1,876,059
	<u>14,826,698</u>	<u>14,865,144</u>

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

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

14. INVENTORIES

	Group	
	2016 RM	2015 RM
At cost		
Hardware and software	3,682,447	11,674,761
Hardware maintenance parts and spares	3,135,617	116,707
	<u>6,818,064</u>	<u>11,791,468</u>

Cost of inventories of the Group recognised as an expense during the financial year amounted to RM184,476,448 (2015: RM59,286,774).

15. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables	15.1	87,033,831	55,956,419	36,047,892	24,805,857
Other receivables, deposits and prepayments	15.2	12,623,911	7,978,294	22,943,718	31,785,875
Amount due from contract customers	15.3	<u>1,509,185</u>	<u>887,895</u>	<u>-</u>	<u>-</u>
		<u>101,166,927</u>	<u>64,822,608</u>	<u>58,991,610</u>	<u>56,591,732</u>

15. TRADE AND OTHER RECEIVABLES (continued)

15.1 Trade receivables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables	87,071,770	56,045,687	36,097,131	24,855,096
Less: Impairment losses	(37,939)	(89,268)	(49,239)	(49,239)
	<u>87,033,831</u>	<u>55,956,419</u>	<u>36,047,892</u>	<u>24,805,857</u>

- (a) The trade credit terms of trade receivables granted by the Group and by the Company range from 30 to 90 days (2015: 30 days) from date of invoice. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.
- (b) Information on financial risks of trade and other receivables is disclosed in Note 37 to the financial statements.
- (c) The ageing analysis of trade receivables of the Group and of the Company are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Neither past due nor impaired	46,622,494	38,884,411	865,911	5,992,467
Past due, not impaired				
31 to 60 days	10,244,321	7,209,000	3,862,225	52,416
61 to 90 days	4,494,439	4,396,984	37,549	129,456
More than 91 days	25,672,577	5,466,024	31,282,207	18,582,279
	40,411,337	17,072,008	35,181,981	18,764,151
Past due and impaired	<u>37,939</u>	<u>89,268</u>	<u>49,239</u>	<u>49,239</u>
	<u>87,071,770</u>	<u>56,045,687</u>	<u>36,097,131</u>	<u>24,805,857</u>

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

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

15. TRADE AND OTHER RECEIVABLES (continued)

15.1 Trade receivables (continued)

- (c) The ageing analysis of trade receivables of the Group and of the Company are as follows (continued):

Receivables that are past due and impaired

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

	Group Individually impaired		Company Individually impaired	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables, gross	37,939	89,268	49,239	49,239
Less: Impairment losses	(37,939)	(89,268)	(49,239)	(49,239)
	-	-	-	-

- (d) The reconciliation of movement in the impairment losses on trade receivables are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At beginning of the financial year/period	89,268	105,250	49,239	3,409,506
Charge for the financial year/period	37,939	22,588	-	-
Impairment loss no longer required	(89,268)	(38,570)	-	(3,360,267)
	37,939	89,268	49,239	49,239

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

- (e) The currency profile of trade receivables of the Group and of the Company is in the respective functional currencies of the Group and the subsidiaries except for those amounts disclosed in Note 37 to the financial statements.

15. TRADE AND OTHER RECEIVABLES (continued)

15.2 Other receivables, deposits and prepayments

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	2,443,582	1,224,914	700	25,300
Deposits	674,355	652,649	18,600	38,600
Prepayments	8,804,083	6,035,996	123,354	82,677
Amount owing by ultimate holding company	480,068	-	-	-
Amount owing by penultimate holding company	221,823	-	-	-
Amount owing by subsidiaries	-	-	22,801,064	31,639,298
Amount owing by related companies	-	64,735	-	-
	<u>12,623,911</u>	<u>7,978,294</u>	<u>22,943,718</u>	<u>31,785,875</u>

- (a) Amounts owing by subsidiaries and related companies are in respect of advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (b) The currency profile of other receivables, deposits and prepayments of the Group and of the Company is in the respective functional currencies of the Group entities except for those amounts disclosed in Note 37 to the financial statements.

15.3 Amount due from/(to) contract customers

	Group	
	2016 RM	2015 RM
Contract costs incurred plus recognised profits	31,976,685	30,858,677
Progress billings received and receivables	<u>(31,492,711)</u>	<u>(29,990,485)</u>
Amount due from contract customers	<u>483,974</u>	<u>868,192</u>
Represented by:		
Amount due from contract customers	1,509,185	887,895
Amount due to contract customers (Note 24)	<u>(1,025,211)</u>	<u>(19,703)</u>
	<u>483,974</u>	<u>868,192</u>

16. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	16,969,620	14,120,262	1,062,234	447,509
Deposits with licensed banks	12,033,627	15,011,737	-	-
Short term money market deposits	<u>3,182,372</u>	<u>1,250,321</u>	<u>152,376</u>	<u>147,474</u>
	<u>32,185,619</u>	<u>30,382,320</u>	<u>1,214,610</u>	<u>594,983</u>

- (a) Included in deposits with licensed banks of the Group are amounts of RM7,445,915 (2015: RM7,181,788) pledged to licensed banks for credit facilities granted to the Group as disclosed in Note 21 to the financial statements.
- (b) Information on financial risks of cash and bank balances is disclosed in Note 37 to the financial statements.
- (c) The currency exposure profile of cash and bank balances are disclosed in Note 37 to the financial statements.
- (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	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	16,969,620	14,120,262	1,062,234	447,509
Deposits with licensed banks	12,033,627	15,011,737	-	-
Short term money market deposits	<u>3,182,372</u>	<u>1,250,321</u>	<u>152,376</u>	<u>147,474</u>
	32,185,619	30,382,320	1,214,610	594,983
Less: Deposits pledged to licensed banks	<u>(7,445,915)</u>	<u>(7,181,788)</u>	<u>-</u>	<u>-</u>
	<u>24,739,704</u>	<u>23,200,532</u>	<u>1,214,610</u>	<u>594,983</u>

17. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of shares	RM	Number of shares	RM
Authorised:				
Ordinary shares of RM0.10 each	<u>250,000,000</u>	<u>25,000,000</u>	<u>250,000,000</u>	<u>25,000,000</u>
Issued and fully paid:				
At beginning of financial year/period	138,352,900	13,835,290	138,050,600	13,805,060
Addition during the year/period	<u>13,800,000</u>	<u>1,380,000</u>	<u>302,300</u>	<u>30,230</u>
At end of financial year/period	<u>152,152,900</u>	<u>15,215,290</u>	<u>138,352,900</u>	<u>13,835,290</u>

- (a) During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM13,835,290 to RM15,215,290 by way of issuance of 13,800,000 new ordinary shares of RM0.10 each at RM0.50 per share for cash via private placement.
- (b) In the previous financial period, the issued and paid-up ordinary share capital of the Company was increased from RM13,805,060 to RM13,835,290 by way issuance of 302,300 new ordinary shares of RM0.10 each at an amount ranging from RM0.49 to RM0.77 per share for cash pursuant to the exercise of Employees' Shares Option.
- (c) 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 Company's residual assets.

18. RESERVES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<u>Non-distributable:</u>				
Share premium	10,576,173	5,056,173	10,576,173	5,056,173
Translation reserve	(208,001)	(155,479)	-	-
Capital redemption reserve	80,000	-	80,000	-
<u>Distributable:</u>				
Retained earnings	<u>30,890,221</u>	<u>31,547,966</u>	<u>26,668,642</u>	<u>24,770,552</u>
	<u>41,338,393</u>	<u>36,448,660</u>	<u>37,324,815</u>	<u>29,826,725</u>

18. RESERVES (continued)

Share premium

Share premium arose from the premium on the issuance of new ordinary shares and is not distributable by way of cash dividends.

Translation reserve

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

Capital redemption reserve

The capital redemption reserve arose from redemption share of redeemable preference share pursuant to the requirements of Section 61(5) of the Companies Act, 1965 in Malaysia.

19. BORROWINGS

	Group	
	2016 RM	2015 RM
Current liabilities		
Hire purchase creditors (Note 20)	84,399	128,818
Bankers' acceptance (Note 21)	2,499,197	2,500,000
Trust receipts (Note 21)	6,492,381	7,781,408
Factoring loan (Note 21)	2,968,728	2,999,195
	12,044,705	13,409,421
Non-current liabilities		
Hire purchase creditors (Note 20)	33,073	67,301
	<u>12,077,778</u>	<u>13,476,722</u>
	Group	
	2016 RM	2015 RM
Total borrowings		
Hire purchase creditors (Note 20)	117,472	196,119
Bankers' acceptance (Note 21)	2,499,197	2,500,000
Trust receipts (Note 21)	6,492,381	7,781,408
Factoring loan (Note 21)	2,968,728	2,999,195
	<u>12,077,778</u>	<u>13,476,722</u>

Information on financial risks and remaining maturities of borrowings is disclosed in Note 37 to the financial statements.

All borrowings are denominated in RM.

20. HIRE PURCHASE CREDITORS

	2016 RM	Group 2015 RM
Minimum hire purchase payments:		
- not later than one year	90,070	136,850
- later than one year and not later than five years	<u>36,074</u>	<u>68,425</u>
	126,144	205,275
Less: Future interest charges	<u>(8,672)</u>	<u>(9,156)</u>
	<u>117,472</u>	<u>196,119</u>
Repayable as follows:		
Current liabilities		
- not later than one year	84,399	128,818
Non-current liabilities		
- later than one year and not later than five years	<u>33,073</u>	<u>67,301</u>
	<u>117,472</u>	<u>196,119</u>

The hire purchase liabilities are secured by the assets as disclosed in Note 7 to the financial statements and by a corporate guarantee from the ultimate holding company.

21. BANKERS' ACCEPTANCE, TRUST RECEIPTS AND FACTORING LOAN

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

- (a) Pledge of Deposits as disclosed in Note 16 to the financial statements;
- (b) Corporate guarantee from the ultimate holding company.

22. 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.

22. PROVISION FOR GRATUITY OBLIGATIONS (continued)

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

	Group	
	2016 RM	2015 RM
Present value of unfunded defined benefit obligations	<u>1,184,383</u>	<u>1,490,163</u>
Analysed as follows:		
Non-current liabilities		
- later than one year and not later than five years	-	376,112
- more than five years	<u>1,184,383</u>	<u>1,114,051</u>
	<u>1,184,383</u>	<u>1,490,163</u>

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

	Group	
	2016 RM	2015 RM
Balance as at 1 April 2015/1 January 2014	1,490,163	-
Acquisition of subsidiaries (Note 31)	-	1,490,163
Utilisation during the year	(109,550)	-
Reversal of post-employment benefits no longer required	<u>(196,230)</u>	<u>-</u>
Balance as at 31 March	<u>1,184,383</u>	<u>1,490,163</u>

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

Discount rate	4.29%
Salary increase rate	3.25%
Annual voluntary resignation rate	40.00% - 75.00%
Mortality rate	Malaysia Ordinary Insured 1999-2003
Normal retirement age	60 years

23. REDEEMABLE PREFERENCE SHARES

	Group and Company			
	2016		2015	
	Number of shares	RM	Number of shares	RM
At beginning of financial year/period	35,193,044	35,193,044	-	-
Addition during the year/period	-	-	35,193,044	35,193,044
Redemption during the year	<u>(8,000,000)</u>	<u>(8,000,000)</u>	<u>-</u>	<u>-</u>
At end of financial year/period	<u>27,193,044</u>	<u>27,193,044</u>	<u>35,193,044</u>	<u>35,193,044</u>

- (a) In the previous financial period, the Company issued 35,193,044 redeemable preference shares of RM1.00 each pursuant to a Shares Sales Arrangement with Omesti Berhad, Omesti Holdings Berhad, and Man Yau Holdings Berhad for the acquisition of subsidiaries as disclosed in Note 31 to the financial statements.
- (b) The salient features of the RPS are as follows:
- (i) tenure of the RPS is five (5) years commencing from and including the issuance date;
 - (ii) the RPS are not convertible to ordinary shares of the Company;
 - (iii) a cumulative preferential coupon interest rate with range from 3.0% to 9.5% per annum based on the nominal value of RPS, to be payable annually in arrears;
 - (iv) RPS at the option of the Company 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 to the RPS holder prior to the redemption of RPS. All RPS which are redeemed by the Company shall be cancelled immediately and cannot be resold or reissued.
- (c) On 29 March 2016, the Company redeemed 8,000,000 redeemable preference shares ("RPS") of RM0.01 each for the total redemption sum of RM8,000,000 at the issue price of RM1.00 each ('Redemption') in accordance with the provision of Article 4A of the Company's Articles of Association.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables				
Third parties	27,113,334	12,551,845	-	-
Amount due to contract customers (Note 15.3)	1,025,211	19,703	-	-
	28,138,545	12,571,548	-	-
Other payables				
Amount owing to ultimate holding company	217,654	669,923	63,316	631,971
Amount owing to penultimate holding company	96,144	-	1	-
Amount owing to related companies	671,335	-	6,286	-
Other payables	1,692,029	1,790,860	245,351	134,722
Unearned income	23,124,102	14,430,197	5,497,972	1,944,491
Accruals	22,161,445	11,423,123	216,813	202,928
	47,962,709	28,314,103	6,029,739	2,914,112
	<u>76,101,254</u>	<u>40,885,651</u>	<u>6,029,739</u>	<u>2,914,112</u>

- (a) Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranged from 30 days to 90 days (2015: 30 days to 90 days).
- (b) Unearned revenue represents advance billings for contracts works and maintenance services.
- (c) Information on financial risks of trade and other payables is disclosed in Note 37 to the financial statements.
- (d) The currency profile of trade and other payables of the Group and of the Company is in the respective functional currencies of the Group entities except for those amounts disclosed in Note 37 to the financial statements.

25. REVENUE

	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Projects	5,461,265	26,482,994	-	-
Maintenance income:				
- third parties	51,805,219	20,110,399	-	-
- subsidiaries	-	-	6,756,080	4,292,474
Sales of hardware equipment	171,143,094	72,426,017	-	-
Small scale projects and integration charges:				
- third parties	7,889,303	18,640,828	-	-
- subsidiaries	-	-	-	2,037,150
Software licensing fee charged to subsidiaries	-	-	1,616,778	5,676,225
	<u>236,298,881</u>	<u>137,660,238</u>	<u>8,372,858</u>	<u>12,005,849</u>

26. PROFIT BEFORE TAX

	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Profit before tax is arrived at after charging:				
Amortisation of software development expenditure	2,907,973	2,983,627	2,555,156	2,545,195
Auditors' remuneration:				
- current year/period	182,300	126,330	40,860	38,000
- under provision in prior year	-	50	-	-
Depreciation of property, plant and equipment	994,898	948,479	23,817	23,094
Directors' remuneration:				
- fees	272,500	381,625	236,500	345,625
- other emoluments	2,352,593	2,001,325	1,131,007	1,545,325
Impairment losses on:				
- trade and other receivables	37,939	22,588	-	-
Investment in a subsidiary written off	-	-	2	-
Interest expense on:				
- redeemable preference shares	1,137,942	287,088	-	-
- letter of credit and trust receipts	647,699	256,059	-	-
- factoring loan	-	48,360	-	-
- hire purchase	10,004	6,750	-	-

26. PROFIT BEFORE TAX (continued)

	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Profit before tax is arrived at after charging (continued):				
Inventories written off	-	145,575	-	-
Loss on disposal of property, plant and equipment	-	13,383	-	-
Property, plant and equipment written off	2,582	18,829	2,582	4
Rental of:				
- premises	2,007,461	1,629,670	31,548	135,000
- equipment	100,800	128,690	-	-
Net unrealised loss on foreign currency exchange	-	6,632	-	-
Net realised loss on foreign currency exchange	-	-	1,161	-
And crediting:				
Gain on disposal of property, plant and equipment	4,091	-	7	-
Interest income	443,818	686,817	119,112	13,628
Rental income of premises	-	-	-	46,500
Reversal of post-employment benefits no longer required	196,230	-	-	-
Reversal of impairment loss no longer required on:				
- trade and other receivables	89,268	38,570	-	-
- amount owing by a subsidiary	-	-	-	3,360,267
Net realised gain on foreign currency exchange	32,887	2,654	-	-
Net unrealised gain on foreign currency exchange	19,310	-	516	-

27. TAX EXPENSE

	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Current tax expense based on profit for the financial year/period	2,146,123	2,462,919	632,540	1,140,093
Under/(Over)-provision in prior years	393,842	118,236	(136,881)	(871)
	2,539,965	2,581,155	495,659	1,139,222
Deferred tax (Note 13)				
Relating to origination on and reversal of temporary differences	(413,556)	(139,770)	189,002	117,854
(Over)/under- provision in prior years	(279,986)	-	304,405	-
	(693,542)	(139,770)	493,407	117,854
	<u>1,846,423</u>	<u>2,441,385</u>	<u>989,066</u>	<u>1,257,076</u>

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2015: 25%) of the estimated taxable profit for the fiscal year.

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

	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	748,321	2,800,899	712,118	1,309,702
Tax effects in respect of:				
Non-deductible expenses	997,467	851,704	110,600	791,719
Income not subject to tax	(3,994)	(111,919)	(1,176)	(843,474)
Utilisation of tax losses not recognised in prior years	(385,025)	(1,907,402)	-	-
Unused tax losses and unabsorbed capital allowances not recognised	375,798	689,867	-	-
	<u>1,732,567</u>	<u>2,323,149</u>	<u>821,542</u>	<u>1,257,947</u>

27. TAX EXPENSE (continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows (continued):

	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Under/(Over) provision of tax in prior years:				
- Income tax	393,842	118,236	(136,881)	(871)
- Deferred tax	(279,986)	-	304,405	-
	<u>113,856</u>	<u>118,236</u>	<u>167,524</u>	<u>(871)</u>
	<u>1,846,423</u>	<u>2,441,385</u>	<u>989,066</u>	<u>1,257,076</u>

28. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

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

	Group	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Profit attributable to equity holders of the parent	<u>1,346,280</u>	<u>9,358,633</u>
Weighted average number of ordinary shares in issue	138,352,900	138,050,600
Effect of:		
- ESOS	-	194,737
- Private placement	<u>12,741,370</u>	<u>-</u>
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	<u>151,094,270</u>	<u>138,245,337</u>
Basic earnings per ordinary share (sen)	<u>0.89</u>	<u>6.77</u>

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share equals basic earnings per ordinary share as there is no dilutive potential ordinary shares.

29. DIVIDENDS

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

	Group and Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
In respect of financial year ended 31 December 2013: Final tax exempt dividend of 3 sen per ordinary share, paid on 21 March 2014	-	4,141,818
In respect of redeemable preference shares: Cumulative 3% redeemable preference shares for the period from 24 December 2014 to 23 December 2015, paid on 16 March 2016	1,055,791	-
Cumulative 4% redeemable preference shares for the period from 24 December 2015 to 28 March 2016, paid on 29 March 2016	<u>369,239</u>	<u>-</u>
	<u>1,425,030</u>	<u>4,141,818</u>

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

30. EMPLOYEE BENEFITS

	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Salaries, wages, bonuses and allowances	19,674,373	13,311,631	3,207,150	3,108,678
Defined contribution plan	2,415,205	1,730,934	392,512	433,364
Other employee benefits	<u>2,293,772</u>	<u>2,965,982</u>	<u>549,167</u>	<u>988,660</u>
	<u>24,383,350</u>	<u>18,008,547</u>	<u>4,148,829</u>	<u>4,530,702</u>

30. EMPLOYEE BENEFITS (continued)

Included in the employee benefits of the Group and of the Company are remuneration paid to Executive Directors amounting to RM2,352,593 (2015: RM2,001,325) and RM1,131,007 (2015: RM1,545,325) respectively.

The remuneration of Directors and other key management personnel during the financial year/period are as follows:

	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Directors' fees	<u>272,500</u>	<u>381,625</u>	<u>236,500</u>	<u>345,625</u>
Salaries, and other short term employee benefits:				
Directors	2,352,593	2,001,325	1,131,007	1,545,325
Other key management personnel	<u>1,063,241</u>	<u>763,080</u>	<u>374,378</u>	<u>454,452</u>
	<u>3,415,834</u>	<u>2,764,405</u>	<u>1,505,385</u>	<u>1,999,777</u>

31. ACQUISITION OF SUBSIDIARIES

In the previous financial period, the Group completed the following acquisitions:

(a) Acquisition of CSAS, ABS, FST, FCS, FSSB and FAS

As disclosed in Note 9 to the financial statements, on 1 August 2014, the Company acquired 100% equity-interest in CSAS for a cash consideration of RM1,829,521 and regarded CSAS as a subsidiary of the Group on that date.

Subsequently, on 28 November 2014, CSAS completed the acquisition of 100% equity-interest in ABS, FST, FCS and FSSB, and 60% of equity-interest in FAS ("Transferred Group"). CSAS regarded the Transferred Group as subsidiaries on that date.

Goodwill of RM12,186,125 is derived from the synergies between the principal activities of the subsidiaries acquired and the existing Group. The Group acquired these subsidiaries in order to strengthen its position as a leading provider of information technology services in Malaysia and to enlarge the range of products it could offer to its customers.

31. ACQUISITION OF SUBSIDIARIES (continued)

In the previous financial period, the Group completed the following acquisitions (continued):

(a) Acquisition of CSAS, ABS, FST, FCS, FSSB and FAS (continued)

The fair value of the assets acquired and the liabilities assumed from the acquisition of subsidiaries are as follows:

	2015 Acquiree's carrying amount RM	Fair value recognised on acquisition RM
Property, plant and equipment	1,391,642	1,391,642
Software development expenditure	853,450	853,450
Other investment	105,000	105,000
Inventories	8,111,433	8,111,433
Trade receivables	36,618,310	36,618,310
Other receivables	41,567,095	41,567,095
Current tax assets	609,687	609,687
Cash and bank balances	18,686,260	18,686,260
Trade payables	(17,994,813)	(17,994,813)
Other payables	(41,621,951)	(41,621,951)
Provision for gratuity obligations	(1,490,163)	(1,490,163)
Borrowings	(13,549,067)	(13,549,067)
Current tax liabilities	(99,193)	(99,193)
Deferred tax liabilities	(293,782)	(293,782)
Net identifiable assets acquired	<u>32,893,908</u>	32,893,908
Less: Non-controlling interests		<u>(57,468)</u>
Group's share of net assets		32,836,440
Add: Goodwill on acquisition of subsidiaries		<u>12,186,125</u>
Total cost of acquisition		45,022,565
Less : Cost of investment by way of issuance of redeemable preference shares (Note 23)		<u>(35,193,044)</u>
		9,829,521
Less : Cash and cash equivalents of subsidiaries acquired		<u>(18,686,260)</u>
Net cash inflow of the Group on acquisition		<u>8,856,739</u>

31. ACQUISITION OF SUBSIDIARIES (continued)

In the previous financial period, the Group completed the following acquisitions (continued):

(b) Acquisition of OIL

On 3 December 2014, the Company acquired 100% equity-interest in OIL and regarded CSAS as a subsidiary of the Group on that date.

Goodwill of RM3,469,393 is derived from the synergies between the principal activity of the OIL and the existing Group. The Group views that the acquisition of OIL will strengthen its base from OIL's multi-talented human capital and enhance the software development initiatives. It will also complement the Group's application capabilities in the financial services industry.

The fair value of the assets acquired and the liabilities assumed from the acquisition of the subsidiary are as follows:

	2015 Acquiree's carrying amount RM	Fair value recognised on acquisition RM
Property, plant and equipment	19,182	19,182
Other receivables	444,418	444,418
Cash and bank balances	721	721
Other payables	(3,933,713)	(3,933,713)
Net identifiable liabilities acquired	<u>(3,469,392)</u>	<u>(3,469,392)</u>
Group's share of net liabilities		(3,469,392)
Add: Goodwill on acquisition of OIL		<u>3,469,393</u>
Total cost of acquisition		1
Less : Cash and cash equivalents of subsidiary acquired		<u>(721)</u>
Net cash inflow of the Group on acquisition		<u><u>720</u></u>

32. ACCRETION OF EQUITY INTERESTS IN SUBSIDIARIES

- (i) On 1 April 2015, CSAS completed the acquisition of 125,000 ordinary shares of RM1.00 each in FAS for a purchase consideration of RM53,879. This resulted in an increase in equity interest in FAS from 60% in the previous financial period to 85% as at the end of the reporting period.
- (ii) On 20 May 2015, the Group completed the acquisition of the remaining 40,000 ordinary shares of RM1.00 each in MISB for a purchase consideration of RM300,451. This resulted in an increase in equity interest in MISB from 60% in the previous financial period to 100% as at the end of the reporting period.

33. 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 entities.

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

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

	Group	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Sales to ultimate holding company	1,031	-
Purchases from ultimate holding company	10,164	-
Office rental payable to ultimate company	153,569	-
Office rental payable to related companies	106,747	-
Meeting room rental payable to ultimate company	109,860	-
Management fee charged by ultimate holding company	-	529,000
Redeemable preference shares issued to ultimate holding company	-	35,193,044
Redemption of redeemable preference share	8,000,000	-
Interest charged by ultimate holding company	1,137,942	287,088
Sales of goods and services to related companies	12,690,371	13,394,542
Purchases of goods and services from related companies	1,596,175	38,334
	<u>1,596,175</u>	<u>38,334</u>
	Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Management fee charged by ultimate holding company	-	345,000
Management fee charged to subsidiaries	2,365,200	603,255
Maintenance income charged to subsidiaries	6,756,080	4,292,474
Small scale projects and integration charged to subsidiaries	1,616,778	2,037,150
Software licensing fee charged to subsidiaries	5,676,225	5,676,225
Software licensing fee and integration charged by subsidiaries	1,761,408	1,150,358
Interest charged to subsidiary	104,305	-
Rental of premises charged by a subsidiary	31,548	46,500
	<u>31,548</u>	<u>46,500</u>

34. OPERATING SEGMENTS

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

(a) Business segments

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

i) Business Performance Services

Provision of business performance improvement related services.

ii) Distribution

Distribution and maintenance of computer equipment and software.

iii) Services and System Integration ('SI')

Provision of computer technology and the maintenance of computer hardware and software.

The accounting policies of business segments are the same as those described in the summary of significant accounting policies.

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.

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.

34. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

2016	Business Performance Services RM	Distribution RM	Services and System Integration RM	Elimination RM	Consolidation RM
Revenue					
External sales	25,102,368	195,850,716	15,345,797	-	236,298,881
Inter-segment sales	13,767,353	2,905,987	2,921,119	(19,594,459)	-
Total	38,869,721	198,756,703	18,266,916	(19,594,459)	236,298,881
Interest income	256,746	309,599	31,086	(153,613)	443,818
Interest expense	(1,972)	(800,429)	(1,146,857)	153,613	(1,795,645)
Net interest income/(expense)	254,774	(490,830)	(1,115,771)	-	(1,351,827)
Depreciation of property, plant and equipment	440,108	477,917	76,873	-	994,898
Amortisation of software development expenditure	3,974,492	-	-	(1,066,519)	2,907,973
Segment (loss)/profit before tax	(1,112,115)	5,172,528	(671,959)	(270,450)	3,118,004
Capital expenditure	147,562	30,914	35,134	-	213,610
Software development expenditure	3,230,250	-	-	(2,260,728)	969,522
Segment assets	134,853,047	115,440,807	60,951,322	(137,001,629)	174,243,547
Segment liabilities	79,659,606	81,806,081	52,942,028	(96,824,023)	117,583,692

34. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

2015	Business Performance Services RM	Distribution RM	Services and System Integration RM	Elimination RM	Consolidation RM
Revenue					
External sales	37,258,607	99,348,449	8,275,691	(7,222,509)	137,660,238
Inter-segment sales	11,459,673	-	-	(11,459,673)	-
Total	48,718,280	99,348,449	8,275,691	(18,682,182)	137,660,238
Interest expense	-	(308,914)	(289,343)	-	(598,257)
Interest income	496,926	147,517	42,374	-	686,817
Net interest income/(expense)	496,926	(161,397)	(246,969)	-	88,560
Depreciation of property, plant and equipment	555,775	327,219	65,485	-	948,479
Amortisation of software development expenditure	2,948,937	-	34,690	-	2,983,627
Segment (loss)/profit before tax	9,565,312	3,352,276	1,215,161	(2,929,152)	11,203,597
Non-cash expenses other than depreciation and amortisation	-	145,575	-	-	145,575
Capital expenditure	281,808	90,535	83,494	-	455,837
Software development expenditure	1,808,804	-	105,000	(769,829)	1,143,975
Segment assets	118,325,312	83,598,646	59,122,099	(118,456,920)	142,589,137
Segment liabilities	68,322,251	53,685,781	50,575,962	(78,889,983)	93,694,011

34. OPERATING SEGMENTS (continued)

(b) Geographical segments

	Revenue RM	Segment assets RM	Segment liabilities RM	Capital and software development expenditure RM	Depreciation and amortisation RM
2016					
Malaysia	233,713,747	166,632,159	116,852,905	1,183,132	3,902,871
Overseas	2,585,134	7,611,388	730,787	-	-
	<u>236,298,881</u>	<u>174,243,547</u>	<u>117,583,692</u>	<u>1,183,132</u>	<u>3,902,871</u>
2015					
Malaysia	131,351,021	134,758,274	93,639,245	1,599,812	3,928,995
Overseas	6,309,217	7,830,863	54,766	-	3,111
	<u>137,660,238</u>	<u>142,589,137</u>	<u>93,694,011</u>	<u>1,599,812</u>	<u>3,932,106</u>

35. OPERATING LEASE COMMITMENTS

As at 31 March 2016, the Group and the Company have operating lease commitments in respect of rental of premises as follows:

	Future minimum Lease payments			
	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Not later than one (1) year	1,769,000	1,090,691	-	-
Later than one (1) year and not later than five (5) years	<u>115,613</u>	<u>821,924</u>	<u>-</u>	<u>-</u>
	<u>1,884,613</u>	<u>1,912,615</u>	<u>-</u>	<u>-</u>

36. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that the Group would be able to continue as a going concern whilst maximising return to shareholder through the optimisation of the debt and equity ratios. 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 response to changes in economic conditions. In order 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 2016.

The Group monitors capital using a gearing ratio. This ratio is calculated as total debts divided by total equity. Total debts are calculated as total borrowings (comprising current and non-current borrowings as shown in the statement of financial position). Capital represents equity attributable to the owners of the parent.

	Group	
	2016 RM	2015 RM
Total debts	<u>12,077,778</u>	<u>13,476,722</u>
Equity	<u>56,553,683</u>	<u>50,283,950</u>
Gearing ratio	<u>0.21</u>	<u>0.27</u>

Pursuant to the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up share capital of the Group. The Group has complied with this requirement for financial year ended 31 March 2016.

(b) Categories of financial instruments

Group 2016	Fair value through profit or loss RM	Loans and receivables RM	Total RM
Financial assets			
Trade and other receivables, net of prepayments	-	90,853,659	90,853,659
Cash and bank balances	-	32,185,619	32,185,619
Other investment	105,000	-	105,000
	<u>105,000</u>	<u>123,039,278</u>	<u>123,144,278</u>

36. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments (continued)

	Other financial liabilities RM	Total RM
Financial liabilities		
Trade and other payables, net of unearned income	52,977,152	52,977,152
Borrowings	12,077,778	12,077,778
Redeemable preference shares	27,193,044	27,193,044
	<u>92,247,974</u>	<u>92,247,974</u>

Group 2015	Fair value through profit or loss RM	Loans and receivables RM	Total RM
Financial assets			
Trade and other receivables, net of prepayments	-	57,898,717	57,898,717
Cash and bank balances	-	30,382,320	30,382,320
Other investment	105,000	-	105,000
	<u>105,000</u>	<u>88,281,037</u>	<u>88,386,037</u>

	Other financial liabilities RM	Total RM
Financial liabilities		
Trade and other payables, net of unearned income	26,455,454	26,455,454
Borrowings	13,476,722	13,476,722
Redeemable preference shares	35,193,044	35,193,044
	<u>75,125,220</u>	<u>75,125,220</u>

Company 2016	Loans and receivables RM	Total RM
Financial assets		
Trade and other receivables, net of prepayments	58,868,256	58,868,256
Cash and bank balances	1,214,610	1,214,610
	<u>60,082,866</u>	<u>60,082,866</u>

36. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments (continued)

	Other financial liabilities RM	Total RM
Financial liability		
Other payables, net of unearned income	531,767	531,767
Redeemable preference shares	27,193,044	27,193,044
	<u>27,724,811</u>	<u>27,724,811</u>
Company	Loans and receivables RM	Total RM
2015		
Financial assets		
Trade and other receivables, net of prepayments	56,509,055	56,509,055
Cash and bank balances	594,983	594,983
	<u>57,104,038</u>	<u>57,104,038</u>
	Other financial liabilities RM	Total RM
Financial liability		
Other payables, net of unearned income	969,621	969,621
Redeemable preference shares	35,193,044	35,193,044
	<u>36,162,665</u>	<u>36,162,665</u>

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting year.

36. FINANCIAL INSTRUMENTS (continued)

(c) Methods and assumptions used to estimate fair value (continued)

The fair values of financial assets and financial liabilities are determined as follows (continued):

- i. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (continued)

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

- ii. Obligations under hire purchase

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowings at the end of the reporting period.

- iii Redeemable preference shares

The fair value of these financial instruments is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowings arrangements at the end of the reporting period.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation techniques and significant unobservable inputs 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 instrument	Valuation technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
<u>Financial assets</u>			
Transferable golf club memberships	Counter party quotation	Comparable market value of similar financial assets	The higher the market rate, the higher the fair value of the other investments

36. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy (continued)

2016 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
Financial assets								
Financial assets at fair value through profit or loss								
- Transferable golf club memberships	-	-	105,000	-	-	-	105,000	105,000
Financial liabilities								
Other financial liabilities								
- Hire purchase creditors	-	-	-	-	117,472	-	117,472	117,472
- Redeemable preference shares	-	-	-	-	-	35,030,504	35,030,504	27,193,044

36. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy (continued)

2015 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
Financial assets								
Financial assets at fair value through profit or loss								
- Transferable golf club memberships	-	-	105,000	-	-	-	105,000	105,000
Financial liabilities								
Other financial liabilities								
- Hire purchase creditors	-	-	-	-	196,119	-	196,119	196,119
- Redeemable preference shares	-	-	-	-	-	46,665,976	46,665,976	35,193,044

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse effects on the financial performance of the Group.

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 internal control systems and adherence to the Group's financial risk management policies. The Group is exposed mainly to foreign currency risk, credit risk, liquidity and cash flow risk and interest rate 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 will fluctuate because of changes in foreign exchange rates.

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

The Group's exposure to foreign currencies in respect of its financial assets and financial liabilities which are not denominated in the functional currency of the Group are as follows:

Group 2016	US Dollar RM	Indonesia Rupiah RM	Brunei Dollar RM	Euro RM	Australia Dollar RM	Total RM
Financial assets						
Trade and other receivables	7,476,605	-	65,304	-	-	7,541,909
Cash and bank balances	57,934	9,797	-	-	-	67,731
	<u>7,534,539</u>	<u>9,797</u>	<u>65,304</u>	<u>-</u>	<u>-</u>	<u>7,609,640</u>
Financial liabilities						
Trade and other payables	(679,108)	(29,647)	-	(8,300)	(13,732)	(730,787)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Foreign currency risk (continued)

Group 2015	US Dollar RM	Indonesia Rupiah RM	Total RM
Financial assets			
Trade and other receivables	98,018	3,455	101,473
Cash and bank balances	1,258,562	14,926	1,273,488
	<u>1,356,580</u>	<u>18,381</u>	<u>1,374,961</u>
Financial liabilities			
Trade and other payables	<u>754,354</u>	<u>36,250</u>	<u>790,604</u>

Sensitivity analysis for foreign currency risk

		Increase/(Decrease) Group	
		1.4.2015 to 31.3.2016 (12 months)	1.1.2014 to 31.3.2015 (15 months)
Profit after tax			
USD/RM	- strengthen by 10%	522,000	45,000
	- weaken by 10%	(522,000)	(45,000)
IDR/RM	- strengthen by 10%	(2,000)	(2,000)
	- weaken by 10%	2,000	2,000
BND/RM	- strengthen by 10%	5,000	-
	- weaken by 10%	(5,000)	-
EUR/RM	- strengthen by 10%	(1,000)	-
	- weaken by 10%	1,000	-
AUD/RM	- strengthen by 10%	(2,000)	-
	- weaken by 10%	<u>2,000</u>	<u>-</u>

(ii) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group and the Company. Credit risk with respect to trade and other receivables is managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based on careful evaluation of the customers' financial condition and credit.

Other financial assets of the Group and the Company with exposure to credit risk include deposits which are placed with banks and financial institutions with good standing.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Credit risk (continued)

Credit risk concentration profile

At the end of the reporting period, the Group did not have any significant exposure to any individual customer or counterparty nor did it have any major concentration of credit risk related to any financial instruments.

At the end of the reporting period, the Company did not have any significant exposure to any individual customer or counterparty nor did it have any major concentration of credit risk related to any financial instruments other than the amounts owing by subsidiaries of approximately RM58,848,956 (2015: RM56,445,155), as disclosed in Note 15 to the financial statements.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 15 to the financial statements. Deposits with licensed banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 15 to the financial statements.

(iii) 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 bank balances deemed adequate to finance the Group's activities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the end of the reporting year/period based on the contractual undiscounted repayment obligations:

Group 2016	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Trade and other payables, net of unearned income	52,977,152	-	-	52,977,152
Bankers' acceptance	2,499,197	-	-	2,499,197
Factoring loan	2,968,728	-	-	2,968,728
Hire purchase creditors	90,070	36,074	-	126,144
Trust receipts	6,492,381	-	-	6,492,381
Redeemable preference shares	-	35,298,926	-	35,298,926
Total undiscounted financial liabilities	65,027,528	35,335,000	-	100,362,528

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity and cash flow risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

The table below summarises the maturity profile of the Group's liabilities at the end of the reporting year based on the contractual undiscounted repayment obligations (continued):

Group 2015	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Trade and other payables, net of unearned income	26,455,454	-	-	26,455,454
Bankers' acceptance	2,500,000	-	-	2,500,000
Factoring loan	2,999,195	-	-	2,999,195
Hire purchase creditors	136,850	68,425	-	205,275
Trust receipts	7,781,408	-	-	7,781,408
Redeemable preference shares	-	46,630,783	-	46,630,783
Total undiscounted financial liabilities	39,872,907	46,699,208	-	86,572,115

Company 2016	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Other payables, net of unearned income	531,767	-	-	531,767
Redeemable preference shares	-	35,298,926	-	35,298,926
Total undiscounted financial liabilities	531,767	35,298,926	-	35,830,693

2015

Financial liabilities				
Other payables, net of unearned income	969,621	-	-	969,621
Redeemable preference shares	-	46,630,783	-	46,630,783
Total undiscounted financial liabilities	969,621	46,630,783	-	47,600,404

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Interest rate risk

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

The Group's exposure to risk of changes in interest rates is related primarily to the Group's cash deposits placed with licensed banks and borrowings. Interest rate exposure arising from the Group's borrowings is managed through the use of fixed and floating rates debts. The Group does not use derivative financial instruments to hedge these risks.

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

Group 2016	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
Fixed rates									
Fixed deposits	16	3.04	12,033,627	-	-	-	-	-	12,033,627
Hire purchase creditors	20	7.42	84,399	19,157	13,916	-	-	-	117,472
Redeemable preference shares	23	3.02	-	-	-	27,193,044	-	-	27,193,044
Floating rates									
Short term money market deposits	16	3.02	3,182,372	-	-	-	-	-	3,182,372
Bankers' acceptance	21	5.03	2,499,197	-	-	-	-	-	2,499,197
Trust receipts	21	6.91	6,492,381	-	-	-	-	-	6,492,381
Factoring loan	21	6.42	2,968,728	-	-	-	-	-	2,968,728

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

Group 2015	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
Fixed rates									
Fixed deposits	16	2.77	15,011,737	-	-	-	-	-	15,011,737
Hire purchase creditors	20	8.69	128,818	67,301	-	-	-	-	196,119
Redeemable preference shares	23	6.50	-	-	-	-	35,193,044	-	35,193,044
Floating rates									
Short term money market deposits	16	3.86	1,250,321	-	-	-	-	-	1,250,321
Bankers' acceptance	21	5.07	2,500,000	-	-	-	-	-	2,500,000
Trust receipts	21	6.95	7,781,408	-	-	-	-	-	7,781,408
Factoring loan	21	6.61	2,999,195	-	-	-	-	-	2,999,195

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Interest rate risk (continued)

Company	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
2016									
Fixed rates									
Redeemable preference shares	23	3.02	-	-	-	27,193,044	-	-	27,193,044
Floating rates									
Short term money market deposits	16	3.45	152,376	-	-	-	-	-	152,376
2015									
Fixed rates									
Redeemable preference shares	23	6.50	-	-	-	-	35,193,044	-	35,193,044
Floating rates									
Short term money market deposits	16	3.98	147,474	-	-	-	-	-	147,474

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

A change of 100 basis points (bp) in interest rates at the end of the reporting year would have increased/(decreased) loss for the financial period by the amounts shown below. This analysis assumes that all other variables in particular foreign currency rates, remain constant.

Group	2016 Profit after tax		2015 Profit after tax	
	100 bp increase RM	100 bp decrease RM	100 bp increase RM	100 bp decrease RM
Floating rate instruments	<u>(66,712)</u>	<u>66,712</u>	<u>(90,977)</u>	<u>90,977</u>
Company				
Floating rate instruments	<u>1,158</u>	<u>(1,158)</u>	<u>1,106</u>	<u>(1,106)</u>

38. CONTINGENT LIABILITIES

	Company	
	2016 RM	2015 RM
Corporate guarantees given to banks for credit facilities granted to:		
- Subsidiaries	<u>50,956,000</u>	<u>8,500,000</u>

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Other than those disclosed elsewhere in the financial statements, the significant events during the financial year are as follows:

- (i) On 1 April 2015, CSAS completed the acquisition of 125,000 ordinary shares of RM1.00 each in FAS for a purchase consideration of RM53,879. This resulted in an increase in equity interest in FAS from 60% in the previous financial period to 85% as at the end of the reporting period.
- (ii) On 20 May 2015, the Group completed the acquisition of the remaining 40,000 ordinary shares of RM1.00 each in MISB for a purchase consideration of RM300,451. This resulted in an increase in equity interest in MISB from 60% in the previous financial period to 100% as at the end of the reporting period.
- (iii) On 29 March 2016, the Company redeemed 8,000,000 of Redeemable Preference Shares of RM0.01 each for a total redemption sum of RM8,000,000 at the issue price of RM1.00 each in accordance with the provision of Article 4A of the Company's Article of Association.

40. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- (i) On 2 June 2016, the Company announced its proposal to undertake a private placement up to 15,215,200 representing 10% of existing ordinary issued and paid-up share capital of the Company at an issue price to be determined and announced at a later date.

Approval has been obtained from the shareholders of the Company at the 12th Annual General Meeting convened on 14 September 2015 authorising the Board to allot and issue new shares not exceeding 10% of the issued and paid-up share capital of the Company.

The proposed private placement is subject to the approval being obtained from Bursa Securities, for the listing of and quotation for the Placement Share on the ACE Market of Bursa Securities.

The proposed private placement is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

41. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

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

	Group		Company	
	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM	1.4.2015 to 31.3.2016 (12 months) RM	1.1.2014 to 31.3.2015 (15 months) RM
Total retained earnings of the Company and its subsidiaries				
- realised	29,626,683	28,921,099	27,508,387	25,117,406
- unrealised	<u>77,219</u>	<u>(650,465)</u>	<u>(839,745)</u>	<u>(346,854)</u>
	29,703,902	28,270,634	26,668,642	24,770,552
Add:				
Consolidation adjustments	<u>1,186,319</u>	<u>3,277,332</u>	<u>-</u>	<u>-</u>
Total retained earnings	<u><u>30,890,221</u></u>	<u><u>31,547,966</u></u>	<u><u>26,668,642</u></u>	<u><u>24,770,552</u></u>

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