EA Holdings Berhad

(878041-A)

# 2019

## ANNUAL REPORT

# Contents

# Group Financial Summary

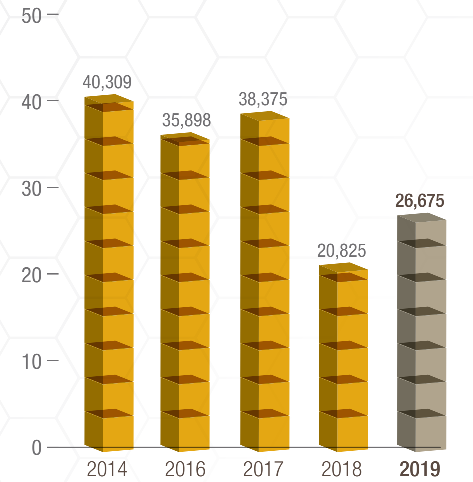
| (RM'000) | FYE 31.12.14 | FPE 31.03.16 | FYE 31.03.17 | FYE 31.03.18 | FYE 31.03.19 |
|---|---|---|---|---|---|
| **FINANCIAL RESULTS** | | | | | |
| Revenue | 40,309 | 35,898 | 38,375 | 20,825 | **26,675** |
| Profit/(Loss) before tax | 5,600 | (32,307) | 3,457 | (7,845) | **(50,059)** |
| Profit/(Loss) attributable to equity holders | 4,581 | (31,551) | 2,831 | (7,902) | **(50,530)** |
| **KEY BALANCE SHEET DATA** | | | | | |
| Total Assets | 126,550 | 138,902 | 142,112 | 170,940 | **185,050** |
| Total Liabilities | 9,191 | 9,153 | 9,495 | 7,815 | **8,966** |
| Net assets attributable to equity holders | 114,999 | 129,545 | 132,376 | 163,075 | **175,499** |
| No. of shares in issue at year end ('000) | 850,353 | 1,490,828 | 1,490,828 | 3,478,598 | **5,072,352** |
| **SHARES INFORMATION** | | | | | |
| Basic earnings/(loss) per share (sen) | 0.52 (^) | (2.44) | 0.12 (@) | (0.34) | **(1.02)** |
| Net assets per share attributable to equity holders (RM) | 0.14 | 0.09 | 0.09 | 0.05 | **0.04** |

^ Adjusted for the Bonus Issue completed in 2015
@Adjusted for the Rights Issue completed in 2017

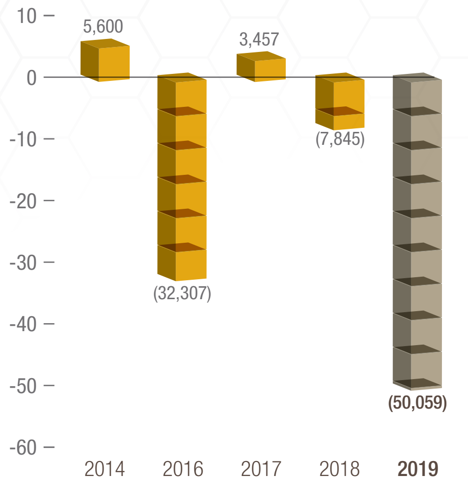
# Financial Highlights
(Continued)



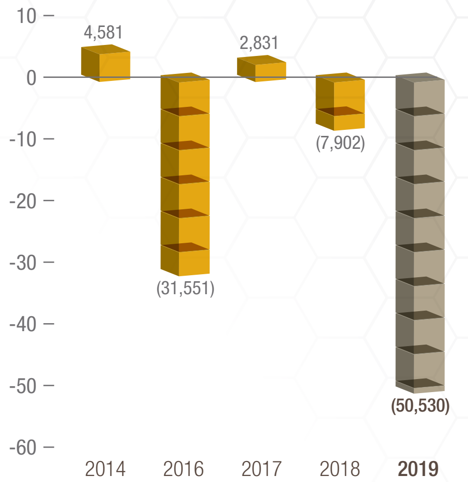
**Revenue** (RM'000)



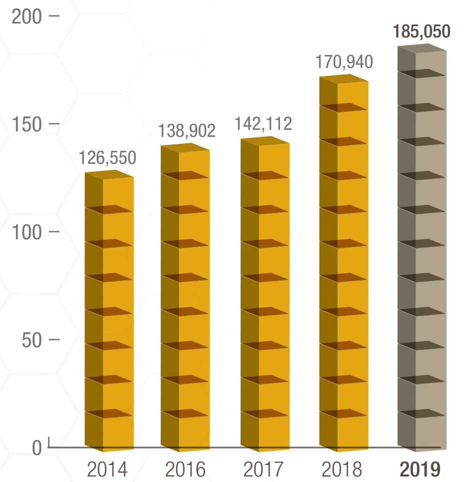

**Profit/(Loss) Before Tax** (RM'000)



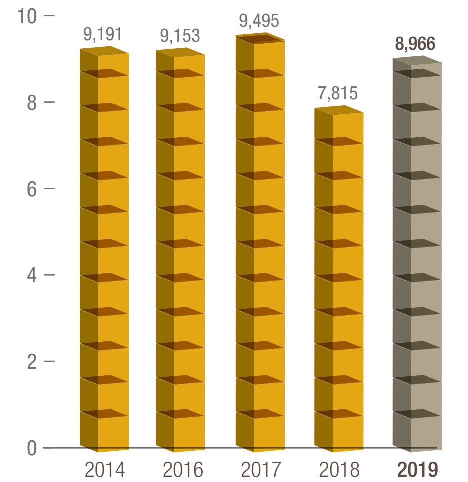

**Profit/(Loss) Attributable To Equity Holders** (RM'000)



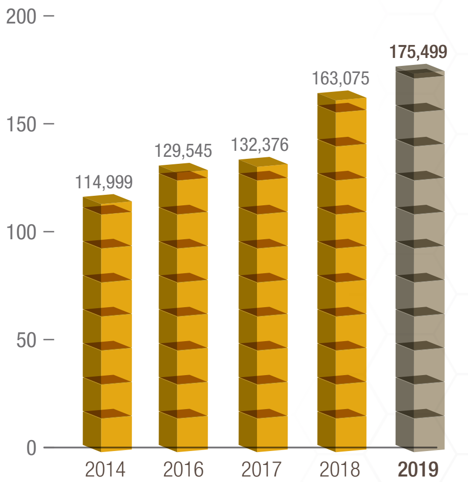

**Total Assets** (RM'000)



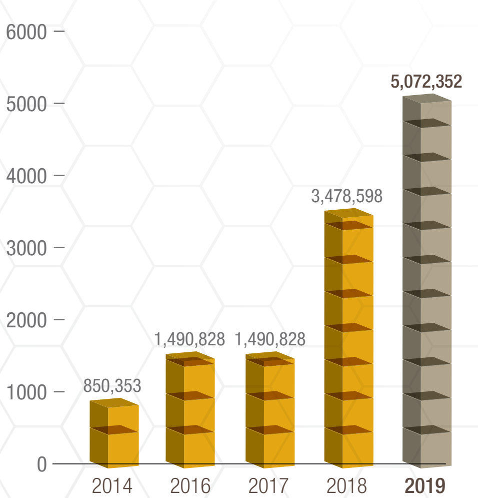

**Total Liabilities** (RM'000)



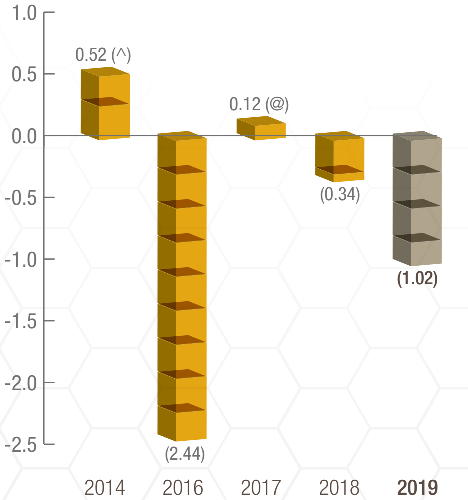

**Net Assets Attributable to Equity Holders** (RM'000)



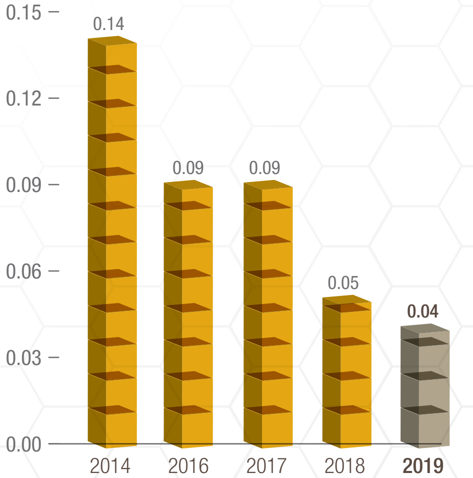

**No. of Shares in Issue at Year End** ('000)




**Basic Earnings/(Loss) Per Share** (sen)




**Net Assets Per Share Attributable to Equity Holders** (RM)



# Chairman's Statement



## Dear Valued Shareholders,

## On behalf of the Board of Directors of EA Holdings Berhad, I present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 March 2019 ("FYE 2019").

For the FYE 2019, the Group recorded higher revenue of RM26.7 million, an increase by RM5.8 million (28%) from RM20.8 million in the preceding financial year. This was mainly driven by the contribution of Sunland amounting RM19.4 million in revenue under the F&B distribution segment, which was the main contributor the Group's total revenue (73%). The Group recorded loss before tax of RM50.1 million, which was mainly attributable to the provision of impairment losses amounting to RM38.2 million in compliance with the approved accounting standards.

The ICT industry was very challenging during financial year, with increasingly sluggish market conditions and coupled with prolonged competitive pressures as more companies are vying for the same jobs. The diversification into the F&B business in April 2018 had help to lessen the impact of the weak contributions from the ICT sectors. We would also continue to rationalize our operations to ensure cost efficiency to help us ride through these challenging times. During the year, we had optimized our costs through the sharing of the resources among subsidiaries as well as keeping the overheads and expenses low in order to align with our budget and business strategy.

On behalf of the Board, I wish to express our gratitude to our staff for their dedication, diligence, professionalism and commitment to the Group. My deep gratitude also goes to my colleagues and the Management team for their dedicated efforts and support through these challenging years. I would also like to take this opportunity to convey our appreciation to our clients, business associates, shareholders and various stakeholders for their continued support and confidence in EAH.

Thank you.
**Dato' Azahar bin Rasul**
Chairman

# Management Discussion And Analysis



## OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

The Company was incorporated in Malaysia on 6 November 2009 under the name EA Holdings Sdn Bhd and subsequently converted into a public limited company on 19 February 2010 and assumed its present name.

Since the Group's successful listing on the ACE Market of Bursa Malaysia Securities Berhad on 20 July 2010, the Group had expanded its structure and core business activities in line with the Group's objectives to be a leading one-stop ICT solutions provider in Malaysia.

Currently, the Group's revenues are segmented in 4 broad categories namely, ICT Services, Software Solutions, Automation Systems and F&B Distribution. The Group is also involved in M&E engineering services for water supply and treatment plant and project management consultancy via its associate company, Cekap Air Sdn Bhd.

As part of our strategy to mitigate the Group's dependence on ICT sector, the Group had diversified into food distribution industry with the acquisition of Sunland Volonte Agency Sdn Bhd in April 2018 to expand the revenue stream.

## FINANCIAL OVERVIEW

The outlook for the ICT market was still challenging and market competitions continue to grow more intense as the number of companies vying for the same jobs are increasing. The number of projects available in the market was still low compared to previous years. Hence, sizeable project wins were few and far between.

The Group recorded revenue of RM26.7 million, an increase of RM5.8 million (28%) as compared to the previous FYE 2018, driven mainly by the contribution from Sunland of RM19.4 million under F&B distribution segment, whilst the ICT-reliant segments, ICT services and Software Solutions segments recorded decreases in revenue.

For the FYE 2019, the Group recorded loss before tax of RM50.1 million. This was mainly due to the weak performance from the ICT segments and the provision for impairment losses amounting to RM38.2 million in compliance with the approved accounting standards.

Cash reserves stood at RM27.56 million as at the end of the FYE 2019 compared to RM28.65 million as at the end of the FYE 2018.

## SEGMENTAL OVERVIEW

| | FYE 2019 | | FYE 2018 | | Changes | |
|---|---|---|---|---|---|---|
| | RM '000 | % | RM '000 | % | RM '000 | % |
| ICT Services | 1,697 | 6.4% | 8,882 | 42.7% | (7,185) | (80.9%) |
| Software Solutions | 472 | 1.8% | 5,740 | 27.6% | (5,269) | (91.8%) |
| Automation Systems | 5,104 | 19.1% | 6,203 | 29.8% | (1,099) | (17.7%) |
| F&B Distribution | 19,402 | 72.7% | - | 0.0% | 19,402 | - |
| Total | 26,675 | 100.0% | 20,825 | 100.0% | 5,850 | 28.1% |

### ICT Services

ICT services comprised system integration, application development, maintenance services and supply of ICT software and equipment. The decrease in revenue was due to lack of new sizeable projects to replace the major projects that were completed in the preceding year. The increased competition from new vendors and lack of new jobs in the market created a very challenging year for the ICT segment.

### Software Solutions

Software Solutions segment comprised provision and maintenance of software applications such as, amongst others, e-Solutions, ICT consultancy services and Enterprise Resource Planning (ERP) solutions. The lower revenues were due to the lower projects wins in FYE 2019, as this segment faced the same challenges as the ICT Services segment.

# Management Discussion And Analysis
(Continued)



## SEGMENTAL OVERVIEW (Continued)

### Automation Systems

The Automation Systems segment comprises RFID Access Control Systems ("RFID"), Building Management Systems ("BMS") Integrated Security Division ("ISD") and Mechanical and Electrical engineering services ("M&E"). The increase in Automation Systems was mainly attributable to higher sales from BMS and ISD during the year.

### F&B Distribution Segment

This is a new revenue stream for the Group pursuant to the acquisition of Sunland. Sunland is principally engaged in the selling and distribution of imported food items such as, amongst others, fruit juice, premium biscuits, canned fruits, jams and spreads, olive oil and vinegar as well as pasta. At present, Sunland is the agent and distributor in Malaysia to 28 foods and beverage brands, of which the major brands include Basso, Baronia, SICA or SICA Tomatoes, Loreto, Trucillo, Bonomi, Kronos, and D' Amico and is selling and distributing approximately 150 products. This segment contributed 72.7% of the Group's revenue for FYE 2019.

## REVIEW OF OPERATING ACTIVITIES

The Group's main customers have always been the government linked companies ("GLCs") and statutory bodies. Lower spending by these major customers have strongly impacted our performance.

Revenue for the Group increase by RM5.8 million (28%) as compared to the previous FYE 2018. The significant increase is mainly due to the contribution of the our newly acquired subsidiary company. During the year, the F&B segment contributed RM19.4 million or 72.7% of the Group's revenue. This had mitigated the impact of lower sales in the other segments of the Group.

The losses for the year are mostly due to impairment losses arising from compliance with the applicable accounting standards and have no impact on our operations and cashflow. Due to the prevailing market conditions which is not expected to improve until at least 3rd quarter of 2019, the Group had conducted further cost cutting measures to ensure our overheads are at more manageable levels, such as freeze on salaries, minimal replacement for staff attrition and centralisation of offices and functions. These ongoing efforts had reduced our operations cost for FYE 31 March 2019 and we expect the cost to be reduced further in the next financial year end.

## BUSINESS RISKS

The double impact of new competitors and lack of new projects had created a very challenging period for the Group. To mitigate these risks, the Group will continue to look for avenues to diversify our business and to reduce the reliance on the ICT market, and/or reliance on new projects from GLCs and statutory bodies.

The other challenge is the effectiveness of cost control. We will continuously review the cost structure and budget to improve the efficiency of the operational spending by keeping the overheads and expenses low.

## FUTURE PROSPECT

The strong positive impact of our acquisition of Sunland during the year had demonstrated that the Group is on the right track with its diversification strategy. Whilst traditionally we had been reliant substantially on the ICT markets, we are slowly reducing our reliance on them, and increasing the contributions from the other non-ICT segments like the BMS and F&B segments.

We will continue to pursue our diversification strategy either organically, or via mergers and acquisition of potential companies that would be able to generate strong recurrent income and strong positive cashflow for the Group.

# Company Profile



The Company was incorporated on 6 November 2009 under the name of EA Holdings Sdn Bhd and subsequently converted into a public limited company on 19 February 2010 and assumed its present name.

Since the Group's successful listing on the ACE Market of Bursa Malaysia Securities Berhad on 20 July 2010, EA Holdings Group structure has expanded as follows :-

# Company Profile
(Continued)



## Our Products

# Corporate Information



## BOARD OF DIRECTORS

**Dato‘ Azahar bin Rasul**
Chairman, Independent and Non-Executive Director

**Mohammad Sobri bin Saad**
Chief Executive Officer / Executive Director

**Basir bin Bachik**
Executive Director

**Leou Thiam Lai**
Independent Non-Executive Director

**Abdul Fattah bin Mohamed Yatim**
Senior Independent Non-Executive Director

## AUDIT AND RISK MANAGEMENT COMMITTEE

**Leou Thiam Lai** (Chairman)

**Dato’ Azahar bin Rasul**

**Abdul Fattah bin Mohamed Yatim**

## NOMINATION COMMITTEE

**Dato’ Azahar bin Rasul** (Chairman)

**Leou Thiam Lai**

**Abdul Fattah bin Mohamed Yatim**

## REMUNERATION COMMITTEE

**Dato’ Azahar bin Rasul** (Chairman)

**Leou Thiam Lai**

**Abdul Fattah bin Mohamed Yatim**

## AUDITORS

Moore Stephens Associates PLT
(LLP0000963-LCA & AF002096)
Chartered Accountants
Unit 3.3A, 3rd Floor, Surian Tower
No.1, Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor

## COMPANY SECRETARY

Laang Jhe How (MIA 25193)

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(ACE Market)

## PRINCIPAL BANKER

Hong Leong Bank Berhad
United Overseas Bank (Malaysia) Berhad

## REGISTERED OFFICE

149A, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel: 03-7729 1519
Fax: 03-7728 5948

## REGISTRAR

Insurban Corporate Services Sdn Bhd
149, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel: 03-7729 5529
Fax: 03-7728 5948

## PRINCIPAL PLACE OF BUSINESS

Unit 25-5, Level 25
Oval Damansara
685, Jalan Damansara
60000 Kuala Lumpur
Tel: 03-7733 9762
Fax: 03-7733 9765

# Directors' Profile



## BOARD OF DIRECTORS

| Name Of Members | Designation | Nationality |
|---|---|---|
| Dato' Azahar bin Rasul | Chairman, Independent Non-Executive Director | Malaysian |
| Mohammad Sobri bin Saad | Chief Executive Officer/Executive Director | Malaysian |
| Basir bin Bachik | Executive Director | Malaysian |
| Leou Thiam Lai | Independent Non-Executive Director | Malaysian |
| Abdul Fattah bin Mohamed Yatim | Senior Independent Non-Executive Director | Malaysian |

## DATO' AZAHAR BIN RASUL

A Malaysian aged 57, male, Dato' Azahar was appointed as the Independent Non-Executive Director on 22 February 2010. He was appointed as the Chairman of the Company on 15 April 2013.

He obtained his Bachelor of Science Degree in Business Administration from Central Michigan University in 1988 and a Master of Science Degree in Accounting from the University of New Haven, Connecticut, USA in 1990. He has over 26 years of experience in the field of corporate accounting, finance, banking and administration. His last employment was with Land & General Berhad as its Senior Manager for Administration and Finance until 1995, when he left to set up set up his own business. Dato' Azahar also sits on the board of directors of Vivocom Intl Holdings Berhad.

Dato' Azahar attended all Board meetings held during his tenure in office for the financial period ended 31 March 2019. He has no family relationship with any director or substantial shareholder of the Company.

Dato' Azahar has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

## MOHAMMAD SOBRI BIN SAAD

A Malaysian aged 59, male, Mohammad Sobri is the Group founder and was appointed as the Chief Executive Officer/ Executive Director on 6 November 2009. He is responsible for the operations, strategic planning and direction of our Group. He obtained his Bachelor of Science (Hons) Degree in Mathematics and Computing from The Polytechnic of Wales, Pontypridd, Wales, United Kingdom in 1984.

He started his career in various local corporations as well as multinational companies such as Harrisons Malaysian Plantation Berhad, Bank Simpanan Nasional and ESSO Malaysia Berhad who were users of ICT technologies like IBM, SAP and Oracle. He started a new phase of career to become a supplier of ICT technology by working and consulting in Infotech Consultants Pte Ltd, Singapore, Platinum Technology Inc, an US-based software company, Teliti Computers Sdn Bhd, Swift Applications Sdn Bhd and EASS. His experiences encompassed the usage of advance ICT technology supplied by IBM, Computer Network Technology Corporation, LANdesk Software Inc, ReadSoft and his clients comprised of large corporations in the banking industries, oil and gas, and utilities companies in Malaysia and the ASEAN region. He also sits on the Board of Directors of the subsidiary companies of the Group, namely EASS Sdn Bhd, EA MSC Sdn Bhd and CSS MSC Sdn Bhd.

Mohammad Sobri attended all Board meetings held during his tenure in office for the financial period ended 31 March 2019. He has no family relationship with any director or substantial shareholder of the Company.

Mohammad Sobri has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

# Directors' Profile
(Continued)



## BASIR BIN BACHIK

A Malaysian aged 61, male, Basir was appointed as the Executive Director of EA Holdings Berhad on 22 February 2010. He is also the Chief Operating Officer for ICT Services of the Group. He obtained his Bachelor of Science Degree in Computer Science from Edinburgh University, United Kingdom in 1982.

Basir has over 30 years of experience in the IT industry, serving both local and multinational companies such as Malaysian Airline System Berhad, ESSO Malaysia Berhad, IBM Singapore Pte Ltd, SHELL Refining Company (Federation of Malaya) Berhad, IBM Malaysia Sdn Bhd, Petronas Group of companies and iPerintis Sdn Bhd. He has also consulted for various financial institutions in Malaysia including Bank Simpanan Nasional and Permodalan Nasional Berhad. He started as a systems programmer, moving on to IT systems management to become a consultant specialising in ITIL. He has also managed large IT infrastructure projects for a petrochemical complex and a government agency. He is an accomplished system architect specialising in IT infrastructure. He is also a Director of DDSB (M) Sdn Bhd, a subsidiary company of the Group.

Basir attended all Board meetings held during his tenure in office for the financial period ended 31 March 2019. He has no family relationship with any director or substantial shareholder of the Company.

Basir has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

## LEOU THIAM LAI

A Malaysian aged 63, male, Leou Thiam Lai was appointed as the Independent Non-Executive Director of EA Holdings Berhad and Chairman of the Audit and Risk Management Committee on 27 July 2017. He is also a member of the Nomination Committee and Remuneration Committee of the Company.

Leou Thiam Lai is a Chartered Accountant of the Malaysian Institute of Accountants, Fellow member of the Chartered Association of Certified Accountants (UK) and a Fellow member of the Chartered Tax Institute of Malaysia (formerly known as Malaysian Institute of Taxation). He was with Aljeffri, Siva, Heng and Monteiro from 1980 to 1981 and Baharom Hamdan from 1981 to 1984. He then set up his own Chartered Accountants firm, Leou & Associates, in 1988 and Leou Associates PLT in 2015. He serves as a partner of both the firms. He also sits on the boards of directors of Degem Berhad, Sern Kou Resources Berhad and Menang Corporation (M) Berhad.

Leou Thiam Lai attended all Board meetings held during his tenure in office for the financial period ended 31 March 2019. He has no family relationship with any director or substantial shareholder of the Company.

Leou Thiam Lai has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

## ABDUL FATTAH BIN MOHAMED YATIM

A Malaysian aged 63, male, Abdul Fattah was appointed as the Independent Non-Executive Director of EA Holdings Berhad on 22 February 2010. He was subsequently appointed as a member of the Audit and Risk Managment Committee on 13 August 2010. He is also a member of the Nomination Committee and Remuneration Committee of the Company.

Abdul Fattah obtained his Bachelor of Science Degree in Electronic and Electrical Engineering from Loughborough University of Technology, United Kingdom in 1978. He practised engineering with the National Electricity Board (now known as Tenaga Nasional Berhad) where he specialised in engineering software development and simulation and long range transmission planning. From 1983, he served in professional and senior management positions in Esso Production Malaysia Incorporated, including a two year foreign assignment in Exxon companies in USA and UK. He then worked in System Consultancy Services Sdn Bhd from 1996 where he was a consultant to the Malaysian Armed Forces.

From 2003 to present, Abdul Fattah has been a consultant in several consulting companies providing ICT consulting services on various aspects of ICT such as, amongst others, application delivery, policy, security, project management, and business continuity planning, to clients in the public and private sectors. Presently he is a Principal Consultant in Teknimuda (M) Sdn Bhd and is a council member with the Institutions of Engineers Malaysia.

Abdul Fattah attended all Board meetings held during his tenure in office for the financial period ended 31 March 2019. He has no family relationship with any director or substantial shareholder of the Company.

Abdul Fattah has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

# Corporate Governance Overview Statement



The Board of Directors of EA Holdings Berhad is fully committed towards ensuring that the principles and best practices as set out in the Malaysian Code on Corporate Governance 2017 ("the Code") are applied and practiced by the Group to deliver long term sustainable value to the shareholders and stakeholders.

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

### 1. Board Responsibilities

#### I. Board of Directors' Duties and Responsibilities

The Board has overall responsibility for the corporate governance, proper conduct and strategic direction of the Group. The Board delegates authority and vests accountability for the Group's day to day operations with a management team led by the Group's CEO, En. Mohammad Sobri bin Saad. The Board, however, assume responsibility for the following areas :-

a) Reviewing and adopting a strategic plan for the Group;

b) Overseeing the conduct of the Group of the Group's business to evaluate whether the business is being properly managed;

c) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks

d) Succession planning;

e) Developing and implementing an investor relations programme and shareholder communications policy for the Group; and

f) Reviewing the adequacy and the integrity of the Group's internal controls systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

#### II. Chairman

The Chairman of the Board, Dato' Azahar bin Rasul is an Independent Non-Executive Director. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, which is fully defined in the Board Charter.

#### III. Separation in the role of Chairman and CEO

The roles and responsibilities of the Chairman of the Board and the CEO are exercised by different individuals, and are clear and distinct. The Chairman's primary role is to lead and manage the Board, which would include, amongst others, leading the Board in the oversight of the management, ensuring the integrity of the corporate governance process and issues, guiding and mediating Board actions with respect to organisational priorities and governance concerns.

The CEO is responsible for the development and implementation of strategy, overseeing and managing the day to day operations of the Group, such as, amongst others, developing long-term strategic and short-term cash flow plans, directing and controlling all aspects of business operations, overseeing the human resources need of the Group and ensuring compliance with all governmental procedures and regulations.

#### IV. Qualified and Competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of functions. The Company Secretary ensure that all Board meetings are properly convened, and accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company. The Company Secretary also ensure that the Board policies and procedures are followed and rules and regulations, codes or guidance and legislations are complied with.

# Corporate Governance Overview Statement
(Continued)



## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 1. Board Responsibilities (Continued)

#### V. Access to Information and Advice

All Board members have full and unrestricted access to information on the Group's business and affairs. All scheduled meetings held during the year were preceded by a formal notice issued by the Company Secretary in consultation with the Chairman. The Board papers contain all relevant information and reports on financial, operational, corporate, regulatory and minutes of meetings. These documents are comprehensive and include qualitative and quantitative information to enable the Board members to make informative decisions. Where required, senior management and external advisors are invited to attend these meetings to explain and clarify on matters tabled.

The Board is regularly updated and advised by the Company Secretaries on new statutory as well as regulatory requirements. The Board has full and unrestricted access to the advice and services of the Company Secretaries as well as the senior management. Where necessary, the Board may obtain independent professional advice at the Company's expenses on the specific issues to enable the Board to make well-informed decisions in discharging their duties on the matters tabled.

#### VI. Board Charter

In 2014, the Board had approved and adopted a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance as set out in the policy documents and guidelines issued by the regulatory authorities. The charter is regularly reviewed and updated to ensure its consistency with the Code. The Board Charter is available on EAH's corporate website at www.eah.com.my.

#### VII. Code of Conduct and Ethics

The Board has been guided by the Code of Conduct for Directors, Management and Officers of the Group, to promote the corporate culture which engenders ethical conduct that permeates throughout the Group to be in line with the MCCG. The Code of Ethics will require all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.

### 2. Board Composition

#### I. Composition and Board Balance

The Group is led and managed by a well-balanced Board which consists of members with wide range of business, technical and financial background in ensuring that the Group achieves the highest standard of performance, accountability and ethical behaviour as expected by the stakeholders.

The Board is made up of five (5) members, consisting of two (2) Executive Directors and three (3) Independent Non-Executive Directors as follows:

| Name Of Members | Designation |
|---|---|
| Dato' Azahar bin Rasul | Chairman, Independent Non-Executive Director |
| Mohammad Sobri bin Saad | Chief Executive Officer/Executive Director |
| Basir bin Bachik | Executive Director |
| Leou Thiam Lai | Independent Non-Executive Director |
| Abdul Fattah bin Mohamed Yatim | Senior Independent Non-Executive Director |

The Board has a balanced composition of Executive and Non-Executive Independent Directors such that no individual or group of individuals can dominate the Board's decision making powers and processes. All Board members carry an independent judgement to bear on issues of strategy, performance, resources and standards of products. All the Directors have also complied with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad on the limit of five (5) directorship in public listed companies.

The profiles of the Directors are presented on page 10 to 11 of this annual report.

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 2. Board Composition (Continued)

#### II. Tenure of Independent Director

According to Practice 4.2 of MCCG, if the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. Dato' Azahar bin Rasul, Chairman, Independent Director and Abdul Fattah bin Mohamed Yatim, Independent Director have served the Board of EAH for more than nine (9) years. Their tenure of service is set out in the Profile of Board of Directors of this Annual Report.

The Board has via the NC conducted an annual performance evaluation and assessment on the Independent Directors and is of the opinion that Dato' Azahar bin Rasul and Abdul Fattah bin Mohamed Yatim remains objective and independent in expressing their views.

Based on the recommendation of the NC, the Board will be seeking the shareholders' approval in the 9th AGM for Dato' Azahar bin Rasul and Abdul Fattah bin Mohamed Yatim to continue as Independent Directors of the Company by way of ordinary resolutions. The justifications for their continuation as Independent Directors are disclosed in the Notice of the AGM.

#### III. Gender Diversity

There is currently no women on the Board. At present, the Board does not have a specific policy on gender, ethnicity and age group for candidates to be appointed to the Board and does not have policy on setting target to achieve more female participation on Board. However, the Board is committed to ensuring that the directors of the Company possess a broad balance of knowledge, merits, capability, experience, skillsets, integrity and diversity, including gender diversity. The Company always provide a fair opportunities and female representation will be considered when vacancies arise with the primary aim of selecting the best candidate to support the achievement of the Groups' objectives.

#### IV. Board Meeting

The Board will meet at least four (4) times a year with additional meetings being held as and when required. For the financial period ended 31 March 2019, four (4) Board meetings were held. The Board is satisfied with the level of time committed by its members in discharging their duties and roles.

The attendance of the Directors at Board meetings during the financial year ended 31 March 2019 are :

| No. | Name Of Members | Designation | Attendance | % Of Attendance |
|---|---|---|---|---|
| 1 | Dato‘ Azahar bin Rasul | Chairman, Independent Non-Executive Director | 4/4 | 100% |
| 2 | Mohammad Sobri bin Saad | Executive Director/CEO | 4/4 | 100% |
| 3 | Basir bin Bachik | Executive Director | 4/4 | 100% |
| 4 | Abdul Fattah bin Mohamed Yatim | Independent Non-Executive Director | 4/4 | 100% |
| 5 | Leou Thiam Lai | Independent Non-Executive Director | 4/4 | 100% |

#### V. Board Committees

To assist the Board in discharge of their duties effectively, the Board has delegated specific functions to certain committees. Each committee will operate within its clearly defined terms of reference.

(a) Audit and Risk Management Committee

The terms of reference of the Audit and Risk Committee are set out on page 20 to 22 of the annual report.

# Corporate Governance Overview Statement
(Continued)



## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 2. Board Composition (Continued)

V. **Board Committees** (Continued)

(b) Nomination Committee

The Nomination Committee comprises exclusively of independent Non-Executive Directors as follows :-

| | |
|---|---|
| Dato' Azahar bin Rasul | Chairman |
| Abdul Fattah bin Mohamed Yatim | Member |
| Leou Thiam Lai | Member |

The Nomination Committee considers and recommends to the Board suitable candidates whom the Committee feel would be of good value and a complementing addition to the Board. The appointment of the Directors remains the responsibility of the Board after taking into consideration the recommendations of the Nomination Committee. The assessment of the effectiveness of the Board collectively and individually is an on-going continuous process undertaken by the Nomination Committee.

Whenever deemed necessary, the Committee would forward the relevant recommendations for the Board consideration. In carrying out its duties and responsibilities, the Nomination Committee have full, free and unrestricted access to any information, record, properties and personnel of the Group. The Committee may seek the external professional services to source for the right candidate for directorship or seek independent professional advice whenever necessary. The Nomination Committee is of the opinion that the current Board composition has the necessary knowledge, experience, professionalism, integrity, requisite range of skills and competence to enable them to discharge their duties and responsibilities.

En. Abdul Fattah bin Mohamed Yatim was appointed as the Senior Independent Non-Executive Director, to whom the concerns by the public and external stakeholders can be addressed.

Nomination Committee attendance were as follows :-

| No. | Name Of Members | Attendance | Percentage |
|---|---|---|---|
| 1 | Dato' Azahar bin Rasul | 1/1 | 100% |
| 2 | Abdul Fattah bin Mohamed Yatim | 1/1 | 100% |
| 3 | Leou Thiam Lai | 1/1 | 100% |

VI. **Directors' Training**

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group. All Directors have attended the Mandatory Accreditation Programme ("MAP") as required by Bursa Malaysia Securities Berhad. The Directors will continue to undergo other relevant training programmes to keep themselves abreast with the relevant changes in laws, regulations and business development and the Board would also continually assess the training needs of the Directors as part of their obligation to update and enhance their skills and knowledge in order to effectively carry out their duties and responsibilities.

During the financial year ended 31 March 2019, the Directors had attended the following training programmes :-

| Directors | Title |
|---|---|
| Dato' Azahar bin Rasul | ALLIANZ Health & Wellness Talk on 14 Nov 2018 |
| Mohammad Sobri bin Saad | Technology Updates with IBM held on 10th May 2018 |
| Basir bin Bachik | Technology Updates with IBM held on 10th May 2018 |
| Abdul Fattah bin Mohamed Yatim | ASEAN Decentralised 2.0 on 3-4 September 2018 |
| Leou Thiam Lai | 2019 Budget Seminar held on 4 December 2018 |

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 2. Board Composition (Continued)

#### VII. Appointment and Re-election of Directors

One third (1/3) of the Board shall retire from office and are eligible for re-election at each Annual General Meeting and all directors shall retire from office once in every three (3) years but shall be eligible for re-election. The Company's Constitution also provides that a Director who is appointed by the Board in the course of the year shall be subject to re-election at the next AGM to be held following his appointment.

### 3. Remuneration

#### I. Remuneration Policy

The Remuneration Committee reviews, assesses and recommends to the Board the remuneration packages of the executive directors in all forms. None of the executive directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of the non-executive Chairman and non-executive directors with individual directors abstaining from decisions in respect of their individual remuneration.

In carrying out its duties and responsibilities, the Remuneration Committee have full, free and unrestricted access to any information, record, properties and personnel of the Company. The Remuneration Committee may obtain the advice of external consultants on the appropriateness of remuneration package and other employment conditions if required.

The remuneration package is designed to support the Company's strategy and to provide an appropriate incentive to maximise individual and corporate performance, whilst ensuring that overall rewards are market competitive. The Executive Directors' package consists of basic salary, contribution to the national pension fund and benefits-in-kind such as medical care, car allowance and fuel whilst the Non-Executive Directors' package primarily consists of fees only.

#### II. Remuneration Committee

The Remuneration Committee comprises exclusively of Independent Non-Executive Directors as follows :-

| | |
|---|---|
| Dato' Azahar bin Rasul | Chairman |
| Abdul Fattah bin Mohamed Yatim | Member |
| Leou Thiam Lai | Member |

Remuneration Committee attendance were as follows : -

| No. | Name Of Members | Attendance | Percentage |
|---|---|---|---|
| 1 | Dato' Azahar bin Rasul | 1/1 | 100% |
| 2 | Abdul Fattah bin Mohamed Yatim | 1/1 | 100% |
| 3 | Leou Thiam Lai | 1/1 | 100% |

# Corporate Governance Overview Statement
(Continued)



## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 3. Remuneration (Continued)

II. **Remuneration Committee** (Continued)

The details of the Directors' remuneration for the financial year ended 31 March 2019 are as follows :-

| | Executive Directors (RM'000) | Non-Executive Directors (RM'000) |
|---|---|---|
| Salaries and other emoluments | 441 | - |
| Fees | - | 132 |

The number of Directors whose remuneration falls into each band of RM50,000 are set as follows :-

| | Number of Directors | |
|---|---|---|
| | Executive Directors | Non-Executive Directors |
| 1 – 50,000 | - | 2 |
| 50,001 – 100,000 | - | 1 |
| 200,001 – 250,000 | 2 | - |

III. **Remuneration of Senior Managements**

The aggregate remuneration of the top 5 Key Senior Management of the Group for the financial year ended 31 March 2019 are as follows :-

| Remuneration | Number of Key Senior Management |
|---|---|
| 200,001 – 250,000 | 5 |

### 4. Board's Performance Evaluation

The Nomination Committee has a formal assessment processes to review and evaluate the individual Director's performance and assess the effectiveness of the Board and Board's Committees. The Assessment were based on the criteria as recommended by the MCCG, which includes the Board structure and operations, roles and responsibilities, overall quality input to Board effectiveness, succession planning and Board Governance. The Board evaluation comprises Performance Evaluation of the Board and Board Committee, Directors' Self and Peer Evaluation and Assessment of the independence of the Independent Director. The Independent Non-Executive Directors provide a broader view and independent assessment to the decision-making process of the Board taking into account of the interest of the Group and all its stakeholders. During the financial year, the Board has assessed the independence of the Independent Non-executive Directors and is generally satisfied with their ability to act independently and objectively in the best interest of the Group. In conclusion, the Board was satisfied with the overall performance of individual Director, Board and Board Committees for the year under review.

# Corporate Governance Overview Statement
(Continued)



## PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

### 1. Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") assists the Board to oversee the Group's financial reporting process. ARMC of the Board comprises exclusively of independent Non-Executive Directors and the Chairman of the ARMC is distinct from the Chairman of the Board. It is a practice for ARMC to require former key audit partner who was part of the engagement team to observe a cooling-off period of at least 2 years before being appointed as a member of the ARMC. For 2019, no former key audit partner has been appointed or is a Director of the Company. There are 4 meetings held for ARMC during the current financial period. The role, activities, authority, duties and responsibilities of the ARMC during the financial period are described in the Audit and Risk Management Committee Report found on page 20 to 22 of this annual report.

The Group and ARMC have always maintained a close and transparent relationship with the both internal and external auditors in seeking professional advice and ensuring compliance with the relevant accounting standards. The internal and external auditors are invited to attend Audit and Risk Management Committee meetings and present their audit findings without the Executive Directors. The Committee is responsible for reviewing audit and non-audit services provided by the auditors. The independence, effectiveness and performance of the external auditors is reviewed annually by the Committee. External auditors will be recommended for re-appointment on the Board and seek approval from the shareholders at the forthcoming AGM.

The internal audit function has outsourced to an independent professional firm which reports directly to ARMC. The Committee works together with internal auditor on the scope of the audit and plan internal audit activities annually. All audit findings arising will then report directly to the Committee on a half yearly basis.

### 2. Risk Management and Internal Control Framework

The Statement on Risk Management and Internal Control is set out on page 23 to 24 of this annual report detailing the features of the risk management and internal control frameworks of the Group.

## PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANING RELATIONSHIP WITH STAKEHOLDERS

### 1. Communication with Stakeholders

The Board values the importance of effective communication and timely flow of information of all material business matters to the stakeholders. Hence, the Board has established corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosure information to the shareholders and stakeholders. In line with this commitment and in order to enhance the transparency and accountability, the Board has adopted an internal corporate disclosure policies and procedures to facilitate the handling and disclosure of material information in a timely and accurate manner. The information is communicated through the annual reports, circulars, quarterly results announcement, and the various disclosures and announcements made to Bursa Securities from time to time, in order to keep the stakeholders properly informed of the Group's performance and operations. The Group maintains a website at www.eah.com.my that allows all shareholders and investors access to information about the Group.

### 2. Annual General Meeting

The Annual General Meeting is the principal forum dialogue with all shareholders. Shareholders are encouraged to participate in the questions and answers session and all the Directors are available to respond to questions during the meeting. It provides the opportunity for the shareholders to meet and discuss for the Group's strategies, performance, major developments, corporate governance, future prospects and direction. The Board will also ensure that general meetings are served as an effective platform for the shareholders' communication by supplying timely and accurate information. Notice of Annual General Meeting and the annual report are sent to shareholders at least 21 days before the date of the meeting, allow sufficient time for the shareholders to review and seek clarification, if any. The notice included details of resolutions to be passed in the general meeting.

# Corporate Governance Overview Statement
(Continued)



## PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANING RELATIONSHIP WITH STAKEHOLDERS (Continued)

### Statement of Compliance with the Code

The Board believes that the Group has complied with majority practices of the Principles and Recommendation of the Code, the relevant chapters of the Listing Requirement of ACE Market of Bursa Malaysia Securities Berhad on corporate governance and all applicable laws and regulations throughout the financial year ended 31 March 2019. The Board has reviewed and approved this Statement and is satisfied that the Group has fulfilled its obligation. The Corporate Governance Report is available on the Group's website, www.eah.com.my, as well as on Bursa Malaysia Berhad's website, www.bursamalaysia.com.

### Director Responsibility Statement

This statement is prepared pursuant to the Listing Requirement of Bursa Malaysia Securities Berhad for the ACE Market.

The Board is fully accountable to ensure that the financial statements are prepared in accordance with the applicable approved accounting standards prescribed by Malaysian Accounting Standards Board and give a true and fair view of the state of affairs of the Group, including cash flow and results as at the end of each year.

The Directors are responsible for ensuring that the Group and the Company have maintained proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which comply with the provisions of the Companies Act, 2016.

The Directors have general responsibility for taking such steps as are reasonable available to them to safeguard the assets of the Group and the Company and to detect and prevent fraud and other irregularities.

# Audit And Risk Management Committee Report



## AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

| | |
|---|---|
| Chairman | Leou Thiam Lai (Independent Non-Executive Director) |
| Members | Abdul Fattah bin Mohamed Yatim (Independent Non-Executive Director)<br>Dato' Azahar bin Rasul (Independent Non-Executive Director) |
| Secretary | Laang Jhe How (Company Secretary) |

## TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

### 1. Composition

(a) The Audit and Risk Management Committee shall be appointed by the Board from amongst themselves comprising not less than three (3) members where the majority of them shall be composed of independent non-executive directors and the CEO shall not be a member of the Audit and Risk Management Committee.

(b) The Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants or possessing such financial related qualification or experience as may be required by Bursa Malaysia Securities Berhad.

(c) The term of office of the Audit and Risk Management Committee is two (2) years and may be re-nominated and appointed by the Board.

(d) The members of the Audit and Risk Committee shall elect a Chairman from amongst themselves who shall be an independent director.

(e) All members of the Audit and Risk Management Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the Audit and Risk Management Committee cease to be a Director of the Company, his membership in the Audit and Risk Management Committee would cease forthwith.

(f) No Alternate Director of the Board shall be appointed as a member of the Audit and Risk Management Committee.

(g) If the number of members of the Audit and Risk Management Committee for any reason be reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

(h) The Board must review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

### 2. Duties and Responsibilities

The duties and responsibilities of the Committee shall include the followings :-

*Matters relating to External Audit*

(a) To review the nomination of external auditors and their audit fees;

(b) To review the nature, scope and quality of external audit plan/arrangements;

(c) To review quarterly and annual financial statements of the Company, before submission to the Board, focusing in particular on the going concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgmental issues;

(d) To review the external auditors' audit report;

(e) To review with the external auditors, their evaluation of the system of internal accounting controls;

(f) To review the Company's policies and procedures with Management and external auditors to ensure the adequacy of internal accounting and financial reporting controls;

(g) To review any letter of resignation from the external auditors;

# Audit And Risk Management Committee Report
(Continued)



## 2. Duties and Responsibilities (Continued)

*Matters relating to External Audit* (Continued)

(h) To consider and review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
(i) To review the assistance given by the Company's officers to the external auditors.

*Matters relating to Internal Audit function*

(a) To review the effectiveness of the internal audit function;

(b) To review the internal audit programme and results of the internal audit process;

(c) To review the follow up actions by the Management on the weakness of internal accounting procedures and controls;

(d) To review on all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and

(e) To review the assistance and co-operation given by the Group and its officers to the internal auditors.

*Risk Management and Internal Control*

(a) To review the adequacy of risk management framework and to provide independent assurance to the Board of Directors on the effectiveness of the Company's risk management processes;

(b) To evaluate the quality and effectiveness of the Company's internal controls and management information systems, including compliance with applicable laws, rules and guidelines; and

(c) To recommend to the Board of Directors the Statement of Internal Control and any changes to the said statement.

## 3. Authority

The Committee shall in accordance with a procedure to be determined by the Board and at the expense of the Company :

(a) have explicit authority to investigate any matter within its terms of reference;

(b) have the resources which the Committee needs to perform the duties;

(c) have full access to any information which the Committee requires in the course of performing its duties;

(d) have unrestricted access to all employees of the Group;

(e) have direct communication channels with the external auditors;

(f) be able to obtain outside legal or independent professional advice in the performance of its duties at the cost of the Company; and

(g) be able to invite outsiders with relevant experience to attend its meetings, if necessary.

## 4. Meetings and Minutes

The Committee shall hold not less than four (4) meetings a year to review the quarterly results and year end financial statements. In order to form the quorum for each meeting, a minimum of two (2) members present shall be Independent Directors.

In addition to the Committee members, the head of internal audit shall normally attend the meetings. Representatives of the external auditors shall attend meetings where matters relating to the audit of the statutory accounts and/or the external auditors are to be discussed.

Minutes of each meeting shall be kept and distributed to each member of the Committee and also to the other members of the Board. The Committee Chairman shall report on each meeting to the Board.

The Secretary to the Committee shall be the Company Secretary.

# Audit And Risk Management Committee Report
(Continued)



## 5. Internal Audit Function

The Company's internal audit function is outsourced to an independent professional internal audit service provider, which reports directly to the Audit and Risk Management Committee. The Internal Auditors adopt a risk-based approach when preparing its annual audit plan and strategy. The principal role of the internal audit is to conduct independent and regular reviews of the various operations of the Company and to provide objective reports on the state of the internal controls to the Audit and Risk Management Committee. All internal audit reports will be presented to the Audit and Risk Management Committee for deliberation. The Audit and Risk Management Committee would then make the relevant recommendations for the management's further action. The total costs incurred for the outsourced internal audit function during the financial year ended 31 March 2019 year was RM21,008.

## *Summary of Activities*

During the financial year ended 31 March 2019, in line with the terms of reference, the Committee carried out the following activities in the discharge of its functions and duties:

1. Meeting with the external auditors to review the audited financial statements for the financial year ended 31 March 2019;
2. Reviewed the audit reports of the Group prepared by the external auditors and considered the major findings by the auditors and management's responses thereto;
3. Reviewed the quarterly and year-end financial results of the Group prior to submission to the Board for consideration and approval;
4. Reviewed the disclosure of related party transactions entered into by the Group in the annual report of the Group;
5. Reviewed the audit plan, nature and scope of the external auditors and considering their audit fee;
6. Reviewed the audit plan, nature and scope as proposed by the internal auditors;
7. Reviewed the audit reports presented by the internal auditors on the findings and recommendations and ensure that they are duly acted upon by the management.

## Meeting Attendance

The Committee held four (4) meetings during the financial year ended 31 March 2019. The details of the attendance are as follows:

| Directors | No. of meetings attended |
|---|---|
| Leou Thiam Lai | 4/4 |
| Abdul Fattah bin Mohamed Yatim | 4/4 |
| Dato' Azahar bin Rasul | 4/4 |

# Statement On Risk Management And Internal Control



The Malaysian Code of Corporate Governance requires listed companies to establish and maintain a sound risk management framework and internal controls to safeguard shareholders' investment and the Group's assets. This Statement on Risk Management and Internal Control is prepared in accordance with Paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

## BOARD RESPONSIBILITIES

The Board of Directors ("the Board") recognises the importance of maintaining a good system of risk management and internal controls and risk management to safeguard shareholders' investment and the Group's assets. The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Company's system of risk management and internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks and evaluating the Group's operational effectiveness and efficiency.

The Board has reviewed the adequacy and effectiveness of the system of risk management and internal controls of the Group. It recognises that due to inherent limitations, such systems are designed to manage rather than to eliminate the risk of business failure. As such, these systems could only provide reasonable but not absolute assurance against material misstatements or losses and the effectiveness of an internal control system may vary over time.

## SYSTEM OF RISK MANAGEMENT

The Board acknowledged that all areas of the Group's activities involve some degree of risks and recognises that effective risk management is part of good business management practice for the successful achievement of the Group's business objectives. Operationally, the respective directors of the subsidiary companies and key management staff are responsible for managing the risks of their departments and periodic management meetings are held to address significant issues faced by the Group so as to ensure significant risks are closely monitored and appropriately addressed. Significant risks are highlighted to the Board on an exception basis. The abovementioned practices/initiatives serves as the on-going process used to identify, evaluate and manage significant risks that affect the achievement of the Group's business objectives.

## SYSTEM OF INTERNAL CONTROL

The key measures implemented in the Group are as follows :-

(i) A well-defined organisation structure with distinct lines of accountability that sets out the authority delegated to the board and management committees;

(ii) A management reporting system to facilitate the collection, processing, monitoring and dissemination of critical information for management review and decision;

(iii) Performance reports such as quarterly financial review, business development and other corporate matters are regularly provided to the Directors for discussion and deliberations at Board of Directors meeting;

(iv) Review of quarterly and annual financial results by the Audit and Risk Management Committee;

(v) Regular meetings by the management team to discuss and review reports and business developments and to resolve key operations and managements issues;

(vi) Review the adequacy and effectiveness of the system of internal control, with the assistance of the internal audit function; and

(vii) Direct involvement of the executive directors in running the business and operations of the Group and is responsible to report to the Board on significant changes which may affect the operations of the Group.

# Statement On Risk Management And Internal Control

(Continued)



## INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent professional firm to review the adequacy and integrity of the internal control systems of the Group.

The functions of the internal audit are as follows :-

1. Perform audit work in accordance with the pre-approved internal audit plan.

2. Carry out review on the system of internal controls of the Group.

3. Review and comment on the effectiveness and adequacy of the existing control policies and procedures.

4. Provide recommendations, if any, for the improvement of the control policies and procedures.

5. Review and comment on the implementation status of the recommendation by the internal audit function.

The internal audit function reports directly to the Audit and Risk Management Committee and is independent of the management. The internal audit reports are submitted to the Audit and Risk Management Committee who would review and deliberate on the findings before making the necessary recommendations to the Board to strengthen its system internal control and policies.

## CONCLUSION

The Board have received assurance from the Executive Directors that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group.

The Board is committed towards operating a sound system of internal control and effective risk management practices throughout the Group and is of the view that they are adequate to safeguard shareholders' investments and the Group's assets. There were no material losses incurred during the financial period as a result of weaknesses in internal control that would require a separate disclosure in the annual report. The Board will, when necessary, take the necessary steps to further enhance the Company's system of risk management and internal control to adapt to the ever changing and challenging business environment.

## REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the ACE Market Listing Requirements of Bursa Malaysia, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this annual report. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants for inclusion in the annual report and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared , in all material respect, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, or nor is factually inaccurate.

The external auditors are not required to consider whether the Directors' Statement on Risk Management and Internal Control covers all risk and control, or to form an opinion on the adequacy and effectiveness of the Company's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon in accordance with RPG (Revised 2015).The external auditors are also not required to consider the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement was made in accordance with a resolution of the Board dated 31 July 2019.

# Sustainability Statement



The Board acknowledges the importance of sustainable and responsible business practices in developing the corporate strategy of the Group. The business will be conducted in a responsible, trustworthy and ethical manner while attention will be given to the environmental, social and governance aspects of the business which underpin sustainability as well as balancing the interest of stakeholders to enhance investors' perception and public trust.

The Group recognises and adopts corporate social responsibility (CSR) commitments in our business operations as they have direct and indirect impact on the communities. Being a public listed company, EA Holdings upholds our responsibility to oblige to the statutory compliance of CSR and extend it further by implementing various measures of which are consistent with our stakeholder's best interest.

We have adopted a CSR policy which could be applied into our operational activities and our employees' day-to-day work activities based on economic, environmental and social prospect.

## (a) The Marketplace

Stakeholders play a crucial role for the growth and sustainability of the organisation. The Group is committed to maintain high standards of Corporate Governance and integrity within the company to promote confidence in stakeholders besides meeting shareholder expectations and to benefit the stake of the shareholders.

## (b) The Workplace

The Group aims for the diversification in the workforce through encouraging the staff to share knowledge, skills and experience among themselves and learn from each other. All employees are treated equally and being evaluated based on their contribution, performance and capability. The Group respect the human rights and there is no discrimination on the basis of gender, race or religion which are not relevant to the employment.

The Group believes in protecting the health and safety of our employees and provides employees a quality work environment which complies with the health and safety standards as a good working environment would help to increase the employees' efficiency and productivity besides improving the quality of life of our employees.

We encourage employees for continuous improvement by providing training to employees from time to time to enhance their skills and abilities which would offer excellent opportunities for personal and career development. We are committed in keeping their knowledge and relevant skills which in turn would contribute to the sustainability of the Group. In addition, we also organize activities, gatherings and outings to foster and cultivate closer ties within the Group. It also helps to produce dynamic workforce with a strong sense belonging.

## (c) The Environment

The Group understands the importance, impact and implications of our businesses to the environment and we implement environmental practices in our operations to conserve and minimize the impact to the environment.

### (i) Paperless environment

Staffs and clients are encouraged to fully maximize the benefits of ICT (eg email, instant messaging, etc.) for communication and only print hard copy when necessary. Moreover, in line with our aim to lower carbon footprints, the company will make its annual report available in softcopy on Bursa Securities and the company's websites.

### (ii) Recycling

Staffs are encouraged to print on both sides of the papers to minimize paper usage while unwanted papers and recyclable items are collected and sent to be recycled. This initiative is in place to support the government's Go Green effort.

### (iii) Energy saving

Employees are advised to switch off the lights and air conditioners when they are not in use to help to conserve energy.

# Additional Compliance Information



## (A) UTILISATION OF PROCEEDS

The status of utilisation of the gross proceeds of RM39.755 million from the Rights Issue by the Company as at 31 March 2019 are as follows:-

| Purposes | Proposed Utilisation RM'000 | Amount Utilised RM'000 | Amount Unutilised RM'000 | Deviation RM'000 | Intended Timeframe for Utilisation | Explanation |
|---|---|---|---|---|---|---|
| Future viable investments | 15,000 | 15,000 | - | - | Within 24 months from completion | |
| Repayment of borrowings | 5,000 | 4,550 | 450 | - | Within 24 months from completion | |
| Working capital | 18,755 | 12,555 | 6,200 | 81 | Within 24 months from completion | |
| Rights Issue expenses | 1,000 | 1,081 | (81) | (81) | Upon completion | Being the additional rights issue expenses of RM81,000 incurred |
| **Total** | **39,755** | **33,186** | **6,569** | **-** | | |

## (B) AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid to the external auditors and their affiliates by the Group and the Company respectively for the financial year are as follows :-

| | Company (RM) | Group (RM) |
|---|---|---|
| Audit services rendered | 60,000 | 185,000 |
| Non-audit services rendered | 115,000 | 115,000 |
| **Total** | **175,000** | **300,000** |

## (C) MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries involving the Company's Directors' and/or major shareholders' interest.

## (D) RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE ("RRPT")

During the financial year, the Company did not enter into any RRPT.

# Financial Statements

## DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2019.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, management and consultancy services. The principal activities of its subsidiaries are set out in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

### RESULTS

| | Group RM | Company RM |
|---|---|---|
| Loss for the financial year, net of tax | 51,100,441 | 47,175,895 |
| Attributable to: | | |
| Owners of the Company | 50,530,205 | 47,175,895 |
| Non-controlling interests | 570,236 | - |
| | 51,100,441 | 47,175,895 |

### RESERVES AND PROVISIONS

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

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Company is not in a position to pay or declare dividends for the current financial year.

### ISSUANCE OF SHARES OR DEBENTURES

On 27 April 2018, the Company has increased its paid-up share capital from RM134,284,411 to RM198,034,411 by way of issuance and allotment of 1,593,750,000 new ordinary shares at an issue price of RM0.04 per share for the purpose of acquisition of a subsidiary as disclosed in Note 10 to the financial statements.

During the financial year, 4,064 of Warrants B 2014/2019 ("Warrants B") were exercised at an exercise price of RM0.09 per Warrant, hence the Company paid-up share capital has increased from RM198,034,411 to RM198,034,778.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing issued ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

## WARRANTS

During the financial year, 4,064 of Warrants B 2014/2019 ("Warrants B") were exercised at an exercise price of RM0.09 per Warrant. As at 22 February 2019, the total numbers of Warrants B that remain unexercised amounted to 232,779,880 were expired and lapsed.

As at 31 March 2019, the total numbers of Warrants C that remain unexercised amounted to 403,067,132. There were no subsequent movement and these warrants have expired and lapsed on 23 June 2019.

During the financial year, the Company issued 1,087,061,194 free detachable Warrants E pursuant to the bonus issue on the basis of five (5) free warrants for every sixteen (16) existing ordinary shares of the Company held at an exercise price of RM0.035 per warrant.

Further information is disclosed in Note 18 to the financial statements.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year other than the above mentioned warrants.

## DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are:-

Dato' Azahar Bin Rasul
Mohammad Sobri Bin Saad *
Basir Bin Bachik *
Abdul Fattah Bin Mohamed Yatim
Leou Thiam Lai

* *Being a Director of one or more subsidiaries*

## DIRECTORS OF SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries (excluding Directors who are also Directors of the Company) since the beginning of the financial year to the date of this report are as follows:

Chia Kok Chin
Chong Chee Loong
Low Tee Chow
Norazian Binti Abdul Kudus

## DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, the interest of Directors in office at the end of financial year in the shares and warrants of the Company and its related corporations during the financial year were as follows:

| | Number of Ordinary Shares | | | |
|---|---|---|---|---|
| | At 1.4.2018 Unit | Addition Unit | Sold Unit | At 31.3.2019 Unit |
| **Name of Director** | | | | |
| *Ordinary shares in the Company* | | | | |
| Direct interest: | | | | |
| - Mohammad Sobri Bin Saad | 426,916,100 | 706,508,200 | - | 1,133,424,300 |
| - Basir Bin Bachik | 492,000 | - | - | 492,000 |
| - Abdul Fattah Bin Mohamed Yatim | 18 | - | - | 18 |

| | Number of Warrants B 2014/2019 | | | |
|---|---|---|---|---|
| | At 1.4.2018 Unit | Addition Unit | Expired Unit | At 31.3.2019 Unit |
| *Warrants B 2014/2019* | | | | |
| Direct interest: | | | | |
| - Mohammad Sobri Bin Saad | 27,289,331 | - | (27,289,331) | - |
| - Basir Bin Bachik | 224,476 | - | (224,476) | - |
| - Abdul Fattah Bin Mohamed Yatim | 4 | - | (4) | - |

| | Number of Warrants C 2014/2019 | | | |
|---|---|---|---|---|
| | At 1.4.2018 Unit | Addition Unit | Exercised/ Sold Unit | At 31.3.2019 Unit |
| *Warrants C 2014/2019* | | | | |
| Direct interest: | | | | |
| - Mohammad Sobri Bin Saad | 81,568,411 | - | - | 81,568,411 |

| | Number of Warrants D 2017/2022 | | | |
|---|---|---|---|---|
| | At 1.4.2018 Unit | Addition Unit | Exercised/ Sold Unit | At 31.3.2019 Unit |
| *Warrants D 2017/2022* | | | | |
| Direct interest: | | | | |
| - Mohammad Sobri Bin Saad | 125,931,575 | - | - | 125,931,575 |

| | Number of Warrants E 2018/2023 | | | |
|---|---|---|---|---|
| | At 1.4.2018 Unit | Addition Unit | Exercised/ Sold Unit | At 31.3.2019 Unit |
| *Warrants E 2018/2023* | | | | |
| Direct interest: | | | | |
| - Mohammad Sobri Bin Saad | - | 133,411,281 | - | 133,411,281 |
| - Basir Bin Bachik | - | 153,750 | - | 153,750 |
| - Abdul Fattah Bin Mohamed Yatim | - | 5 | - | 5 |

**DIRECTORS' INTERESTS** (cont'd)

None of the other Directors in office at the end of the financial year had any interest in the shares and warrants of the Company or its related corporations during the financial year.

**DIRECTORS' REMUNERATION AND BENEFITS**

The amounts of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiaries for their services to the Company and its subsidiaries were as follows:

| | Company RM |
|---|---|
| Fees | 132,000 |
| Salaries and other emoluments | 180,000 |
| Contributions to defined contribution plan | 21,600 |
| Social security contributions | 923 |
| **Total fees and other benefits** | 334,523 |

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) 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 as disclosed in Note 5(b) to the financial statements.

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

**OTHER STATUTORY INFORMATION**

(a) Before the statements of 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 satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

**OTHER STATUTORY INFORMATION** (cont'd)

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts 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;

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of the 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; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company and its subsidiaries are RM60,000 and RM125,000 respectively.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiaries by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Directors, officers or auditors of the Group and of the Company.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Details of significant events are disclosed in Note 31 to the financial statements.

**AUDITORS**

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 31 July 2019.

DATO' AZAHAR BIN RASUL

BASIR BIN BACHIK

# Statement By Directors

## Pursuant To Section 251(2) Of The Companies Act 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 44 to 143 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 31 July 2019.

DATO' AZAHAR BIN RASUL

BASIR BIN BACHIK

# Statutory Declaration

## Pursuant To Section 251(2) Of The Companies Act 2016

I, TAY MUN KIT (MIA No.: 45121), being the Officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 44 to 143 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 in the Federal Territory
on 31 July 2019

TAY MUN KIT

Before me,

TAN KIM CHOOI
W661

# Independent Auditors' Report
To The Members Of EA Holdings Berhad



**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of EA Holdings Berhad, which comprise the statements of financial position as at 31 March 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**Key Audit Matters**

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

**Key Audit Matters** (cont'd)

| Key Audit Matters | Our audit procedures performed and responses thereon |
|---|---|
| **Impairment Review of Goodwill** | |
| As at 31 March 2019, as shown in Note 9 to the financial statements, the carrying amount of goodwill recorded in the Group amounted to RM68,804,337, representing approximately 37.2% of the Group's total assets.<br><br>The Group is required to perform an annual impairment review on the goodwill which arose from the Group's acquisition of six (6) subsidiaries. The Group applies the value-in-use ("VIU") calculation using cash flow projections derived from the most recent financial forecast approved by Directors covering a five-year period to estimate the recoverable amounts of the goodwill.<br><br>During the financial year, the Group has recognised an additional impairment loss of RM8,183,985 for its goodwill arising from three (3) subsidiaries involved in the software solution and RFID system businesses.<br><br>We have identified the valuation of goodwill as a key audit matter as the impairment test involves significant management judgement in determining the allocation of goodwill to the cash-generating units ("CGUs") and in estimating the underlying assumptions to be applied in the discounted cash flow projections of the VIU calculation. The recoverable amounts of the goodwill are highly sensitive to key assumptions applied in respect of future revenue, gross margin and the pre-tax discount rate used in the cash flow projections. A small change in the assumption can have a significant impact on the estimation of the recoverable amount. | We have performed the following audit procedures to evaluate management's methodology and assumptions used in the VIU and for each CGU:-<br><br>• Assessed on the purchase price allocation ("PPA") in relation to the fair value of identifiable assets and liabilities for the acquisition of Sunland;<br><br>• Assessed and compared the key assumptions including forecasted revenue, gross margin and the pre-tax discount rate against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available; and<br><br>• Performed sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact of the recoverable amounts of the goodwill. |

**Key Audit Matters** (cont'd)

| Key Audit Matters | Our audit procedures performed and responses thereon |
|---|---|
| **Impairment Review of Development Costs and Intellectual Property** | |
| As at 31 March 2019, as shown in Note 9 to the financial statements, the total carrying amount of the Group's development costs and intellectual property amounted to RM509,954.<br><br>A history of recent losses by the Group's software solution and RFID system segment has resulted in an indication that the carrying amounts of the development costs and intellectual property may be impaired. Accordingly, the Group estimated the recoverable amounts of the development costs and intellectual property based on value-in-use ("VIU") calculation using cash flow projections derived from the most recent financial forecast approved by Directors covering a five-year period. During the financial year, the Group has recognised an impairment loss of RM4,899,705 and RM2,668,750 respectively for its development costs and intellectual property.<br><br>We have identified the impairment review of development costs and intellectual property as a key audit matter as impairment test involves significant management judgement in estimating the underlying assumptions to be applied in the discounted cash flow projections of the VIU calculation. The recoverable amounts of the development costs and intellectual property are highly sensitive to key assumptions applied in respect of future revenue, gross margin and pre-tax discount rate used in the cash flow projections. A small change in the assumption can have a significant impact on the estimation of recoverable amount. | We have performed the following audit procedures to evaluate management's methodology and assumptions used in the VIU:-<br><br>• Assessed and compared the key assumptions including forecasted revenue, gross margin and the pre-tax discount rate against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available; and<br><br>• Performed sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact of the recoverable amounts of the development costs and intellectual property. |

**Key Audit Matters** (cont'd)

| Key Audit Matters | Our audit procedures performed and responses thereon |
|---|---|
| **Impairment Review of the Company's Investment in Subsidiaries** | |
| As at 31 March 2019, as shown in Note 10 to the financial statements, the carrying amount of the Company's investment in subsidiaries amounted to RM103,614,404, representing approximately 61.8% of the Company's total assets.<br><br>A history of recent losses by certain subsidiaries has resulted in an indication that the carrying amounts of investment in subsidiaries may be impaired. Accordingly, the Company estimated the recoverable amounts of the investment in subsidiaries based on value-in-use ("VIU") calculation using cash flow projections derived from the most recent financial forecast approved by Directors covering a five-year period and fair value less costs of disposal (as the case may be).<br><br>During the financial year, the Company has recognised an additional impairment loss of RM35,606,255 for its investment in subsidiaries.<br><br>We have identified the impairment review of investment in subsidiaries as a key audit matter as impairment test involves significant management judgement in estimating the underlying assumptions to be applied in the discounted cash flow projections of the VIU calculation. The recoverable amounts of the Company's investment in subsidiaries and capital contribution are highly sensitive to key assumptions applied in respect of future revenue, gross margin and the pre-tax discount rate used in the cash flow projections. A small change in the assumption can have a significant impact on the estimation of the recoverable amount. | We have performed the following audit procedures to evaluate management's methodology and assumptions used in the VIU and the estimate of fair value less costs of disposal:-<br><br>• Assessed and compared the key assumptions including forecasted revenue, gross margin and the pre-tax discount rate against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available;<br><br>• Performed sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact of the recoverable amounts of the cost of investment; and<br><br>• Assessed the adjusted net assets of the subsidiary in deriving the recoverable amounts of the cost of investment to estimate the fair value of the subsidiary. |

**Key Audit Matters** (cont'd)

| Key Audit Matters | Our audit procedures performed and responses thereon |
|---|---|
| **Impairment Review of Investment in An Associate** | |
| As at 31 March 2019, as shown in Note 11 to the financial statements, the total carrying amount of the Group's and the Company's investment in an associate, Cekap Air Sdn. Bhd. ("CASB") amounted to RM51,177,320 and RM37,940,000, representing approximately 27.7% and 22.6% of the Group's and the Company's total assets respectively.<br><br>During the financial year, the Group and the Company have recognised an impairment loss of RM9,100,000 for its investment in CASB due to the loss-making position and the unfavourable future outlook due to changes in market conditions.<br><br>We have identified the impairment review of investment in an associate as a key audit matter due to the significance of the Group's investment in CASB in the context of the Group's consolidated financial statements, along with the judgements involved in the management's impairment assessment of the investment in CASB which is heavily dependent on the future prospects of CASB. In addition, the revenue recognition by CASB required exercise of judgement in determining the stage of completion, the extent of costs incurred, the estimated total revenue and costs, as well as the recoverability of the costs. | We have performed the following audit procedures in relation to the impairment review of investment in an associate:-<br><br>• Understanding management's process for identifying the existence of impairment indicators in respect of the investment in CASB;<br>• Assessed and compared the key assumptions including forecasted revenue, gross margin and discount rate to the historical financial information of the associate; and<br>• Performed sensitivity analysis by changing certain key assumptions used in the cash flow projections and assessed the impact to the recoverable amount of CASB. |

# Independent Auditors' Report

To The Members Of EA Holdings Berhad (Continued)



**Key Audit Matters** (cont'd)

| Key Audit Matters | Our audit procedures performed and responses thereon |
|---|---|
| **Recoverability Assessment of Trade Receivables** | |
| As at 31 March 2019, as shown in Note 12 to the financial statements, the Group has net trade receivables balance of RM13,952,978, representing approximately 7.5% of the Group's total assets. During the financial year, the Group has recognised and an impairment loss of RM2,586,488 and also written off trade receivables amounted to RM9,563,318.<br><br>As described in the notes to the financial statements, the impairment losses have been determined in accordance with Expected Credit Loss model (''ECL'') as specified by the new accounting standard, *MFRS 9 Financial Instruments* which requires significant judgement and estimation to determine the recoverability of the trade debts.<br><br>We have identified recoverability on trade receivables as a key audit matter because of the significance of trade receivables in the financial statements both in amount and nature and the significant judgements required for the determination of the amount of impairment loss required as mentioned above. | We have performed the following audit procedures in relation to the recoverability of trade receivables:-<br><br>• Reviewed the reliability of ageing of trade receivables at year end on a sample basis and understand the credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports prepared by management;<br>• Reviewed subsequent settlement of trade receivables after the financial year end on a sample basis, if any and evaluated management's explanation on recoverability with significant past due balances; and<br>• Reviewed management's assessment on the recoverability of past due debts to assess the sufficiency of allowance for trade receivables through specific and collective provisions with reference to historical payment pattern of the customer, historical trend of bad debts or impairment provided for and correlation with macroeconomic factors. |

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

**Responsibilities of the Directors for the Financial Statements**

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

**Auditors' Responsibilities for the Audit of the Financial Statements** (cont'd)

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements** (cont'd)

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

**Other Matter**

This report is made solely to the members of the Company as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

STEPHEN WAN YENG LEONG
02963/07/2021 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 31 July 2019

# Statements Of Comprehensive Income

For The Financial Year Ended 31 March 2019



| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| Revenue | 4 | 26,674,850 | 20,825,083 | - | - |
| **Other items of income** | | | | | |
| Other income | | 344,017 | 349,247 | 170,986 | 270,483 |
| **Items of expenses** | | | | | |
| Changes in inventories of trading merchandise | | (207,735) | 44,033 | - | - |
| Purchases and other direct costs | | (20,484,852) | (13,917,024) | - | - |
| Employee benefits expense | 5(a) | (8,360,117) | (7,824,767) | (508,777) | (443,238) |
| Directors' remuneration | 5(b) | (1,559,081) | (1,330,052) | (334,523) | (233,928) |
| Depreciation of property, plant and equipment | 8 | (1,241,741) | (1,147,442) | (258,110) | (258,446) |
| Loss on disposal of property, plant and equipment | | (2,155) | - | - | - |
| Property, plant and equipment written off | 8 | (180,906) | - | - | - |
| Amortisation of intangible assets | 9 | (890,956) | (924,913) | - | - |
| Impairment loss on goodwill | 9 | (8,183,985) | (3,692,677) | - | - |
| Impairment loss on development costs | 9 | (4,899,705) | - | - | - |
| Impairment loss on intellectual property | 9 | (2,668,750) | - | - | - |
| Impairment loss on investment in subsidiaries | 10 | - | - | (35,606,255) | (14,208,647) |
| Impairment loss on investment in an associate | 11 | (9,100,000) | - | (9,100,000) | - |
| Impairment loss on trade receivables | 12 | (2,586,488) | (444,241) | - | - |
| Trade receivables written off | | (9,563,318) | - | - | - |
| Inventory written off | 13 | (986,000) | - | - | - |
| Other expenses | | (3,668,280) | (3,482,309) | (1,143,098) | (1,290,096) |
| **Loss from operations** | | (47,565,202) | (11,545,062) | (46,779,777) | (16,163,872) |
| Finance costs | 5 | (1,526,187) | (347,101) | (394,009) | (261,077) |
| Share of result of associate, net of tax | 11 | (967,778) | 4,046,669 | - | - |
| **Loss before tax** | 5 | (50,059,167) | (7,845,494) | (47,173,786) | (16,424,949) |
| Tax expense | 6 | (1,041,274) | (248,061) | (2,109) | (4,110) |
| **Loss net of tax, representing total comprehensive income for the financial year** | | (51,100,441) | (8,093,555) | (47,175,895) | (16,429,059) |

# Statements Of Comprehensive Income
For The Financial Year Ended 31 March 2019 (Continued)



| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | RM | RM | RM |
| **Loss net of tax, representing total comprehensive income attributable to:-** | | | | | |
| Owners of the Company | | (50,530,205) | (7,902,243) | (47,175,895) | (16,429,059) |
| Non-controlling interests | 10(a) | (570,236) | (191,312) | - | - |
| | | (51,100,441) | (8,093,555) | (47,175,895) | (16,429,059) |
| **Loss per ordinary share attributable to Owners of the Company:** | | | | | |
| Basic and diluted (sen): | 7 | (1.02) | (0.34) | | |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

# Statements Of Financial Position

As At 31 March 2019



| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 8 | 7,124,654 | 5,473,493 | 3,741,970 | 3,996,525 |
| Intangible assets | 9 | 69,314,291 | 17,153,350 | - | - |
| Investment in subsidiaries | 10 | - | - | 103,614,404 | 22,038,589 |
| Investment in an associate | 11 | 51,177,320 | 61,245,098 | 37,940,000 | 47,040,000 |
| Trade receivables | 12 | 3,000,532 | - | - | - |
| | | 130,616,797 | 83,871,941 | 145,296,374 | 73,075,114 |
| **Current Assets** | | | | | |
| Inventories | 13 | 2,531,929 | 437,535 | - | - |
| Trade receivables | 12 | 11,256,985 | 32,000,654 | - | - |
| Other receivables and deposits | 14 | 7,804,972 | 18,195,335 | 3,870,103 | 13,877,371 |
| Contract assets | 15 | 925,140 | 229,420 | - | - |
| Amounts due from subsidiaries | 16 | - | - | - | 31,958,455 |
| Amount due from an associate | 16 | 4,269,689 | 7,559,689 | 4,856,915 | 8,146,915 |
| Tax recoverable | | 89,624 | - | - | - |
| Fixed deposits placed with licensed banks | 17(a) | 4,384,330 | 4,150,322 | 2,036,271 | 1,997,127 |
| Short-term money market deposit | 17(b) | 3,600,000 | - | - | - |
| Cash and bank balances | | 19,570,352 | 24,494,747 | 11,628,217 | 22,631,336 |
| | | 54,433,021 | 87,067,702 | 22,391,506 | 78,611,204 |
| **TOTAL ASSETS** | | 185,049,818 | 170,939,643 | 167,687,880 | 151,686,318 |

# Statements Of Financial Position

As At 31 March 2019 (Continued)



| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 18 | 198,034,778 | 134,284,411 | 198,034,778 | 134,284,411 |
| Reserves | 19 | (22,535,471) | 28,790,570 | (33,987,998) | 13,983,733 |
| **Total equity attributable to Owners of the Company** | | 175,499,307 | 163,074,981 | 164,046,780 | 148,268,144 |
| Non-controlling interests | 10(c) | 584,086 | 49,248 | - | - |
| **Total Equity** | | 176,083,393 | 163,124,229 | 164,046,780 | 148,268,144 |
| **Liabilities** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Borrowings | 20 | 1,902,648 | 2,129,967 | 1,604,002 | 1,722,633 |
| Deferred tax liabilities | 21 | 468,311 | 37,168 | - | - |
| | | 2,370,959 | 2,167,135 | 1,604,002 | 1,722,633 |
| **Current Liabilities** | | | | | |
| Trade payables | 22 | 1,204,468 | 1,391,188 | - | - |
| Other payables and accruals | 23 | 1,570,210 | 1,400,561 | 587,231 | 480,185 |
| Contract liabilities | 15 | 1,250,872 | 504,895 | - | - |
| Amounts due to subsidiaries | 24 | - | - | 836,015 | - |
| Amounts due to Directors | 24 | 43,940 | 33,878 | 13,790 | 3,728 |
| Borrowings | 20 | 1,758,857 | 1,693,921 | 600,062 | 1,211,628 |
| Tax payable | | 767,119 | 623,836 | - | - |
| | | 6,595,466 | 5,648,279 | 2,037,098 | 1,695,541 |
| **Total Liabilities** | | 8,966,425 | 7,815,414 | 3,641,100 | 3,418,174 |
| **TOTAL EQUITY AND LIABILITIES** | | 185,049,818 | 170,939,643 | 167,687,880 | 151,686,318 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

# Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 March 2019

| | Note | <--Attributable to Owners of the Company--> <--Non-Distributable-- Share Capital RM | Warrants Reserve RM | Capital Reserve RM | Other Reserve RM --> | Distributable (Accumulated Losses)/ Retained Earnings RM --> | Total RM | Non-Controlling Interests RM | Total Equity RM |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **At 1 April 2017** | | 149,083,389 | 9,502,695 | - | (13,737,745) | (12,472,099) | 132,376,240 | 240,560 | 132,616,800 |
| Loss net of tax, representing total comprehensive income for the financial year | | - | - | - | - | (7,902,243) | (7,902,243) | (191,312) | (8,093,555) |
| **Transactions with Owners of the Company:** | | | | | | | | | |
| Issuance of ordinary shares pursuant to: | | | | | | | | | |
| - Rights issue | 18 | 39,755,406 | - | - | - | - | 39,755,406 | - | 39,755,406 |
| - Fair value on Warrants D | 19 | (9,938,851) | 9,938,851 | - | - | - | - | - | - |
| Share issuance expenses | | - | - | - | - | (1,154,422) | (1,154,422) | - | (1,154,422) |
| Capital reduction | 18 | (44,615,533) | - | 12,125,668 | - | 32,489,865 | - | - | - |
| Set-off with accumulated losses | | - | - | (12,125,668) | - | 12,125,668 | - | - | - |
| **Total transactions with Owners of the Company** | | (14,798,978) | 9,938,851 | - | - | 43,461,111 | 38,600,984 | - | 38,600,984 |
| **At 31 March 2018** | | 134,284,411 | 19,441,546 | - | (13,737,745) | 23,086,769 | 163,074,981 | 49,248 | 163,124,229 |

# Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 March 2019 (Continued)

| | Note | Share Capital RM | Warrants Reserve RM | Other Reserve RM | Retained Earnings/ (Accumulated Loss) RM | Total RM | Non-Controlling Interests RM | Total Equity RM |
|---|---|---|---|---|---|---|---|---|
| | | <------------------Attributable to Owners of the Company | | | ------------------> | | | |
| | | <---------- ------Non-Distributable | | ---------------> | Distributable | | | |
| **Group** | | | | | | | | |
| **At 1 April 2018** | | 134,284,411 | 19,441,546 | (13,737,745) | 23,086,769 | 163,074,981 | 49,248 | 163,124,229 |
| Loss net of tax, representing total comprehensive income for the financial year | | - | - | - | (50,530,205) | (50,530,205) | (570,236) | (51,100,441) |
| **Transactions with Owners of the Company:** | | | | | | | | |
| Issuance of ordinary shares pursuant to: | | | | | | | | |
| - Acquisition of a subsidiary | 18 | 63,750,000 | - | - | - | 63,750,000 | 1,105,074 | 64,855,074 |
| - Exercise of Warrants B | 18 | 367 | - | - | - | 367 | - | 367 |
| Share issuance expenses | | - | - | - | (795,836) | (795,836) | - | (795,836) |
| **Total transactions with Owners of the Company** | | 63,750,367 | - | - | (795,836) | 62,954,531 | 1,105,074 | 64,059,605 |
| **At 31 March 2019** | | 198,034,778 | 19,441,546 | (13,737,745) | (28,239,272) | 175,499,307 | 584,086 | 176,083,393 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

# Statement Of Changes In Equity

For The Financial Year Ended 31 March 2019



| | Note | Share Capital RM | Capital Reserve RM | Warrants Reserve RM | Accumulated Losses RM | Total Equity RM |
|---|---|---|---|---|---|---|
| | | <---Non-Distributable | | ---> | | |
| **Company** | | | | | | |
| **At 1 April 2017** | | 149,083,389 | - | 9,502,695 | (32,489,865) | 126,096,219 |
| Loss net of tax, representing total comprehensive income for the financial year | | - | - | - | (16,429,059) | (16,429,059) |
| **Transactions with Owners of the Company:** | | | | | | |
| Issuance of ordinary shares pursuant to: | | | | | | |
| - Rights issue | 18 | 39,755,406 | - | - | - | 39,755,406 |
| - Fair value on Warrants D | 19 | (9,938,851) | - | 9,938,851 | - | - |
| Share issuance expenses | | - | - | - | (1,154,422) | (1,154,422) |
| Capital reduction | 18 | (44,615,533) | 12,125,668 | - | 32,489,865 | - |
| Set-off with accumulated losses | | - | (12,125,668) | - | 12,125,668 | - |
| **Total transactions with Owners of the Company** | | (14,798,978) | - | 9,938,851 | 43,461,111 | 38,600,984 |
| **At 31 March 2018** | | 134,284,411 | - | 19,441,546 | (5,457,813) | 148,268,144 |

# Statement Of Changes In Equity

For The Financial Year Ended 31 March 2019 (Continued)

| | | <--------Non-Distributable | --------> | | | |
|---|---|---|---|---|---|---|
| | Note | Share Capital RM | Capital Reserve RM | Warrants Reserve RM | Accumulated Losses RM | Total Equity RM |
| **Company** | | | | | | |
| **At 1 April 2018** | | 134,284,411 | - | 19,441,546 | (5,457,813) | 148,268,144 |
| Loss net of tax, representing total comprehensive income for the financial year | | - | - | - | (47,175,895) | (47,175,895) |
| **Transactions with Owners of the Company:** | | | | | | |
| Issuance of ordinary shares pursuant to: | | | | | | |
| - Acquisition of a subsidiary | 18 | 63,750,000 | - | - | - | 63,750,000 |
| - Exercise of Warrants B | 18 | 367 | - | - | - | 367 |
| Share issuance expenses | | - | - | - | (795,836) | (795,836) |
| **Total transactions with Owners of the Company** | | 63,750,367 | - | - | (795,836) | 62,954,531 |
| **At 31 March 2019** | | 198,034,778 | - | 19,441,546 | (53,429,544) | 164,046,780 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

# Statements Of Cash Flows

For The Financial Year Ended 31 March 2019



| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| Loss before tax | | (50,059,167) | (7,845,494) | (47,173,786) | (16,424,949) |
| Adjustments for:- | | | | | |
| Amortisation of: | | | | | |
| - development costs | | 715,956 | 749,913 | - | - |
| - intellectual property | | 175,000 | 175,000 | - | - |
| Deposits written off | | - | 10,000 | - | - |
| Depreciation of property, plant and equipment | | 1,241,741 | 1,147,442 | 258,110 | 258,446 |
| Loss/(gain) on disposal of property, plant and equipment | | 2,155 | (32,397) | - | - |
| Impairment loss on: | | | | | |
| - development costs | | 4,899,705 | - | - | - |
| - intellectual property | | 2,668,750 | - | - | - |
| - goodwill | | 8,183,985 | 3,692,677 | - | - |
| - investment in subsidiaries | | - | - | 35,606,255 | 14,208,647 |
| - investment in an associate | | 9,100,000 | - | 9,100,000 | - |
| - trade receivables | | 2,586,488 | 444,241 | - | - |
| Interest expense | | 1,526,187 | 347,101 | 394,009 | 261,077 |
| Inventory written off | | 986,000 | - | - | - |
| Property, plant and equipment written off | | 180,906 | - | - | - |
| Trade receivables written off | | 9,563,318 | - | - | - |
| Bad debts recovered | | - | (18,900) | - | - |
| Interest income | | (180,031) | (173,759) | (58,186) | (110,882) |
| Share of result of associate, net of tax | | 967,778 | (4,046,669) | - | - |
| Unrealised (gain)/loss on foreign exchange | | (517) | 11,004 | - | - |
| Operating loss before working capital changes | | (7,441,746) | (5,539,841) | (1,873,598) | (1,807,661) |
| **Changes in working capital:** | | | | | |
| Inventories | | (897,326) | (44,033) | - | - |
| Receivables | | 21,047,426 | (16,864,718) | 10,007,268 | (13,692,325) |
| Payables | | (243,084) | 555,377 | 107,046 | 318,813 |
| Contract assets/liabilities | | 50,257 | - | - | - |
| Cash generated from/(used in) operations | | 12,515,527 | (21,893,215) | 8,240,716 | (15,181,173) |
| Tax paid | | (1,312,117) | (961,229) | (2,109) | (4,110) |
| Interest paid | | (518,249) | (347,101) | (394,009) | (261,077) |
| Interest received | | 180,031 | 173,759 | 58,186 | 110,882 |
| **Net cash from/(used in) operating activities, carried forward** | | 10,865,192 | (23,027,786) | 7,902,784 | (15,335,478) |

# Statements Of Cash Flows

## For The Financial Year Ended 31 March 2019 (Continued)



| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| Net cash from/(used in) operating activities, brought forward | | 10,865,192 | (23,027,786) | 7,902,784 | (15,335,478) |
| **Cash Flows from Investing Activities** | | | | | |
| Net cash outflow arising from acquisition of a subsidiary | 10(a) | (14,199,312) | - | (15,000,000) | - |
| Proceeds from disposal of property, plant and equipment | | 400 | 45,500 | - | - |
| Purchase of property, plant and equipment | | (39,819) | (76,908) | (3,555) | - |
| **Net cash used in investing activities** | | (14,238,731) | (31,408) | (15,003,555) | - |
| **Cash Flows from Financing Activities** | | | | | |
| Repayment from/(advances to) an associate | | 3,290,000 | (6,212,827) | 3,290,000 | (5,840,053) |
| Advances to subsidiaries | | - | - | (5,637,600) | (1,770,884) |
| Increase in fixed deposits pledged | | (234,008) | (397,212) | (39,144) | (63,266) |
| Payment of share issuance expenses | | (795,836) | (1,154,422) | (795,836) | (1,154,422) |
| Proceeds from exercise of warrants | | 367 | - | 367 | - |
| Proceeds from issuance of share capital | | - | 39,755,406 | - | 39,755,406 |
| Advances from/(repayment to) Directors | | 10,062 | (70,000) | 10,062 | (70,000) |
| Repayment of borrowings | | (266,254) | (1,274,633) | (113,012) | (1,031,326) |
| **Net cash from/(used in) financing activities** | | 2,004,331 | 30,646,312 | (3,285,163) | 29,825,455 |
| **Net (decrease)/increase in cash and cash equivalents** | | (1,369,208) | 7,587,118 | (10,385,934) | 14,489,977 |
| Effect of exchange rate changes on cash and cash equivalents | | 517 | (11,004) | - | - |
| Cash and cash equivalents at beginning of the financial year | | 23,103,214 | 15,527,100 | 21,536,715 | 7,046,738 |
| **Cash and cash equivalents at end of the financial year** | (i) | 21,734,523 | 23,103,214 | 11,150,781 | 21,536,715 |

# Statements Of Cash Flows

For The Financial Year Ended 31 March 2019 (Continued)



**Note:**

(i) Cash and cash equivalents comprise:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | RM | RM | RM |
| Fixed deposits placed with licensed banks | 17(a) | 4,384,330 | 4,150,322 | 2,036,271 | 1,997,127 |
| Short-term money market deposit | 17(b) | 3,600,000 | - | - | - |
| Cash and bank balances | | 19,570,352 | 24,494,747 | 11,628,217 | 22,631,336 |
| | | 27,554,682 | 28,645,069 | 13,664,488 | 24,628,463 |
| Less: Fixed deposits pledged as collaterals | | (4,384,330) | (4,150,322) | (2,036,271) | (1,997,127) |
| Bank overdrafts | 20(c) | (1,435,829) | (1,391,533) | (477,436) | (1,094,621) |
| | | 21,734,523 | 23,103,214 | 11,150,781 | 21,536,715 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

# Notes To The Financial Statements
– 31 March 2019



## 1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 149A, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

The principal place of business of the Company is located at Unit 25-5, Menara Permata Damansara, No. 685, Jalan Damansara, 60000 Kuala Kumpur.

The Company is principally engaged in investment holding, management and consultancy services. The principal activities of its subsidiaries are set out in Note 10. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue in accordance with Board of Directors' resolution dated 31 July 2019.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int**

#### (i) Adoption of new MFRSs, Amendments/Improvements to MFRSs and IC Int

The Group and the Company had adopted the following new MFRSs, Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year:

| | |
|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to MFRS 15 | Clarification to MFRS 15: Revenue from Contracts with Customers |
| Amendments to MFRS 4 | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts |
| Amendments to MFRS 140 | Transfers of Investment Property |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |

Annual Improvements to MFRSs 2014-2016 Cycle

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int** (cont'd)

(i) **Adoption of new MFRSs, Amendments/Improvements to MFRSs and IC Int** (cont'd)

The adoption of the new MFRSs, Amendments/Improvements to MFRSs and IC Int did not have any significant effect on the financial statements of the Group and of the Company except for:-

**MFRS 15 Revenue from Contracts with Customers**

The adoption of MFRS 15 resulted in changes in accounting policies in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group has complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below:-

(i) Presentation of contract assets/liabilities

The Group has changed the presentation of certain amounts in the statements of financial position to reflect the terminology of MFRS 15.

Effects of presentation in statements of financial position of the Group:

| | As previously reported RM | Effect on adoption of MFRS 15 RM | As reclassified RM |
|---|---|---|---|
| **Group** | | | |
| **2018** | | | |
| **Current Assets:** | | | |
| Accrued billings | 229,420 | (229,420) | - |
| Contract assets | - | 229,420 | 229,420 |
| **Current Liabilities:** | | | |
| Deferred revenue | 504,895 | (504,895) | - |
| Contract liabilities | - | 504,895 | 504,895 |

**MFRS 9 Financial Instruments**

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

**Loans and receivables classified as amortised cost**

Trade, other receivables and other financial assets, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 March 2018 are measured at amortised cost and there is no material difference in the measurement upon adoption of MFRS 9.

**2. BASIS OF PREPARATION** (cont'd)

**(a) Statement of compliance** (cont'd)

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int** (cont'd)

**(i) Adoption of new MFRSs, Amendments/Improvements to MFRSs and IC Int** (cont'd)

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

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a ''loss event'') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. No additional impairment losses are recognised at the date of initial application.

**(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new MFRSs and Amendments/Improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company: -

***Effective for financial periods beginning on or after 1 January 2019***

| | |
|---|---|
| MFRS 16 | Leases |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |
| Annual Improvements to MFRSs 2015-2017 Cycle | |

***Effective for financial periods beginning on or after 1 January 2020***

| | |
|---|---|
| Amendments to MFRS 2 | Share-Based Payment |
| Amendments to MFRS 3 | Business Combinations |
| Amendments to MFRS 6 | Exploration for and Evaluation of Mineral Resources |
| Amendments to MFRS 14 | Regulatory Deferral Accounts |
| Amendments to MFRS 101 | Presentation of Financial Statements |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| Amendments to MFRS 134 | Interim Financial Reporting |
| Amendments to MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets |
| Amendments to MFRS 138 | Intangible Assets |

**2. BASIS OF PREPARATION** (cont'd)

**(a) Statement of compliance** (cont'd)

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int** (cont'd)

**(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted** (cont'd)

***Effective for financial periods beginning on or after 1 January 2020***

| | |
|---|---|
| Amendments to IC Interpretation 12 | Service Concession Arrangements |
| Amendments to IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |
| Amendments to IC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine |
| Amendments to IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to IC Interpretation 132 | Intangible Assets - Web Site Costs |

***Effective for financial periods beginning on or after 1 January 2021***

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

***Effective date to be announced***

| | |
|---|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial applications, except as described below:

**MFRS 16 Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

**2. BASIS OF PREPARATION** (cont'd)

**(a) Statement of compliance** (cont'd)

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int** (cont'd)

**(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted** (cont'd)

**MFRS 16 Leases** (cont'd)

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standards on the required effective date.

**(b) Basis of measurement**

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

**(c) Functional and presentation currency**

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

**(d) Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or 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 are set out below.

**2. BASIS OF PREPARATION** (cont'd)

**(d) Significant accounting estimates and judgements** (cont'd)

**(i) Depreciation of property, plant and equipment**

The cost of property, plant and equipment is depreciated on a straight-line method over the assets' useful lives. The Directors estimate the useful lives of these property, plant and equipment to be between 5 to 50 years.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**(ii) Intangible assets**

The Group has intangible assets (other than goodwill) and the annual amortisation of intangible assets is charged to the statements of comprehensive income. The Group reviews the residual value and useful life of intangible assets at each reporting date in accordance with the accounting policy as disclosed in Note 3(j). The Group also assesses annually whether the intangible assets have been impaired based on future cash flow projections, which depend significantly on the procurement of future projects, using an appropriate discount factor. The impairment assessment could be materially affected by the changes in the assumptions and estimates used in the cash flows projection. Changes in the residual value arising from the impairment assessment and the review of useful life could have significant impact on the results of the Group.

**(iii) Income taxes**

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

**(iv) Impairment of non-financial assets**

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

**(v) Impairment of intangible assets**

This requires management to estimate the expected future cash flows, which depends significantly on the procurement of future projects, to apply a suitable discount rate to determine the present value of those cash flows. The impairment assessment could be materially affected by the changes in the assumptions and estimates used in the cash flows projection.

2. **BASIS OF PREPARATION** (cont'd)

(d) **Significant accounting estimates and judgements** (cont'd)

(vi) **Impairment of goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(vii) **Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a loan or receivable is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loan and receivables at the reporting date are disclosed in note to the financial statements.

In adoption of MFRS 9, the Group and the Company assess on a forward-looking basis the expected credit loss associated with their debt instruments carried at amortised cost. The impairment methodology applied as disclosed in Note 3(n) depends on whether there has been a significant increase in credit risk.

(viii) **Write-down of inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(ix) **Deferred tax assets and liabilities**

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

**2. BASIS OF PREPARATION** (cont'd)

**(d) Significant accounting estimates and judgements** (cont'd)

**(x) Carrying value of investment in subsidiaries**

Investment in subsidiaries are reviewed for impairment annually in accordance with its accounting policy whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying values of investment in subsidiaries.

**(xi) Fair value estimates for certain financial assets and liabilities**

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

**(xii) Impairment of investment in an associate**

The Group and the Company assess at each reporting date whether the carrying amount of its investment in an associate is impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of discounted cash flows analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts. In performing discounted cash flows analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The growth rates used to forecast the projected cash flows for the following year approximate the performances of the respective investments based on the latest available management accounts.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

**(a) Basis of consolidation**

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(a) Basis of consolidation** (cont'd)

Consolidation (cont'd)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to Owners of the Company.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(a) **Basis of consolidation** (cont'd)

Business combination (cont'd)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in the profit or loss.

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

Subsidiaries

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(a) Basis of consolidation** (cont'd)

Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly, to Owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated of financial position, separately from equity attributable to Owners of the Company. Non-controlling interest is initially measured at acquisition-date share of net assets other then goodwill as of the acquisition after and is subsequently adjusted for the changes in the net assets of the subsidiary after the acquisition date.

Changes in the Company's 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 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 interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Owners of the Company.

Associates

Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investment includes transaction costs.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(a) Basis of consolidation** (cont'd)

Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in functional currencies using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

**(c) Revenue and other income recognition**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Revenue and other income recognition** (cont'd)

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- The Group's and the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced; or
- The Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Sales of goods

Revenue from sales of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, or performance of services, net of sales and goods and services taxes and discounts.

Service contracts

The Group recognises revenue from service contracts over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

Other revenue earned by the Group and the Company are recognised on the following basis:

Rental income

Rental income from property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(d) **Employee benefits**

(i) Short-term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(d) **Employee benefits**

(i) Short-term employee benefits (cont'd)

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(e) **Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(f) **Income taxes**

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(f) Income taxes** (cont'd)

Deferred tax (cont'd)

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

**(g) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

(i) Finance Lease

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

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(g) Leases** (cont'd)

(ii) Operating Lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

**(h) Earnings per share**

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial year, adjusted for the effects of all dilutive potential ordinary shares, which comprise free warrants granted to shareholders.

**(i) Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(i) **Property, plant and equipment** (cont'd)

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

| | |
|---|---|
| Freehold land and building | 2% |
| Freehold office units | 5% |
| Office equipment, furniture and fittings, computers and renovation | 10% - 20% |
| Motor vehicles | 20% |
| Machinery and equipment | 10% |

Freehold land has an indefinite useful life and therefore is not depreciated.

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(j) **Intangible assets**

Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiary companies at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in the profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(j) Intangible assets** (cont'd)

Development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on the development activities is also recognised as an expense in the period incurred except when the expenditure meet the following criteria where it will be capitalised as intangible assets:

(i) the product or process is clearly defined and costs are separately identified and measure reliably;
(ii) the technical feasibility of the product is demonstrated;
(iii) the product or process will be sold or used in-house;
(iv) the assets will generate future economic benefits (e.g. potential market exists for the product or its usefulness, in case of internal use, is demonstrated); and
(v) adequate technical, financial and other resources required for completion of the project are available.

Development costs initially recognised as an expense are not recognised as an asset in subsequent period.

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

Intellectual property

Intellectual property rights are recognised as intangible asset if it is probable that the future economic benefits that are attributable to such asset will flow to the Group and the costs of such asset can be measured reliably.

Intellectual property rights acquired for the use of certain brand names and trademarks are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the profit or loss in a straight-line basis over the estimated useful life of 20 years.

The intellectual property rights are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of an asset less its residual value.

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(j) Intangible assets** (cont'd)

Amortisation (cont'd)

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Development costs | 5 – 15 years |
| Intellectual property | 20 years |

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

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

**(k) Inventories**

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

The cost of inventories is measured based on first-in-first out ("FIFO") method, and includes expenditure incurred in acquiring the inventories and others costs incurred in bringing them to their existing location and condition.

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

**(l) Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and on hand, fixed deposits placed with licensed banks and short-term money market deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts, and pledged deposits, if any.

**(m) Financial instruments**

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company have elected not to restate the comparatives.

**(i) Initial recognition and measurement**

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

***Current financial year***

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(m) Financial instruments** (cont'd)

**(i) Initial recognition and measurement** (cont'd)

***Current financial year*** (cont'd)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

***Previous financial year***

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

**(ii) Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

***Financial assets***

***Current financial year***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) <u>Amortised cost</u>

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 3(n)(i)) where the effective interest rate is applied to the amortised cost.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(m) Financial instruments** (cont'd)

**(ii) Financial instrument categories and subsequent measurement** (cont'd)

The Group and the Company categorise financial instruments as follows: (cont'd)

***Financial assets*** (cont'd)

***Current financial year*** (cont'd)

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

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

***Previous financial year***

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139 *Financial Instruments: Recognition and Measurement* as follows:

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

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost. Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(m) Financial instruments** (cont'd)

**(ii) Financial instrument categories and subsequent measurement** (cont'd)

The Group and the Company categorise financial instruments as follows: (cont'd)

***Financial liabilities***

***Current financial year***

The category of financial liabilities at initial recognition is as follows:

<u>Amortised cost</u>

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

***Previous financial year***

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

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

**(iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

**(iv) Financial guarantee contracts**

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(m) Financial instruments** (cont'd)

**(iv) Financial guarantee contracts** (cont'd)

***Current financial year***

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:
- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of *MFRS 15, Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

***Previous financial year***

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

**(v) Regular way purchase or sale of financial assets**

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

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

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

**(vi) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial assets are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(n) Impairment**

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9 *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

***Current financial year***

The Group and the Company recognise loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowance of the Group and the Company are measured on either of the following bases:

(i) 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(ii) Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach - trade receivables and contract assets

The Group and the Company apply the simplified approach to provide ECLs for all trade receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

General approach - other financial instruments and financial guarantee contracts

The Group and the Company apply the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-months ECLs at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(n) **Impairment** (cont'd)

(i) Financial assets (cont'd)

***Current financial year*** (cont'd)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- The financial asset is more than 180 days or 365 days past due, depending on customer profiles.

The Group and the Company consider a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held). The Group and the Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Credit impaired financial assets

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event (e.g. being more than 180 days or 365 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(n) Impairment** (cont'd)

(i) Financial assets (cont'd)

***Current financial year*** (cont'd)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due. Any recoveries made are recognised in profit or loss.

***Previous financial year***

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

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

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

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(n) Impairment** (cont'd)

(ii) Non-financial assets (cont'd)

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

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

**(o) Contract assets and liabilities**

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

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

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liabilities are the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of services contract, contract liabilities are the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(p) Equity instruments**

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

Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Issuance expenses

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

**(q) Warrants reserves**

Amount allocated in related to the issuance of free warrants are credited to a warrants reserve which is non-distributable. Warrants reserve is transferred to the share capital account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

**(r) Provisions**

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

**(s) Operating segments**

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

**(t) Contingencies**

(i) Contingent liabilities

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(t) **Contingencies** (cont'd)

(ii) Contingent assets (cont'd)

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

(u) **Fair value measurements**

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

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

When measuring the fair value of an asset or a liability, the Group and the Company used observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognised transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 4. REVENUE

The breakdown of revenue recognised from contracts with customers is as follows:

| | | Group | |
|---|---|---|---|
| | | 2019 | 2018 |
| | Note | RM | RM |
| Information and communications technologies ("ICT") services | (i) | 1,697,000 | 8,881,786 |
| Radio frequency identification ("RFID"), access control system and building automation system | (ii) | 5,104,303 | 6,202,741 |
| Software solutions | (i) | 472,041 | 5,740,556 |
| Food and beverage ("F&B") distribution | (iii) | 19,401,506 | - |
| | | 26,674,850 | 20,825,083 |
| **Timing of revenue recognition:** | | | |
| - Point in time | | 24,315,806 | 11,023,527 |
| - Over time | | 2,359,044 | 9,801,556 |
| | | 26,674,850 | 20,825,083 |

### (i) ICT services and software solutions

| | | Group | |
|---|---|---|---|
| | | 2019 | 2018 |
| | Note | RM | RM |
| Renewal of software license | (a) | - | 5,219,786 |
| Consultancy services | (b) | 977,338 | 939,537 |
| Software installation, commissioning, post-contract support and maintenance services | (c) | 1,191,703 | 8,463,019 |
| | | 2,169,041 | 14,622,342 |

(a) Renewal of software license

The Group provides renewal of software license as part of the software solutions package. Revenue is recognised at the point in time upon installation and renewal of license in the customer's portal.

(b) Consultancy services

The Group entered into contract with customer to carry out consultancy services. Revenue from consultancy service is recognised on a straight-line basis over the terms of the contract.

**4. REVENUE** (cont'd)

**(i) ICT services and software solutions** (cont'd)

(c) Software installation, commissioning, post-contract support and maintenance services

**(i) Software installation and commissioning**

Software solutions offered by the Group to its customers generally involve two phases which are installation and commissioning respectively. These integrated services include implementation, data conversion, software design or development, testing and go-live process. Such integrated services are explicitly stated in the contract with customers. The billing method by the Group is in the form of milestone billing which represents the work done completed with reference to stages which are stipulated in the contract.

**(ii) Post-contract support and maintenance services ("PCSM")**

The Group offers PCSM which is an after-sales element included in the contract with customers on the software solutions. This represents the right of customers to receive services or unspecified product upgrades/enhancements, or both. Generally, these services include upgrade support and correction of errors (bug fixes or debugging), as well as unspecified upgrades or enhancements towards software previously installed. The period and duration of PCSM provided is dependent on the terms stipulated in the respective contract.

Performance obligation ("PO")

The Group entered into separate fixed-price contracts with respective customers and such obligations are distinct and are able to be performed separately and tailored to respective needs of different customers. Based on individual contracts with customers which comprised of two POs, software installation, commissioning and PCSM are capable of being distinct and separately identifiable.

Software installation and commission will be considered as a single PO as these two services are integrated and interdependent with the stages agreed in the contract and the customers are unable to use the software if one of the mentioned nature of work is incomplete. The reason of PCSM being distinct is due to software installed remain functional without the needs of PCSM. Accordingly, the Group allocates the transaction price based on relative stand-alone selling price of each PO.

Timing of recognition

For software installation and commission, the PO is satisfied over time upon completion of services based on the milestone achievement. The completion of installation and commision of software has generally no alternative use for the Group as the software is customised according to the customer's needs and specifications. The Group has an enforceable right to payment for the stages of services performed by reference to the milestone of the contract agreed mutually. Therefore, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that agreed performance obligation mentioned in the contract.

For PCSM, customers simultaneously consumed and received the benefits provided by the Group on the service rendered are recognised over time. The Group has an enforceable right to payment for the services provided completed over the contract period.

## 4. REVENUE (cont'd)

### (ii) RFID, access control system and building automation system ("RFID system")

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| Radio frequency identification ("RFID") integrated products | (a) | 759,019 | 1,406,296 |
| Surveillance solutions | (b) | 2,716,134 | 2,579,242 |
| Building Automation System | (c) | 1,629,150 | 2,217,203 |
| | | 5,104,303 | 6,202,741 |

#### (a) Radio frequency identification ("RFID") integrated products

The Group carried out the business of assembly and distribution of RFID reader. Revenue is recognised at a point in time when control over the goods have been transferred to the customer upon delivery, installation and obtain customer acceptance of the RFID units.

#### (b) Surveillance solutions

The Group provides security system services which includes the installation of Closed-circuit television ("CCTV") system, security alarm system and access control system. In addition, the Group also entered into contracts with customer in respect of mechanical and electrical ("M&E") work which covers scope of works such as extra-low voltage ("ELV") services, mechanical ventilation services, fire protection services and etc.

Revenue recognition for the M&E work is based on stage of completion method. The stage of completion method is determined by the proportion that construction costs incurred for work performed to date in relation to the estimated total construction costs.

<u>Performance obligation ("PO")</u>

Installation of security systems and M&E construction works are considered as single PO respectively. For the security system, PO is satisfied upon installation process completed in customer site. Whereas, PO for M&E works is satisfied over time upon the customer simultaneously receives and consumes the benefits provided by the Group's performance. The duration of the M&E works generally takes 36 months to complete.

<u>Timing of recognition</u>

Revenue from the installation of security system is recognised at point in time upon the installing process has been done. The M&E work has generally no alternative use due to contractual restrictions and the Group has an enforceable right to payment for the certified work performed over the contract period. Therefore, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that agreed performance obligation mentioned in the written contract.

4. **REVENUE** (cont'd)

(ii) **RFID, access control system and building automation system ("RFID system'') (cont'd)**

(c) **Building Automation System**

The Group entered into short-term contract with customer to provide services in respect of supply, installing, testing and commissioning the space temperature sensor, outdoor humidity sensor and etc. Revenue is recognised at point in time when service has been performed and customer acceptance has been obtained.

(iii) **Food and beverage ("F&B'') distribution**

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Sales of trading goods | 19,401,506 | - |

The Group also engaged in the business of selling and distributing canned foods, packet drinks, snacks and other food related products.

Performance obligation ("PO")

The contracts with customers are bundled and consist of obligations for the sale of goods and the delivery of the said goods. Contracts for bundled services are comprised of multiple POs and are capable of being distinct and separately identifiable. However, the management has assessed that the delivery obligation is primarily a value-added fulfilment service and is not considered to be a significant distinct PO. Accordingly, the contracts with the respective customers are considered as a single PO and is satisfied on a point in time basis.

Timing of recognition

Revenue is recognised at a point in time when control over the goods have been transferred to the customer and obtain customer acceptance of the said goods. Revenue is recognised based on the price specified in the invoices, net of discounts, rebates and incentives where applicable.

Assets and liabilities related to contracts with customers

The Group recognised assets/(liabilities) related to contracts with customers are disclosed in Note 15.

## 4. REVENUE (cont'd)

Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations yet to be recognised as revenue as at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

| | 2020<br>RM | 2021<br>RM | Total<br>RM |
|---|---|---|---|
| **Group** | | | |
| **Revenue stream:** | | | |
| Software installation, commissioning, post-contract support and maintenance services | 3,488,632 | 1,318,815 | 4,807,447 |
| Surveillance solutions | 6,169,587 | 24,678,348 | 30,847,935 |
| | 9,658,219 | 25,997,163 | 35,655,382 |

As permitted under the transitional provision in MFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 March 2018 was not disclosed.

## 5. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):-

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | RM | RM | RM |
| Auditors' remuneration | | | | | |
| - statutory audit | | 185,000 | 110,000 | 60,000 | 35,000 |
| - overprovision in prior year | | (500) | - | - | - |
| - other services | | 5,000 | 5,000 | 5,000 | 5,000 |
| Amortisation of: | | | | | |
| - development costs | 9 | 715,956 | 749,913 | - | - |
| - intellectual property | 9 | 175,000 | 175,000 | - | - |
| Deposits written off | | - | 10,000 | - | - |
| Depreciation of property, plant and equipment | 8 | 1,241,741 | 1,147,442 | 258,110 | 258,446 |
| Directors' remuneration | (b) | 1,559,081 | 1,330,052 | 334,523 | 233,928 |
| Employee benefits expense | (a) | 8,360,117 | 7,824,767 | 508,777 | 443,238 |
| Impairment loss on: | | | | | |
| - development costs | 9 | 4,899,705 | - | - | - |
| - intellectual property | 9 | 2,668,750 | - | - | - |
| - goodwill | 9 | 8,183,985 | 3,692,677 | - | - |
| - investment in subsidiaries | 10 | - | - | 35,606,255 | 14,208,647 |
| - investment in an asosciate | 11 | 9,100,000 | - | 9,100,000 | - |
| - trade receivables | 12 | 2,586,488 | 444,241 | - | - |

## 5. LOSS BEFORE TAX (cont'd)

Loss before tax is arrived at after charging/(crediting):- (cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | RM | RM | RM |
| Inventories written off | 13 | 986,000 | - | - | - |
| Interest expenses on: | | | | | |
| - bank overdrafts | | 397,697 | 220,735 | 304,341 | 170,364 |
| - hire purchase payables | | 30,884 | 35,959 | - | 306 |
| - term loans | | 89,668 | 90,407 | 89,668 | 90,407 |
| - Fair value adjustment on deferred receivable | (c) | 1,007,938 | - | - | - |
| Loss/(gain) on foreign exchange: | | | | | |
| - realised | | 1,719 | 276 | - | - |
| - unrealised | | (517) | 11,004 | - | - |
| Property, plant and equipment written off | 8 | 180,906 | - | - | - |
| Trade receivables written off | | 9,563,318 | - | - | - |
| Rental of premises | | 327,864 | 285,900 | - | - |
| Rental of office equipment | | 7,176 | 5,610 | - | - |
| Tax penalty | | - | 130,414 | - | - |
| Loss/(gain) on disposal of property, plant and equipment | | 2,155 | (32,397) | - | - |
| Interest income | | (180,031) | (173,759) | (58,186) | (110,882) |
| Rental income | | (76,800) | (123,601) | (112,800) | (159,601) |
| Bad debts recovered | | - | (18,900) | - | - |

(a) Employee benefits expense comprises of:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Salaries, wages and allowances | 7,174,122 | 6,759,276 | 409,007 | 368,509 |
| Contributions to defined contribution plan | 794,001 | 753,640 | 48,480 | 44,010 |
| Social security contributions | 87,300 | 67,332 | 2,685 | 2,676 |
| Other benefits | 304,694 | 244,519 | 48,605 | 28,043 |
| | 8,360,117 | 7,824,767 | 508,777 | 443,238 |

**5. LOSS BEFORE TAX** (cont'd)

(b) The remuneration of the Directors are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Directors of the Company** | | | | |
| **Executive:** | | | | |
| Salaries and other emoluments | 180,000 | 180,000 | 180,000 | 180,000 |
| Consultation fee | - | 240,000 | - | - |
| Contributions to defined contribution plan | 21,600 | 21,600 | 21,600 | 21,600 |
| Social security contributions | 923 | 828 | 923 | 828 |
| | 202,523 | 442,428 | 202,523 | 202,428 |
| **Non-Executive:** | | | | |
| Fees | 132,000 | 31,500 | 132,000 | 31,500 |
| | 334,523 | 473,928 | 334,523 | 233,928 |
| **Directors of the subsidiaries** | | | | |
| **Executive:** | | | | |
| Fees | - | 150,000 | - | - |
| Salaries and other emoluments | 1,083,784 | 628,400 | - | - |
| Contributions to defined contribution plan | 136,464 | 75,168 | - | - |
| Social security contributions | 4,310 | 2,556 | - | - |
| | 1,224,558 | 856,124 | - | - |
| **Total** | 1,559,081 | 1,330,052 | 334,523 | 233,928 |
| **Analysis excluding benefits-in-kind:** | | | | |
| Total executive directors' remuneration | 1,427,081 | 1,298,552 | 202,523 | 202,428 |
| Total non-executive directors' remuneration | 132,000 | 31,500 | 132,000 | 31,500 |
| | 1,559,081 | 1,330,052 | 334,523 | 233,928 |

## 5. LOSS BEFORE TAX (cont'd)

(b) The remuneration of the Directors are as follows: (cont'd)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

| | No. of Directors | |
|---|---|---|
| | 2019 | 2018 |
| **Executive Directors:** | | |
| RM150,001 - RM200,000 | 1 | 1 |
| RM200,001 - RM250,000 | - | 1 |
| **Non-Executive Directors:** | | |
| Below RM50,000 | 2 | 2 |
| RM50,000 - RM100,000 | 1 | - |

(c) Included in finance costs of the Group is the fair value adjustments on non-current trade receivables of RM1,007,938 (2018: Nil).

## 6. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Income tax:** | | | | |
| Current year | 1,040,487 | 10,523 | - | - |
| Underprovision in prior financial years | 26,836 | 337,512 | 2,109 | 4,110 |
| | 1,067,323 | 348,035 | 2,109 | 4,110 |
| **Deferred tax (Note 21):** | | | | |
| Reversal of temporary differences | (51,198) | (110,841) | - | - |
| Underprovision in prior financial year | 25,149 | 10,867 | - | - |
| | (26,049) | (99,974) | - | - |
| Tax expense for the financial year | 1,041,274 | 248,061 | 2,109 | 4,110 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year.

**6. TAX EXPENSE** (cont'd)

The tax reconciliation from the tax amount at statutory income tax rate to the Group's and to the Company's tax expense is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Loss before tax | (50,059,167) | (7,845,494) | (47,173,786) | (16,424,949) |
| Tax at the Malaysian statutory income tax rate of 24% | (12,014,200) | (1,882,919) | (11,321,709) | (3,941,988) |
| Effect of income subject to 17% preferential tax rate* | (35,000) | - | - | - |
| Tax effect on share of results of associate | 232,267 | (971,201) | - | - |
| Expenses not deductible for tax purposes | 8,724,133 | 1,686,865 | 10,995,757 | 333,661 |
| Deferred tax assets not recognised | 4,082,089 | 1,066,937 | 325,952 | 3,608,327 |
| Underprovision in prior financial years: | | | | |
| - income tax | 26,836 | 337,512 | 2,109 | 4,110 |
| - deferred tax | 25,149 | 10,867 | - | - |
| Tax expense for the financial year | 1,041,274 | 248,061 | 2,109 | 4,110 |

* *Accordingly, the determination of whether an entity will be entitled to Small Medium Enterprise (''SME'') preferential tax rate will be on the first day of the basis period. The first day of the basis period for Sunland is 1 February 2018, hence Sunland will be eligible for the preferential rate of 17%.*

The Company's subsidiaries namely EA MSC Sdn. Bhd. and CSS MSC Sdn. Bhd. have been awarded Multimedia Super Corridor ("MSC") status by the Government of Malaysia and were granted pioneer status under the Promotion of Investments Act, 1986, which exempt 100% of the statutory business income from taxation for a period of 10 years commencing from 15 May 2008 and 2 July 2009 respectively.

On 14 May 2018 and 1 July 2019, the aforesaid pioneer status granted to the respective subsidiaries have lapsed in accordance to the abovementioned eligible period.

The Group and the Company have the following estimated unutilised tax losses and unabsorbed capital allowances respectively, available for set-off against future taxable profit as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Unutilised tax losses | 28,063,742 | 14,492,478 | 1,351,600 | - |
| Unabsorbed capital allowances | 873,789 | 515,354 | 5,942 | - |
| | 28,937,531 | 15,007,832 | 1,357,542 | - |

6. **TAX EXPENSE** (cont'd)

The availability of the tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profit.

With effect from Year of Assessment 2019, the unutilised tax losses and unabsorbed capital allowances in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment to be utilised against income from any business source.

## 7. LOSS PER ORDINARY SHARE

### (a) Basic

Basic loss per ordinary share for the financial year is calculated by dividing loss after tax attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| **Basic loss per share:** | | |
| Loss after tax attributable to Owners of the Company (RM) | (50,530,205) | (7,902,243) |
| **Weighted average number of ordinary shares:** | | |
| Number of ordinary shares at beginning of the year | 3,478,598,004 | 1,490,827,716 |
| Effect of new ordinary shares issued | 1,480,222,603 | - |
| Effect of exercise of warrants | 440 | 822,337,845 |
| **Weighted average number of ordinary shares at end of the financial year** | 4,958,821,047 | 2,313,165,561 |
| Basic loss per share (sen) | (1.02) | (0.34) |

### (b) Diluted

Diluted loss per share is not presented as there are no dilutive potential ordinary shares outstanding during the financial year as the average market price of the ordinary share was lower than the exercise price of the unexpired warrants as disclosed in Note 18.

## 8. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land and building RM | Freehold office units RM | Office equipment RM | Furniture and fittings RM | Computers RM | Renovation RM | Motor vehicles RM | Machinery and equipment RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **2019** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| At 1 April 2018 | - | 4,608,783 | 215,141 | 234,599 | 3,796,747 | 362,672 | 2,343,469 | - | 11,561,411 |
| Additions | - | - | 4,287 | - | 29,984 | 2,340 | - | 3,208 | 39,819 |
| Acquisition of a subsidiary (Note 10) | 2,876,437 | - | 135,016 | 41,757 | 182,120 | 181,337 | 1,256,432 | 168,283 | 4,841,382 |
| Disposals | - | - | (4,200) | - | - | - | - | - | (4,200) |
| Written off | - | - | (19,946) | (29,562) | (1,756,205) | - | (441,315) | - | (2,247,028) |
| At 31 March 2019 | 2,876,437 | 4,608,783 | 330,298 | 246,794 | 2,252,646 | 546,349 | 3,158,586 | 171,491 | 14,191,384 |
| **Accumulated Depreciation** | | | | | | | | | |
| At 1 April 2018 | - | 684,549 | 138,457 | 103,121 | 2,999,523 | 224,472 | 1,937,796 | - | 6,087,918 |
| Charge for the financial year | 65,330 | 230,440 | 27,280 | 19,187 | 570,121 | 55,089 | 268,999 | 5,295 | 1,241,741 |
| Acquisition of a subsidiary (Note 10) | 276,437 | - | 122,151 | 39,335 | 143,512 | 150,474 | 943,268 | 129,661 | 1,804,838 |
| Disposals | - | - | (1,645) | - | - | - | - | - | (1,645) |
| Written off | - | - | (19,946) | (29,159) | (1,575,702) | - | (441,315) | - | (2,066,122) |
| At 31 March 2019 | 341,767 | 914,989 | 266,297 | 132,484 | 2,137,454 | 430,035 | 2,708,748 | 134,956 | 7,066,730 |
| **Net Carrying Amount** | | | | | | | | | |
| At 31 March 2019 | 2,534,670 | 3,693,794 | 64,001 | 114,310 | 115,192 | 116,314 | 449,838 | 36,535 | 7,124,654 |

**8. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

| | Freehold office units RM | Office equipment RM | Furniture and fittings RM | Computers RM | Renovation RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2018** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 April 2017 | 4,608,783 | 359,022 | 232,544 | 3,760,598 | 343,804 | 2,587,394 | 11,892,145 |
| Additions | - | 19,836 | 2,055 | 36,149 | 18,868 | - | 76,908 |
| Disposals | - | - | - | - | - | (243,925) | (243,925) |
| Written off | - | (163,717) | - | - | - | - | (163,717) |
| At 31 March 2018 | 4,608,783 | 215,141 | 234,599 | 3,796,747 | 362,672 | 2,343,469 | 11,561,411 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April 2017 | 454,109 | 276,584 | 84,501 | 2,415,804 | 179,196 | 1,924,821 | 5,335,015 |
| Charge for the financial year | 230,440 | 25,590 | 18,620 | 583,719 | 45,276 | 243,797 | 1,147,442 |
| Disposals | - | - | - | - | - | (230,822) | (230,822) |
| Written off | - | (163,717) | - | - | - | - | (163,717) |
| At 31 March 2018 | 684,549 | 138,457 | 103,121 | 2,999,523 | 224,472 | 1,937,796 | 6,087,918 |
| **Net Carrying Amount** | | | | | | | |
| At 31 March 2018 | 3,924,234 | 76,684 | 131,478 | 797,224 | 138,200 | 405,673 | 5,473,493 |

**8. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

| | Freehold office units RM | Office equipment RM | Furniture and fittings RM | Computers RM | Renovation RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2019** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 April 2018 | 4,608,783 | 21,384 | 23,306 | 29,215 | 153,572 | 392,180 | 5,228,440 |
| Additions | - | - | - | 3,555 | - | - | 3,555 |
| At 31 March 2019 | 4,608,783 | 21,384 | 23,306 | 32,770 | 153,572 | 392,180 | 5,231,995 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April 2018 | 684,549 | 16,334 | 23,305 | 22,361 | 93,187 | 392,179 | 1,231,915 |
| Charge for the financial year | 230,440 | 2,397 | - | 3,239 | 22,034 | - | 258,110 |
| At 31 March 2019 | 914,989 | 18,731 | 23,305 | 25,600 | 115,221 | 392,179 | 1,490,025 |
| **Net Carrying Amount** | | | | | | | |
| At 31 March 2019 | 3,693,794 | 2,653 | 1 | 7,170 | 38,351 | 1 | 3,741,970 |
| **Company** | | | | | | | |
| **2018** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 April 2017/31 March 2018 | 4,608,783 | 21,384 | 23,306 | 29,215 | 153,572 | 392,180 | 5,228,440 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April 2017 | 454,109 | 13,938 | 23,305 | 18,782 | 71,156 | 392,179 | 973,469 |
| Charge for the financial year | 230,440 | 2,396 | - | 3,579 | 22,031 | - | 258,446 |
| At 31 March 2018 | 684,549 | 16,334 | 23,305 | 22,361 | 93,187 | 392,179 | 1,231,915 |
| **Net Carrying Amount** | | | | | | | |
| At 31 March 2018 | 3,924,234 | 5,050 | 1 | 6,854 | 60,385 | 1 | 3,996,525 |

**8. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

**(a) Assets pledged as security**

As at 31 March 2019, freehold office units of the Group and of the Company with total net carrying amount of RM2,387,448 (2018: RM2,536,664) are pledged to financial institution for term loan facilities granted to the Group and to the Company as disclosed in Note 20(b) whilst freehold office units of the Group and of the Company with total carrying amount of RM1,306,346 (2018: RM1,387,570) are pledged to financial institution for banking facilities granted to its associate.

As at 31 March 2019, freehold land and building of the Group with total carrying amount of RM2,534,670 (2018: Nil) are pledged to a financial institution for bank overdraft facility granted to a subsidiary as disclosed in Note 20(c). As at the reporting date, the bank overdraft facility has not been utilised yet.

**(b) Assets held under hire purchase arrangements**

Net carrying amount of property, plant and equipment of the Group held under hire purchase arrangements as at reporting date is as follows:

| | **Group** | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Motor vehicles | 449,837 | 405,672 |

**9. INTANGIBLE ASSETS**

| | **Goodwill on consolidation RM** | **Intellectual property RM** | **Development costs RM** | **Total RM** |
|---|---|---|---|---|
| **Group** | | | | |
| **2019** | | | | |
| **Cost** | | | | |
| At 1 April 2018 | 30,751,282 | 3,500,000 | 15,460,180 | 49,711,462 |
| Addition (Note 10(a)) | 68,804,337 | - | - | 68,804,337 |
| At 31 March 2019 | 99,555,619 | 3,500,000 | 15,460,180 | 118,515,799 |
| **Accumulated Amortisation** | | | | |
| At 1 April 2018 | - | 656,250 | 6,671,199 | 7,327,449 |
| Charge for the financial year | - | 175,000 | 715,956 | 890,956 |
| At 31 March 2019 | - | 831,250 | 7,387,155 | 8,218,405 |
| **Accumulated Impairment Loss** | | | | |
| At 1 April 2018 | 22,567,297 | - | 2,663,366 | 25,230,663 |
| Impairment loss for the financial year | 8,183,985 | 2,668,750 | 4,899,705 | 15,752,440 |
| At 31 March 2019 | 30,751,282 | 2,668,750 | 7,563,071 | 40,983,103 |
| **Net Carrying Amount** | | | | |
| At 31 March 2019 | 68,804,337 | - | 509,954 | 69,314,291 |

## 9. INTANGIBLE ASSETS (cont'd)

| | Goodwill on consolidation RM | Intellectual property RM | Development costs RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **2018** | | | | |
| **Cost** | | | | |
| At 1 April 2017/31 March 2018 | 30,751,282 | 3,500,000 | 15,460,180 | 49,711,462 |
| **Accumulated Amortisation** | | | | |
| At 1 April 2017 | - | 481,250 | 5,921,286 | 6,402,536 |
| Charge for the financial year | - | 175,000 | 749,913 | 924,913 |
| At 31 March 2018 | - | 656,250 | 6,671,199 | 7,327,449 |
| **Accumulated Impairment Loss** | | | | |
| At 1 April 2017 | 18,874,620 | - | 2,663,366 | 21,537,986 |
| Impairment loss for the financial year | 3,692,677 | - | - | 3,692,677 |
| At 31 March 2018 | 22,567,297 | - | 2,663,366 | 25,230,663 |
| **Net Carrying Amount** | | | | |
| At 31 March 2018 | 8,183,985 | 2,843,750 | 6,125,615 | 17,153,350 |

**(a) Intellectual property**

The intellectual property right relates to e-Enterprise Resources Planning Application that was assigned by one of the subsidiary's Director on 18 June 2014. The intellectual property right is amortised over 20 years.

**(b) Development costs**

Development costs relate to costs incurred in developing software products and are capitalised until the products are available for general release to customers. The development costs have an average useful life of 5 years to 15 years. The amortisation of these costs is included in "amortisation of intangible assets", over the estimated life of the products.

**(c) Amortisation expense**

The amortisation expense is shown in the "amortisation of intangible assets" line item in the statements of comprehensive income.

<u>Impairment testing for goodwill, intellectual property and development costs</u>

Goodwill arising from business combinations, intellectual property and development costs have been allocated to six individual cash-generating units ("CGUs") for impairment testing as follows:

- Murasaki Technology Sdn. Bhd. ("MTSB")
- CSS MSC Sdn. Bhd. ("CSS MSC")
- DDSB (M) Sdn. Bhd. ("DDSB")
- EA MSC Sdn. Bhd. ("EA MSC")
- Sunland Volonte Agency Sdn. Bhd. ("Sunland")
- EASS Sdn. Bhd. ("EASS")

**9. INTANGIBLE ASSETS** (cont'd)

Impairment testing for goodwill, intellectual property and development costs (cont'd)

The net carrying amounts of goodwill, intellectual property and development costs allocated to each CGUs are as follows:

| | MTSB<br>RM | CSS MSC<br>RM | DDSB<br>RM | EA MSC<br>RM | Sunland<br>RM | Total<br>RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2019** | | | | | | |
| Goodwill | - | - | - | - | 68,804,337 | 68,804,337 |
| Development costs | - | 509,954 | - | - | - | 509,954 |
| | - | 509,954 | - | - | 68,804,337 | 69,314,291 |
| **2018** | | | | | | |
| Goodwill | 6,895,628 | - | 676,403 | 611,954 | - | 8,183,985 |
| Intellectual property | 2,843,750 | - | - | - | - | 2,843,750 |
| Development costs | - | 3,023,502 | 2,123,384 | 978,729 | - | 6,125,615 |
| | 9,739,378 | 3,023,502 | 2,799,787 | 1,590,683 | - | 17,153,350 |

The recoverable amounts of the CGUs have been determined based on value-in-use calculation using cash flows projection from financial budgets approved by Board of Directors covering a five-year period and by extrapolation using the growth rate based on historical experience and management's assessment of future trends. The pre-tax discount rate (per annum) applied to the cash flows projection on each of the CGUs is 9.2% (2018: 13.7%).

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

(i) Revenue

Revenue is projected based on the current projects on hand, projects on bidding, future demand outlook as well as average historical revenue achieved in the past four years.

(ii) Gross margin

Gross margins are based on the average value achieved in the four years preceding to the start of the budget period. Gross margins are assumed to be maintained over the budgeted period.

(iii) Pre-tax discount rate

Pre-tax discount rate of 9.2% (2018: 13.7%) per annum applied to the cash flows was in determining the recoverable amounts of the CGUs. The discount rate used is based on the weighted average cost of capital of the Company.

Management believes that any reasonably possible change in the key assumptions on which the intangible assets recoverable amount is based on would not cause the carrying amount to exceed its recoverable amount. Actual outcomes could vary from these estimates. Management considered that any reasonable possible changes in the above key assumptions applied are not likely to cause the recoverable amount of the CGU to be lower than its carrying amount.

**9. INTANGIBLE ASSETS** (cont'd)

Impairment loss recognised

(i) Development costs and intellectual property

During the financial year, total impairment loss amounted to RM7,568,455 (2018: Nil) was recognised to write-down the carrying amounts of development costs and intellectual property shown in the ''impairment loss on development costs and intellectual property'' line item in the statements of comprehensive income.

As there is no indication from past records to show the improvement trend of results and the future economic benefit likely not be materialised due to the recent downturn of IT segment, the development costs and intellectual property are subject to impairment. The recoverable amounts were derived based on VIU which was measured based on cash flows projection prepared by the management.

(ii) Goodwill

During the financial year, total impairment loss amounted to RM8,183,985 (2018: RM3,692,677) was recognised to write-down the carrying amounts of goodwill attributable to individual CGUs as follows:

| | **Group** | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| MTSB | 6,895,628 | 3,061,396 |
| CSS MSC | - | 272,026 |
| DDSB | 676,403 | - |
| EA MSC | 611,954 | - |
| EASS | - | 359,255 |
| | 8,183,985 | 3,692,677 |

The impairment loss has been recognised in the statements of comprehensive income under the line item "impairment loss on goodwill".

As there is no indication from past records to show the improvement trend of results and the future economic benefit likely not be materialised due to the recent downturn of IT segment, the goodwill is subject to impairment. The recoverable amount was derived based on VIU which was measured based on cash flows projection prepared by the management.

## 10. INVESTMENT IN SUBSIDIARIES

| | Company 2019 RM | Company 2018 RM |
|---|---|---|
| **Unquoted shares, at cost** | | |
| At beginning of the financial year | 71,381,000 | 71,381,000 |
| Addition | 78,750,000 | - |
| At end of the financial year | 150,131,000 | 71,381,000 |
| **Capital contribution to subsidiaries** | 38,432,070 | - |
| **Accumulated Impairment Losses** | | |
| At beginning of the financial year | 49,342,411 | 35,133,764 |
| Impairment loss for the financial year | 35,606,255 | 14,208,647 |
| At end of the financial year | 84,948,666 | 49,342,411 |
| **Net Carrying Amount** | | |
| At end of the financial year | 103,614,404 | 22,038,589 |

The capital contribution to subsidiaries amounted to RM38,432,070 (2018: Nil) was in relation to advances that are not expected to be repaid in foreseeable future and in substance, represents additional investments into the subsidiaries by the Company.

The details of the subsidiaries are as follows:

| Name of Subsidiaries | Country of Incorporation | Principal Activities | Effective Equity Interest 2019 % | Effective Equity Interest 2018 % |
|---|---|---|---|---|
| CSS MSC Sdn. Bhd. | Malaysia | Provision of business intelligence software and development, IT service management consultancy and system integration | 100 | 100 |
| DDSB (M) Sdn. Bhd. | Malaysia | Information technology, consultancy services and software development | 86 | 86 |
| Colwyn Bay Technologies Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| Murasaki Technology Sdn. Bhd. | Malaysia | E-business consultancy and system integration | 100 | 100 |
| Sunland Volonte Agency Sdn. Bhd. | Malaysia | Food and beverage distribution | 90 | - |

**10. INVESTMENT IN SUBSIDIARIES** (cont'd)

The details of the subsidiaries are as follows: (cont'd)

| Name of Subsidiaries | Country of Incorporation | Principal Activities | Effective Equity Interest 2019 | Effective Equity Interest 2018 |
|---|---|---|---|---|
| **Subsidiary of Colwyn Bay Technologies Sdn. Bhd.** | | | | |
| EASS Sdn. Bhd. | Malaysia | E-business consultancy and system integration | 100 | 100 |
| **Subsidiary of EASS Sdn. Bhd.** | | | | |
| EA MSC Sdn. Bhd. | Malaysia | Hardware system integration, mechanical and engineering services | 100 | 100 |

(a) Acquisition of a subsidiary

During the financial year, the Company acquired 90% equity interest in Sunland, via cash consideration of RM15,000,000 and issuance of 1,593,750,000 new ordinary shares of RM0.04 per share amounting to RM63,750,000, for total purchase consideration of RM78,750,000. For accounting purposes, the cut-off was taken on 30 April 2018.

The fair values of the identifiable assets and liabilities of Sunland as at the date of acquisition were:-

| | As at 30 April 2018 RM |
|---|---|
| Property, plant and equipment | 3,036,544 |
| Inventories | 2,183,068 |
| Trade receivables | 4,797,012 |
| Other receivables, deposits and prepayments | 1,274,658 |
| Cash and bank balances | 800,688 |
| Trade payables | (91,794) |
| Other payables and accruals | (134,219) |
| Hire purchase payables | (59,575) |
| Deferred tax liability | (457,192) |
| Tax payable | (298,453) |
| Fair value of net identifiable assets acquired | 11,050,737 |

The effect of the acquisition on cash flows is as follows:-

| **Net cash flow arising from acquisition of a subsidiary** | **RM** |
|---|---|
| Cash consideration | 15,000,000 |
| Less: Cash and cash equivalents of the subsidiary acquired | (800,688) |
| Net cash outflow from acquisition of a subsidiary | 14,199,312 |

# Notes To The Financial Statements
– 31 March 2019 (Continued)



## 10. INVESTMENT IN SUBSIDIARIES (cont'd)

(a) Acquisition of a subsidiary (cont'd)

| **Goodwill arising from business combination** | **RM** |
|---|---|
| **Fair value of consideration transferred:** | |
| - Cash and cash equivalents | 15,000,000 |
| - Equity instruments issued (1,593,750,000 ordinary shares) | 63,750,000 |
| | 78,750,000 |
| Less: | |
| Fair value of net identifiable assets acquired | 11,050,737 |
| Attributable to non-controlling interest | (1,105,074) |
| Goodwill on consolidation (Note 9) | 68,804,337 |

(b) Impairment loss on investment in subsidiaries

As at 31 March 2019, the Group carried out a review of the recoverable amounts of its investment in subsidiaries arising from the continuous loss-making and significant accumulated losses position. An impairment loss amounting to RM35,606,255 (2018: RM14,208,647) was recognised and stated as a separate line item of the statements of comprehensive income for the financial year ended 31 March 2019. The recoverable amounts were derived based on fair value less costs of disposal which was measured based on adjusted net assets of respective subsidiaries.

(c) Non-controlling interests in subsidiaries

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

| | **Sunland RM** | **DDSB (M) Sdn. Bhd. RM** | **Total RM** |
|---|---|---|---|
| **2019** | | | |
| NCI percentage of ownership and voting interest | 10% | 14% | |
| Carrying amount to NCI (RM) | 1,416,042 | (831,956) | 584,086 |
| Profit/(loss) allocated to NCI (RM) | 310,968 | (881,204) | (570,236) |
| **2018** | | | |
| NCI percentage of ownership and voting interest | - | 14% | |
| Carrying amount to NCI (RM) | - | 49,248 | 49,248 |
| Loss allocated to NCI (RM) | - | (191,312) | (191,312) |

**10. INVESTMENT IN SUBSIDIARIES** (cont'd)

(c) Non-controlling interests in subsidiaries (cont'd)

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

| | Sunland | DDSB | |
|---|---|---|---|
| | 2019 | 2019 | 2018 |
| | RM | RM | RM |
| **As at 31 March** | | | |
| **Assets and liabilities:** | | | |
| Non-current assets | 1,015,075 | 19,614 | 2,156,947 |
| Current assets | 12,580,015 | 1,033,994 | 5,214,382 |
| Non-current liabilities | (71,331) | - | (38,639) |
| Current liabilities | (808,369) | (1,291,793) | (6,980,906) |
| Net assets/(liabilities) | 12,715,390 | (238,185) | 351,784 |
| Less: Capital contribution | - | (5,704,342) | - |
| Add: Fair value adjustment arising from PPA allocation exercise | 1,445,022 | - | - |
| Adjusted net assets/(liabilities) | 14,160,412 | (5,942,527) | 351,784 |

| | Sunland | DDSB | |
|---|---|---|---|
| | 01.05.2018 to 31.03.2019 | 01.04.2018 to 31.03.2019 | 01.04.2018 to 31.03.2019 |
| | RM | RM | RM |
| **Results:** | | | |
| Revenue | 19,401,506 | 843,494 | 2,044,248 |
| Profit/(loss) for the financial period/year | 3,109,675 | (6,294,311) | (1,366,504) |
| Total comprehensive income | 3,109,675 | (6,294,311) | (1,366,504) |
| **Cash flows:** | | | |
| Cash flows from/(used in) operating activities | 4,283,878 | (587,267) | (1,945,654) |
| Cash flows from investing activities | 57,702 | 400 | 25,664 |
| Cash flows (used in)/from financing activities | (857,861) | 945,063 | 864,670 |
| | 3,483,719 | 358,196 | (1,055,320) |

## 11. INVESTMENT IN AN ASSOCIATE

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| **Unquoted shares, at cost** | | | | |
| At beginning/end of the financial year | 47,040,000 | 47,040,000 | 47,040,000 | 47,040,000 |
| **Less: Accumulated impairment loss** | | | | |
| At beginning of the financial year | - | - | - | - |
| Impairment loss for the financial year | 9,100,000 | - | 9,100,000 | - |
| At end of the financial year | 9,100,000 | - | 9,100,000 | - |
| **Add: Share of post-acquisition results** | | | | |
| At beginning of the financial year | 14,205,098 | 10,158,429 | - | - |
| Additions | (967,778) | 4,046,669 | - | - |
| At end of the financial year | 13,237,320 | 14,205,098 | - | - |
| | 51,177,320 | 61,245,098 | 37,940,000 | 47,040,000 |

(a) There is no quoted market price available for the shares as the associate is a private company.

(b) The details of the associate are as follows:

| Name of Associate | Country of Incorporation | Principal Activities | Proportion of Ownership Interest 2019 | Proportion of Ownership Interest 2018 |
|---|---|---|---|---|
| Cekap Air Sdn. Bhd. | Malaysia | Provision of hydraulic mechanical and electrical engineering services for water supply and treatment plant | 20% | 20% |

(c) The financial guarantee provided by the Group to the associate are disclosed in Note 28(a).

**11. INVESTMENT IN AN ASSOCIATE** (cont'd)

(d) The summarised financial information of the associate, not adjusted for the proportion of the ownership interest held by the Group, is as follows:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Assets and liabilities:** | | |
| Non-current assets | 1,382,612 | 1,748,556 |
| Current assets | 126,422,517 | 152,601,787 |
| Non-current liabilities | (1,632,013) | (1,930,333) |
| Current liabilities | (41,744,064) | (63,152,066) |
| Net assets | 84,429,052 | 89,267,944 |
| **Results:** | | |
| Revenue | 35,129,317 | 61,710,078 |
| (Loss)/profit for the financial year | (4,838,892) | 20,233,346 |
| Total comprehensive income | (4,838,892) | 20,233,346 |
| **Cash flows:** | | |
| Cash flows from operating activities | 693,942 | 919,214 |
| Cash flows used in investing activities | (153,873) | (100,691) |
| Cash flows used in financing activities | (362,978) | (351,444) |
| | 177,091 | 467,079 |

(e) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows:

| | Group | |
|---|---|---|
| | 2019<br>RM | 2018<br>RM |
| Group's share of net assets | 16,885,810 | 17,853,588 |
| Goodwill | 34,291,510 | 43,391,510 |
| Carrying amount in the statements of financial position | 51,177,320 | 61,245,098 |
| Group's share of results, net of tax | (967,778) | 4,046,669 |

(f) Impairment loss

As at 31 March 2019, the Group carried out an annual review of the recoverable amount of its investment in CASB. An impairment loss amounting to RM9,100,000 (2018: Nil) was recognised and stated as a separate line item of the statements of comprehensive income for financial year ended 31 March 2019. The recoverable amount was derived based on VIU which was measured based on cash flows projection prepared by the management.

# Notes To The Financial Statements
– 31 March 2019 (Continued)



## 12. TRADE RECEIVABLES

| | Note | Group 2019 RM | Group 2018 RM |
|---|---|---|---|
| **Non-current:** | | | |
| Third parties | (a) | 3,000,532 | - |
| **Current:** | | | |
| Third parties | | 13,730,185 | 32,453,983 |
| Less: Allowance for impairment loss | | (2,777,739) | (506,451) |
| | (a) | 10,952,446 | 31,947,532 |
| Retention sum | | 304,539 | 53,122 |
| | | 11,256,985 | 32,000,654 |

The normal trade credit terms extended to customers range from 30 to 60 days (2018: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

(a) The trade receivables can be analysed as follows:

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| **Present value of trade receivables, net** | | |
| - Repayable within one year | 10,952,446 | 31,947,532 |
| - Repayable later than one year and not later than five years | 3,000,532 | - |
| | 13,952,978 | 31,947,532 |
| **Minimum payments:** | | |
| - Repayable within one year | 10,952,446 | 31,947,532 |
| - Repayable later than one year and not later than five years | 4,008,470 | - |
| | 14,960,916 | 31,947,532 |
| Less: Fair value adjustment on trade receivables | (1,007,938) | - |
| | 13,952,978 | 31,947,532 |

The effective interest rate of the non-current trade receivable is discounted at the weighted average cost of capital of 9.20% (2018: Nil) per annum.

## 13. INVENTORIES

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| **At cost:** | | |
| RFID integrated products | 229,800 | 437,535 |
| Food and beverages | 2,302,129 | - |
| | 2,531,929 | 437,535 |

The Group recognised inventories as cost of sales amounted to RM16,755,375 (2018: RM4,087,361).

The Group has written off inventory of RM986,000 (2018: Nil) which was recognised as an expense in the line item ''inventory written off'' in the statements of comprehensive income.

## 14. OTHER RECEIVABLES AND DEPOSITS

| | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|
| Other receivables, gross | 3,997,893 | 6,164,549 | 3,828,136 | 5,960,404 |
| Less: Allowance for impairment loss | | | | |
| At beginning of the financial year | - | (169,597) | - | - |
| Written off | - | 169,597 | - | - |
| At end of the financial year | - | - | - | - |
| Other receivables, net | 3,997,893 | 6,164,549 | 3,828,136 | 5,960,404 |
| Deposits, net | 1,232,947 | 9,125,735 | 41,967 | 7,916,967 |
| Advance payment | 2,574,132 | 2,905,051 | - | - |
| Other receivables, deposits and prepayment, net | 7,804,972 | 18,195,335 | 3,870,103 | 13,877,371 |

In prior year, included in the deposits of the Group and of the Company was an amount of RM7,875,000, being 10% deposits paid for acquisition of Sunland. This amount has been capitalised as investment in subsidiary upon the completion of the acquisition exercise as further disclosed in Note 10(a).

## 15. CONTRACT ASSETS/LIABILITIES

| | Note | Group 2019 RM | 2018 RM |
|---|---|---|---|
| **Contract assets:** | | | |
| - Construction contract | (a) | 776,065 | - |
| - Other supplementary services | | 149,075 | 229,420 |
| | | 925,140 | 229,420 |
| **Contract liabilities** | | 1,250,872 | 504,895 |

### (a) Construction contract

| | 2019 RM | 2018 RM |
|---|---|---|
| Construction contract costs incurred to date | 1,188,365 | 318,825 |
| Attributable profits | 176,703 | 80,175 |
| | 1,365,068 | 399,000 |
| Less: Progress billings | (589,003) | (399,000) |
| Contract assets | 776,065 | - |
| Represented by:- | | |
| Contract assets | 776,065 | - |

As disclosed in Note 2(a)(i), upon adoption of *MFRS 15 Revenue from Contracts with Customers*, amounts previously included as ''accrued billing'' and ''deferred revenue'' were reclassified to contract assets and contract liabilities respectively.

## 16. AMOUNTS DUE FROM SUBSIDIARIES AND AN ASSOCIATE

These amounts are non-trade in nature, unsecured, interest-free advances which are collectible on demand.

## 17. CASH AND CASH EQUIVALENTS

### (a) Fixed deposits placed with licensed banks

The effective interest rates of the fixed deposits placed with licensed banks range from 2.80% to 3.25% (2018: 2.50% to 3.35%) per annum. The short-term deposit has maturity periods ranging from 1 month to 12 months (2018: 1 month to 12 months).

Included in the fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period was an amount of RM4,384,330 and RM2,036,271 (2018: RM4,150,322 and RM1,997,127) respectively, which have been pledged to licensed banks as security for banking facilities granted to the Group and to the Company as disclosed in Note 20.

### (b) Short-term money market deposit

The effective interest rate of the short-term deposit placed with licensed bank of the Group is 2.5% (2018: Nil) per annum. The short-term deposit has maturity periods ranging from 1 day to 3 days (2018: Nil).

## 18. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of shares | | Amount | |
| | 2019 Units | 2018 Units | 2019 RM | 2018 RM |
| **Issued and fully paid:** | | | | |
| At beginning of the financial year | 3,478,598,004 | 1,490,827,716 | 134,284,411 | 149,083,389 |
| Issued during the year | 1,593,750,000 | 1,987,770,288 | 63,750,000 | 39,755,406 |
| Exercise of warrants [Note 18(b)(i)] | 4,064 | - | 367 | - |
| Capital reduction | - | - | - | (44,615,533) |
| Transfer to warrants reserve [Note 19(a)] | - | - | - | (9,938,851) |
| At end of the financial year | 5,072,352,068 | 3,478,598,004 | 198,034,778 | 134,284,411 |

### (a) Ordinary Shares

**2019**

On 27 April 2018, the Company has increased its paid-up share capital from RM134,284,411 to RM198,034,411 by way of issuance and allotment of 1,593,750,000 new ordinary shares at an issue price of RM0.04 per share for the purpose of acquisition of a subsidiary as further disclosed in Note 10(a).

During the financial year, 4,064 of Warrants B 2014/2019 ("Warrants B") were exercised at an exercise price of RM0.09 per Warrant, hence the Company paid-up share capital has increased from RM198,034,411 to RM198,034,778.

**2018**

In prior year, the issued and paid-up share capital of the Company was reduced from RM149,083,389 to RM104,467,856 as the Company has completed a capital reduction exercise via the reduction and cancellation of the share capital of EAH which is lost or unrepresented by available assets to the extent of RM44,615,533 pursuant to Section 115(a) and Section 116 of the Companies Act 2016.

Thereafter by applying an amount equal to RM44,615,533, being the credit arising from the cancellation of the share capital of the Company, towards writing-off of the accumulated losses. The excess credit after offsetting the accumulated losses of the Company is credited to a capital reserve account of the Company which shall be applied towards setting off future losses of the Company. The capital reserve is non-distributable without confirmation of the High Court of Malaya.

Subsequent to the capital reduction, the capital reserve of RM12,125,668 has been fully set-off in prior year.

Further, the Company has increased its paid-up share capital from RM104,467,856 to RM144,223,262 via issuance and subscription of 1,987,770,288 Rights shares together with 993,885,016 free Warrants D at an issue price of RM0.02 per Rights share, 85,451,758 additional Warrants B and 147,961,232 additional Warrants C. The theoretical fair value for the 993,885,016 Warrants D at RM0.01 per Warrant D was recognised as a discount of issuance, by which the share capital decreased from RM144,223,262 to RM134,284,411. This has created a warrant reserve of RM9,938,851 correspondingly (Note 19).

**18. SHARE CAPITAL** (cont'd)

**(a) Ordinary Shares** (cont'd)

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual interests.

**(b) Detachable Warrants**

(i) Warrant B 2014/2019

In 2014, the Company issued 94,483,666 free warrants on the basis of two (2) free warrants for every nine (9) existing ordinary shares of RM0.10 each in the Company. Each warrant entitles the holder of the right to subscribe for one (1) new ordinary share of RM0.10 each in the Company at an exercise price of RM0.18 per warrant. Subsequently, the exercise price of the warrant was adjusted from RM0.18 to RM0.14 and additional 28,293,156 warrants were issued arising from the adjustments pursuant to the rights issue exercise.

In 2016, the exercise price of the warrant was further adjusted from RM0.14 to RM0.12 and additional 24,555,364 warrants were issued arising from the adjustments pursuant to the bonus issue exercise.

In 2018, the exercise price of the warrant was further adjusted from RM0.12 to RM0.09 and additional 85,451,758 warrants were issued arising from the adjustments pursuant to the right issue exercise as disclosed in Note 18(a).

During the financial year, 4,064 of warrants were exercised at an exercise price of RM0.09 per warrant and the total numbers of warrants that remain unexercised amounted to 232,779,880 were expired and lapsed on 22 February 2019.

The movement in this warrant is as follows:

| | Group and Company | |
|---|---|---|
| | **2019** | **2018** |
| | **Units** | **Units** |
| Balance as at beginning of the financial year | 232,783,944 | 147,332,186 |
| Adjustment pursuant to right issue | - | 85,451,758 |
| Exercised | (4,064) | - |
| Lapsed | (232,779,880) | - |
| Balance as at end of the financial year | - | 232,783,944 |

The salient features of the warrants are as follows:

(1) Each warrant entitles the registered holder, at any time during the exercise period to subscribe for one (1) new ordinary share at an exercise price of RM0.09 each, subject to adjustments in accordance with the provisions of Deed Poll;

(2) The warrants may be exercisable at any time within five (5) years commencing from and including the date of issuance of warrants and ending 5pm on the expiry date. The expiry date is a day falling immediately before the 5$^{th}$ anniversary of the date of issuance of the warrants and if such date is not a market day, then on the preceding market day; and

**18. SHARE CAPITAL** (cont'd)

**(b) Detachable Warrants** (cont'd)

(i) Warrant B 2014/2019 (cont'd)

The salient features of the warrants are as follows: (cont'd)

(3) The new ordinary shares to be issued pursuant to the exercise of the warrants upon allotment and issue, rank pari passu in all respect with the existing ordinary shares of the Company except that the new ordinary shares shall not be entitled to any dividend, rights, allotment and/or other distributions that may be declared, made or paid prior to the date of allotment and issuance of the rights shares.

(ii) Warrants C 2014/2019

In 2014, the Company issued 212,588,250 free detachable warrants pursuant to the rights issue with warrants on the basis of one (1) free warrant for every two (2) rights shares subscribed for. Each warrant entitles the holder of the right to subscribe for one (1) new ordinary share of RM0.10 each in the Company at an exercise price of RM0.12 per warrant.

In 2016, the exercise price of the warrant was adjusted from RM0.12 to RM0.10 and additional 42,517,650 warrants were issued arising from the adjustments pursuant to the bonus issue exercise.

In 2018, the exercise price of the warrant was further adjusted from RM0.10 to RM0.07 and additional 147,961,232 warrants were issued arising from the adjustments pursuant to the right issue exercise as disclosed in Note 18(a).

The movement in this warrant is as follows:

| | Group and Company | |
|---|---|---|
| | 2019 Units | 2018 Units |
| Balance as at beginning of the financial year | 403,067,132 | 255,105,900 |
| Adjustment pursuant to right issue | - | 147,961,232 |
| Balance as at end of the financial year | 403,067,132 | 403,067,132 |

The salient features of the warrants are as follows:

(1) The issue date of the warrants is 24 June 2014 and the expiry date are 23 June 2019. Any warrants not exercised at the expiry date will lapse and cease to be valid for any purpose;

(2) Each warrant entitles the registered holder to subscribe for one (1) new ordinary share at an exercise price of RM0.07 per ordinary share;

(3) The exercise price and the number of warrants is subject to adjustments in the event of alteration to the share capital of the Company in accordance with the provisions of Deed Poll. However, no adjustment shall be made in any event whereby the exercise price would be reduced to below the par value of ordinary share in the Company;

**18. SHARE CAPITAL** (cont'd)

**(b) Detachable Warrants** (cont'd)

(ii) Warrants C 2014/2019 (cont'd)

The salient features of the warrants are as follows: (cont'd)

(4) The warrant holders are not entitled to participate in any distribution and/or offer of further securities in the Company (except for the issue of new warrants pursuant to adjustment as mention in item (3) above), until and unless such holders exercise the rights under the warrants to subscribe for new ordinary shares; and

(5) The new ordinary shares to be issued upon exercise of warrants shall, upon allotment and issue, rank pari passu with the then existing ordinary shares, including the entitlement to dividend, rights, allotments or other distributions, except that they will not entitled to the rights, allotments or other distributions declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the warrants.

The total number of warrants that remain unexercised amounted to 403,067,132 has expired and lapsed in subsequent financial year on 23 June 2019.

(iii) Warrants D 2017/2022

In 2018, the Company issued 993,885,016 free detachable warrants pursuant to the rights issue with warrants on the basis of two (2) free warrants for every four (4) rights shares subscribed for. Each warrant entitles the holder of the right to subscribe for one (1) new ordinary share each in the Company at an exercise price of RM0.05 per warrant.

The movement in this warrant is as follows:

| | Group and Company | |
|---|---|---|
| | **2019** | **2018** |
| | **Units** | **Units** |
| Balance as at beginning of the financial year | 993,885,016 | - |
| Additions | - | 993,885,016 |
| Balance as at end of the financial year | 993,885,016 | 993,885,016 |

The salient features of the warrants are as follows:

(1) The issue date of the warrants is 1 November 2017 and the expiry date are 25 October 2022. Any warrants not exercised at the expiry date will lapse and cease to be valid for any purpose;

(2) Each warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.05 per ordinary share;

(3) The warrants may be exercisable at any time within five (5) years commencing from and including the date of issuance of warrants and ending 5pm on the expiry date. The expiry date is a day falling immediately before the 5th anniversary of the date of issuance of the warrants and if such date is not a market day, then on the preceding market day;

**18. SHARE CAPITAL** (cont'd)

**(b) Detachable Warrants** (cont'd)

(iii) Warrants D 2017/2022 (cont'd)

The salient features of the warrants are as follows: (cont'd)

(4) The exercise price and the number of warrants is subject to adjustments in the event of alteration to the share capital of the Company in accordance with the provisions of Deed Poll. However, no adjustment shall be made in any event whereby the exercise price would be reduced to below the par value of ordinary share in the Company; and

(5) The new ordinary shares to be issued upon exercise of warrants shall, upon allotment and issue, rank pari passu with the then existing ordinary shares, including the entitlement to dividend, rights, allotments or other distributions, except that they will not entitled to the rights, allotments or other distributions declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the warrants.

(iv) Warrants E 2018/2023

During the financial year, the Company issued 1,087,061,194 free detachable warrants pursuant to the bonus issue on the basis of five (5) free warrants for every sixteen (16) existing ordinary shares of the Company held at an exercise price of RM0.035 per warrant.

The movement in this warrant is as follows:

| | **Group and Company** | |
|---|---|---|
| | **2019** | **2018** |
| | **Units** | **Units** |
| Balance as at beginning of the financial year | - | - |
| Additions | 1,087,061,194 | - |
| Balance as at end of the financial year | 1,087,061,194 | - |

The salient features of the warrants are as follows:

(1) The issue date of the warrants is 23 April 2018 and the expiry date are 22 April 2023. Any warrants not exercised at the expiry date will lapse and cease to be valid for any purpose;

(2) Each warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.035 per ordinary share;

(3) The warrants may be exercisable at any time within five (5) years commencing from and including the date of issuance of warrants and ending 5pm on the expiry date. The expiry date is a day falling immediately before the 5th anniversary of the date of issuance of the warrants and if such date is not a market day, then on the preceding market day;

**18. SHARE CAPITAL** (cont'd)

**(b) Detachable Warrants** (cont'd)

(iv) Warrants E 2018/2023 (cont'd)

The salient features of the warrants are as follows: (cont'd)

(4) The exercise price and the number of warrants is subject to adjustments in the event of alteration to the share capital of the Company in accordance with the provisions of Deed Poll. However, no adjustment shall be made in any event whereby the exercise price would be reduced to below the par value of ordinary share in the Company; and

(5) The new ordinary shares to be issued upon exercise of warrants shall, upon allotment and issue, rank pari passu with the then existing ordinary shares, including the entitlement to dividend, rights, allotments or other distributions, except that they will not entitled to the rights, allotments or other distributions declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the warrants.

**19. RESERVES**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | RM | RM | RM |
| **Non-distributable reserve:** | | | | | |
| Warrants reserve | (a) | 19,441,546 | 19,441,546 | 19,441,546 | 19,441,546 |
| Other reserve | (b) | (13,737,745) | (13,737,745) | - | - |
| **Distributable reserve:** | | | | | |
| (Accumulated losses)/ Retained earnings | | (28,239,272) | 23,086,769 | (53,429,544) | (5,457,813) |
| | | (22,535,471) | 28,790,570 | (33,987,998) | 13,983,733 |

**(a) Warrants reserve**

| | Group and Company | |
|---|---|---|
| | 2019 | 2018 |
| | RM | RM |
| At beginning of the financial year | 19,441,546 | 9,502,695 |
| Transfer from share capital (Note 18(a)) | - | 9,938,851 |
| At end of the financial year | 19,441,546 | 19,441,546 |

This reserve comprises the recognition of fair value of the Company warrants arising from the additional share issuance attached with warrants.

**(b) Other reserve**

The other reserve represents the excess of consideration over net assets acquired arising from step acquisition which is recognised as movement in equity of the Group.

## 20. BORROWINGS

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **Non-current:** | | | | | |
| Hire purchase payables | (a) | 298,646 | 407,334 | - | - |
| Term loans | (b) | 1,604,002 | 1,722,633 | 1,604,002 | 1,722,633 |
| | | 1,902,648 | 2,129,967 | 1,604,002 | 1,722,633 |
| **Current:** | | | | | |
| Hire purchase payables | (a) | 200,402 | 185,381 | - | - |
| Term loans | (b) | 122,626 | 117,007 | 122,626 | 117,007 |
| Bank overdrafts | (c) | 1,435,829 | 1,391,533 | 477,436 | 1,094,621 |
| | | 1,758,857 | 1,693,921 | 600,062 | 1,211,628 |
| **Total** | | 3,661,505 | 3,823,888 | 2,204,064 | 2,934,261 |

**Maturity profile of borrowings:**

| | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|
| On demand or within 1 year | 1,758,857 | 1,693,921 | 600,062 | 1,211,628 |
| More than 1 year and less than 2 years | 250,389 | 277,981 | 128,516 | 122,626 |
| More than 2 years and less than 5 years | 601,906 | 641,737 | 425,133 | 404,360 |
| More than 5 years | 1,050,353 | 1,210,249 | 1,050,353 | 1,195,647 |
| | 3,661,505 | 3,823,888 | 2,204,064 | 2,934,261 |

The range of interest rate per annum at the reporting date for the bank borrowings are as follows:

| | Group 2019 % | Group 2018 % | Company 2019 % | Company 2018 % |
|---|---|---|---|---|
| Bank overdrafts | 7.35 - 8.35 | 7.35 - 8.35 | 7.35 - 8.35 | 7.35 - 8.35 |
| Hire purchase payables | 4.42 - 6.54 | 4.42 - 6.10 | - | - |
| Term loans | 4.70 | 4.70 | 4.70 | 4.70 |

## 20. BORROWINGS (cont'd)

### (a) Hire purchase payables

The aggregate commitment for future hire purchase payments are as follows:

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| **Minimum hire purchase payments:** | | |
| Within 1 year | 220,260 | 210,384 |
| More than 1 year and less than 2 years | 133,454 | 171,129 |
| More than 2 years and less than 5 years | 185,575 | 253,470 |
| More than 5 years | - | 14,740 |
| | 539,289 | 649,723 |
| Less: Future finance charges | (40,241) | (57,008) |
| Present value of hire purchase payables | 499,048 | 592,715 |
| **Present value of hire purchase payables:** | | |
| Within 1 year | 200,402 | 185,381 |
| More than 1 year and less than 2 years | 121,873 | 155,355 |
| More than 2 years and less than 5 years | 176,773 | 237,377 |
| More than 5 years | - | 14,602 |
| | 499,048 | 592,715 |
| **Analysed as:** | | |
| Current portion | 200,402 | 185,381 |
| Non-current portion | 298,646 | 407,334 |
| | 499,048 | 592,715 |

### (b) Term loans

| | Group and Company 2019 RM | Group and Company 2018 RM |
|---|---|---|
| **Current liabilities** | | |
| Due in 1 year or less | 122,626 | 117,007 |
| **Non-current liabilities** | | |
| More than 1 year and less than 2 years | 128,516 | 122,626 |
| More than 2 years and less than 5 years | 425,133 | 404,360 |
| More than 5 years | 1,050,353 | 1,195,647 |
| | 1,604,002 | 1,722,633 |
| | 1,726,628 | 1,839,640 |

## 20. BORROWINGS (cont'd)

### (b) Term loans (cont'd)

Term loans are secured by the following:-

(i) Freehold office units with total carrying amount of RM2,387,448 (2018: RM2,536,664) as disclosed in Note 8(a); and

(ii) A legal assignment over the rights and interest to the rental income under the Tenancy Agreement between the Company and the tenants selected by the Company.

### (c) Bank overdrafts

Bank overdrafts are secured by the following:-

(i) Freehold office units with total carrying amount of RM2,387,448 (2018: RM2,536,664) as disclosed in Note 8(a);

(ii) Freehold land and building with total carrying amount of RM2,534,670 (2018: Nil) as disclosed in Note 8(a). There was no utilisation as at the end of reporting period;

(iii) A legal assignment over the rights and interest to the rental income under the Tenancy Agreement between the Company and the tenants selected by the Company;

(iv) A charge by the Group and the Company on fixed deposits as disclosed in Note 17(a);

(v) A fresh guarantee of RM8,500,000 jointly by Directors of the Company;

(vi) Jointly and severally guaranteed by the Director and past Directors of a subsidiary; and

(vii) Corporate guarantee by the Company.

## 21. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| At beginning of the financial year | 37,168 | 137,142 |
| Recognised in profit or loss (Note 6) | (26,049) | (99,974) |
| Fair value adjustment in respect of acquisition of a subsidiary (Note 10(a)) | 457,192 | - |
| At end of the financial year | 468,311 | 37,168 |

## 21. DEFERRED TAX LIABILITIES (cont'd)

The recognised deferred tax (assets)/liabilities before offsetting are as follows:-

| | Unabsorbed capital allowances RM | Unutilised tax losses RM | Provision RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **Deferred tax assets:** | | | | |
| At 1 April 2018 | (903) | (24,776) | (43,077) | (68,756) |
| Acquisition of a subsidiary | - | - | (21,986) | (21,986) |
| Recognised in profit or loss | (625) | 24,776 | 31,136 | 55,287 |
| At 31 March 2019 | (1,528) | - | (33,927) | (35,455) |
| At 1 April 2017 | (40,025) | (20,920) | (41,055) | (102,000) |
| Recognised in profit or loss | 39,122 | (3,856) | (2,022) | 33,244 |
| At 31 March 2018 | (903) | (24,776) | (43,077) | (68,756) |

| | Property, plant and equipment RM | Fair value adjustment in respect of acquisition of a subsidiary RM | Total RM |
|---|---|---|---|
| **Deferred tax liabilities:** | | | |
| At 1 April 2018 | 105,924 | - | 105,924 |
| Acquisition of a subsidiary | 22,855 | - | 22,855 |
| Recognised in profit or loss | (81,336) | - | (81,336) |
| Fair value adjustment in respect of acquisition of a subsidiary | - | 456,323 | 456,323 |
| At 31 March 2019 | 47,443 | 456,323 | 503,766 |
| At 1 April 2017 | 239,142 | - | 239,142 |
| Recognised in profit or loss | (133,218) | - | (133,218) |
| At 31 March 2018 | 105,924 | - | 105,924 |

| | Unabsorbed capital allowances RM | Others RM | Property, plant and equipment RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| **Deferred tax (assets)/ liabilities:** | | | | |
| At 1 April 2018 | (151) | (1,072) | 1,223 | - |
| Recognised in profit or loss | 151 | 491 | (642) | - |
| At 31 March 2019 | - | (581) | 581 | - |
| At 1 April 2017 | (1,071) | - | 1,071 | - |
| Recognised in profit or loss | 920 | (1,072) | 152 | - |
| At 31 March 2018 | (151) | (1,072) | 1,223 | - |

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## 21. DEFERRED TAX LIABILITIES (cont'd)

Deferred tax assets and liabilities are offset above where there is legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

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

| | Group | | Company | |
|---|---|---|---|---|
| | | Restated | | Restated |
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Unutilised tax losses | 28,063,742 | 14,489,978 | 1,351,600 | - |
| Unabsorbed capital allowances | 867,419 | 451,404 | 5,942 | - |
| Other deductible temporary differences | 3,071,500 | 52,574 | 1,175 | 583 |
| | 32,002,661 | 14,993,956 | 1,358,717 | 583 |

The comparative figures have been restated to reflect the actual tax losses carry forwards, capital allowances and other deductible temporary differences available to the Company and subsidiaries.

## 22. TRADE PAYABLES

The normal trade credit terms granted to the Group and to the Company range from 30 to 90 days (2018: 30 to 90 days).

## 23. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Other payables | 920,279 | 950,662 | 486,020 | 403,060 |
| Accruals | 630,731 | 430,699 | 82,011 | 57,925 |
| Deposits received | 19,200 | 19,200 | 19,200 | 19,200 |
| | 1,570,210 | 1,400,561 | 587,231 | 480,185 |

## 24. AMOUNTS DUE TO SUBSIDIARIES AND DIRECTORS

These amounts are non-trade in nature, unsecured, interest free advances which are repayable on demand.

## 25. RELATED PARTIES DISCLOSURES

### (a) Identity of related parties

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

The Group and the Company have a related party relationship with its subsidiaries, associate and key management personnel. The related party balances are disclosed in Notes 16 and 24 respectively. The related party transactions of the Group and of the Company are shown below.

### (b) Related party transactions

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Transactions with subsidiaries:** | | | | |
| Rental income | - | - | (36,000) | (38,160) |
| Repayment from | - | - | - | 2,284,503 |
| Advances to | - | - | (5,601,600) | (4,017,227) |
| **Transactions with associate:** | | | | |
| Repayment from | 3,290,000 | - | 3,290,000 | - |
| Advances to | - | (6,212,827) | - | (5,840,053) |
| **Transactions with Directors:** | | | | |
| Advances from/ (repayment to) | 10,062 | (70,000) | 10,062 | (70,000) |

### (c) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly, including any Directors of the Company and its subsidiaries.

The remunerations paid by the Group and the Company to key management personnel during the financial year has been disclosed in Note 5(b).

## 26. CAPITAL AND OTHER COMMITMENTS

**Non-cancellable operating lease commitment – Group as lessee**

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Future minimum rental: | | |
| Not more than 1 year | 174,817 | 211,102 |
| More than 1 year but not more than 2 years | 225,874 | 23,700 |
| | 400,691 | 234,802 |

Operating lease payments represent rental payable by the Group for use of office and office equipment. Leases are negotiated for terms ranging from 1 year to 2 years.

## 27. SEGMENT INFORMATION

### (a) Reporting format

Segment information is presented in respect of the Group's business segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

| | | |
|---|---|---|
| i. | ICT consultancy | E-business software application |
| ii. | Software solution | Provision of business intelligence software and development, IT service management consultancy and system integration |
| iii. | RFID system | Hardware system integration, mechanical and engineering services, access control system and building automation system |
| iv. | F&B distribution | Sales and distribution of food and beverages products |
| v. | Investment holding | Investment in subsidiaries |

**Segment revenue and results**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3(s). Segment results represent profit or loss before finance costs and tax of the segment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

**Segment assets**

Segment assets are measured based on all assets of the segment, excluding deferred tax assets and tax assets.

**Segment liabilities**

Segment liabilities are measured based on all liabilities of the segment, excluding deferred tax liabilities and tax liabilities.

## 27. SEGMENT INFORMATION

### (b) Allocation basis and transfers

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

27. **SEGMENT INFORMATION** (cont'd)

| | Note | ICT consultancy RM | Software solution RM | RFID system RM | F&B Distribution RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | |
| **Revenue** | | | | | | | | |
| External sales | | 1,697,000 | 472,041 | 5,104,303 | 19,401,506 | - | - | 26,674,850 |
| Inter-segment sales | A | - | 40,000 | - | - | - | (40,000) | - |
| Total revenue | | 1,697,000 | 512,041 | 5,104,303 | 19,401,506 | - | | 26,674,850 |
| **Results:** | | | | | | | | |
| Amortisation of: | | | | | | | | |
| - development costs | | - | 565,382 | 150,574 | - | - | - | 715,956 |
| - intellectual property | | - | 175,000 | - | - | - | - | 175,000 |
| Depreciation of property, plant and equipment | | 189,094 | 551,301 | 57,999 | 185,237 | 258,110 | - | 1,241,741 |
| Inventories written off | | - | - | 986,000 | - | - | - | 986,000 |
| Impairment loss on: | | | | | | | | |
| - development costs | | - | 4,071,550 | 828,155 | - | - | - | 4,899,705 |
| - intellectual property | | | 2,668,750 | - | - | - | - | 2,668,750 |
| - goodwill | | - | - | - | - | - | 8,183,985 | 8,183,985 |
| - investment in subsidiaries | | - | - | - | - | 35,606,255 | (35,606,255) | - |
| - investment in an associate | | - | - | - | - | 9,100,000 | - | 9,100,000 |
| - trade receivables | | - | 1,959,282 | 613,853 | 13,353 | - | - | 2,586,488 |
| Reversal of impairment loss on investment in subsidiaries | | - | - | - | - | (2,438,364) | 2,438,364 | - |
| Property, plant and equipment written off | | - | 180,906 | - | - | - | - | 180,906 |
| Trade receivables written off | | 6,089,716 | 3,473,602 | - | - | - | - | 9,563,318 |
| Loss on disposal of property, plant and equipment | | - | 2,155 | - | - | - | - | 2,155 |
| Interest income | | (76,384) | (75) | (7,516) | (37,870) | (58,186) | - | (180,031) |

**27. SEGMENT INFORMATION** (cont'd)

| | Note | ICT consultancy RM | Software solution RM | RFID system RM | F&B Distribution RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **2019** (cont'd) | | | | | | | | |
| Segment results | | (8,164,453) | (18,540,702) | (5,586,981) | 5,569,154 | (44,351,504) | 23,509,284 | (47,565,202) |
| Interest expense | | (1,105,814) | (3,844) | (16,640) | (5,880) | (394,009) | - | (1,526,187) |
| Share of result of associate, net of tax | | - | - | - | - | - | (967,778) | (967,778) |
| (Loss)/profit before tax | | (9,270,267) | (18,544,546) | (5,603,621) | 5,563,274 | (44,745,513) | | (50,059,167) |
| Tax expense | | (6,557) | (7,714) | (5,778) | (1,019,116) | (2,109) | - | (1,041,274) |
| (Loss)/profit for the financial year | | (9,276,824) | (18,552,260) | (5,609,399) | 4,544,158 | (44,747,622) | | (51,100,441) |
| **Segment assets:** | | | | | | | | |
| Investment in associate | | - | - | - | - | 37,940,000 | 13,237,320 | 51,177,320 |
| Other segment assets | | 15,549,958 | 4,809,057 | 8,655,886 | 13,595,090 | 134,764,895 | (43,592,012) | 133,782,874 |
| Total assets | B | 15,549,958 | 4,809,057 | 8,655,886 | 13,595,090 | 172,704,895 | | 184,960,194 |
| **Segment liabilities** | C | 1,987,043 | 2,265,364 | 1,952,711 | 496,152 | 3,660,200 | (2,630,475) | 7,730,995 |
| **Other information:** | | | | | | | | |
| Additions to non-current assets excluding deferred tax assets and financial assets | D | 21,276 | - | 2,690 | 12,298 | 3,555 | - | 39,819 |

## 27. SEGMENT INFORMATION (cont'd)

| | Note | ICT consultancy RM | Software solution RM | RFID system RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | | 8,881,786 | 5,740,556 | 6,202,741 | - | - | 20,825,083 |
| Inter-segment sales | A | - | 40,000 | - | - | (40,000) | - |
| Total revenue | | 8,881,786 | 5,780,556 | 6,202,741 | - | (40,000) | 20,825,083 |
| **Results:** | | | | | | | |
| Amortisation of: | | | | | | | |
| - development costs | | - | 599,339 | 150,574 | - | - | 749,913 |
| - intellectual property | | - | 175,000 | - | - | - | 175,000 |
| Depreciation of property, plant and equipment | | 183,583 | 650,929 | 54,484 | 258,446 | | 1,147,442 |
| Impairment loss on: | | | | | | | |
| - goodwill | | - | - | - | - | 3,692,677 | 3,692,677 |
| - investment in subsidiaries | | - | - | - | 16,647,011 | (16,647,011) | - |
| - trade receivables | | 82,000 | 287,163 | 75,078 | - | - | 444,241 |
| Deposit written off | | 10,000 | - | - | - | - | 10,000 |
| Gain on disposal of property, plant and equipment | | - | (32,397) | - | - | - | (32,397) |
| Bad debts recovered | | - | - | (18,900) | - | - | (18,900) |
| Interest income | | (52,918) | (234) | (9,725) | (110,882) | - | (173,759) |

**27. SEGMENT INFORMATION** (cont'd)

| | Note | ICT consultancy RM | Software solution RM | RFID system RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2018** (cont'd) | | | | | | | |
| Segment results | | (60,487) | (4,115,339) | (1,715,433) | (18,608,137) | 12,954,334 | (11,545,062) |
| Interest expense | | (77,454) | (8,570) | - | (261,077) | - | (347,101) |
| Share of result of associate, net of tax | | - | - | - | - | 4,046,669 | 4,046,669 |
| Loss before tax | | (137,941) | (4,123,909) | (1,715,433) | (18,869,214) | | (7,845,494) |
| Tax (expense)/income | | (290,870) | 44,110 | 2,809 | (4,110) | - | (248,061) |
| Loss for the financial year | | (428,811) | (4,079,799) | (1,712,624) | (18,873,324) | | (8,093,555) |
| **Segment assets:** | | | | | | | |
| Investment in associate | | - | - | - | 47,040,000 | 14,205,098 | 61,245,098 |
| Other segment assets | | 27,749,108 | 34,434,965 | 12,075,352 | 110,194,869 | (74,759,749) | 109,694,545 |
| Total assets | B | 27,749,108 | 34,434,965 | 12,075,352 | 157,234,869 | | 170,939,643 |
| **Segment liabilities** | C | 23,995,739 | 20,922,883 | 11,177,972 | 6,401,325 | (55,343,509) | 7,154,410 |
| **Other information:** | | | | | | | |
| Additions to non-current assets excluding deferred tax assets and financial assets | D | 30,799 | 19,836 | 26,273 | - | - | 76,908 |

## 27. SEGMENT INFORMATION (cont'd)

### Operating segments

**A** Inter-segment revenues are eliminated on consolidation.

**B** The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2019 RM | 2018 RM |
|---|---|---|
| Investment in associate | 13,237,320 | 14,205,098 |
| Inter-segment assets | (43,592,012) | (74,759,749) |
| | (30,354,692) | (60,554,651) |

Reconciliation of assets:

| | Group 2019 RM | 2018 RM |
|---|---|---|
| Segment operating assets | 184,960,194 | 170,939,643 |
| Tax recoverable | 89,624 | - |
| **Total assets** | 185,049,818 | 170,939,643 |

**C** The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | 2019 RM | 2018 RM |
|---|---|---|
| Inter-segment liabilities | (2,630,475) | (55,343,509) |

Reconciliation of liabilities:

| | Group 2019 RM | 2018 RM |
|---|---|---|
| Segment operating liabilities | 7,730,995 | 7,154,410 |
| Deferred tax liabilities | 468,311 | 37,168 |
| Tax payables | 767,119 | 623,836 |
| | 8,966,425 | 7,815,414 |

**27. SEGMENT INFORMATION** (cont'd)

**D** Additions to non-current assets excluding deferred tax assets and financial assets consist of:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Property, plant and equipment | 39,819 | 76,908 |

**Geographical information**

All of the segments are operated within Malaysia.

**Major customer information**

The Group has 6 customers which contributed approximately RM11.6 million or 49% (2018: 4 customers, RM10.5 million or 51%) of the Group's revenue during the financial year.

**28. FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

The Group's and the Company's financial assets and financial liabilities are all categorised as amortised costs respectively. In prior year, the Group's and the Company's financial assets and financial liabilities are all categorised as loans and receivables and other financial liabilities at amortised costs respectively.

**Financial Risk Management Objectives and Policies**

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing their financial risks, including credit risk, interest risk, foreign currency risk and liquidity risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk**

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and the Company's exposure to credit risk arises primarily from their receivables (which consist of trade receivables, contract assets, other receivables and amount due from an associate). There are no significant changes as compared to prior years.

**<u>Trade receivables and contract assets</u>**

***Risk management objectives, policies and processes for managing the risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's and the Company's associations to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(a) Credit risk** (cont'd)

**Trade receivables and contract assets** (cont'd)

***Risk management objectives, policies and processes for managing the risk*** (cont'd)

At each reporting date, the Group and the Company assess whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. Nevertheless, receivables and contract assets that are written off could still be subject to enforcement activities.

***Exposure to credit risk, credit quality and collateral***

As the Group does not hold any collateral, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the statements of financial position as at the end of the reporting period.

***Concentration of credit risk***

The Group determines concentration of credit risk by monitoring the profiles of their receivables on an ongoing basis.

As at 31 March 2019, the Group has significant concentration of credit risk arising from the amounts owing from 4 customers (2018: 4 customers) constituting 72% (2018: 71%) of net trade receivables of the Group.

***Recognition and measurement of impairment loss***

In managing credit risk of trade receivables, the Group manages its debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Any receivables having significant balances past due more than 180 days or 365 days from different customer profiles, which are deemed to have higher credit risk, are monitored individually. The Group has recognised a loss allowance of 100% against all receivables over 180 days or 365 days past due (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable.

The Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses. The Group assesses impairment of trade receivables on individual and collective basis.

For individual assessment, it is due to the number of debtors is minimal and these debtors can be individually managed by the Group in an effective and efficient manner. The Group has reasonable and supportable information available to assess the impairment individually.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(a) Credit risk** (cont'd)

**Trade receivables and contract assets** (cont'd)

***Recognition and measurement of impairment loss*** (cont'd)

For collective assessment, the Group uses an allowance matrix to measure ECL of collective assessed receivables as they are grouped based on shared credit risk characteristics, the days past due and similar types of contracts which have similar risk characteristics. Consistent with the debt recovery process, invoices which are past due more than 180 days or 365 days applicable to the relevant Group's entities will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency.

Loss rates are based on actual credit loss experienced over the prior years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

**Impairment losses**

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 March 2019 and 31 March 2018.

| | Gross RM | Loss Allowance RM | Net RM |
|---|---|---|---|
| **2019** | | | |
| **Non-current:** | | | |
| *Trade receivables* | 3,000,532 | - | 3,000,532 |
| **Current:** | | | |
| *Trade receivables* | | | |
| Neither past due nor impaired | 2,526,688 | (1,441) | 2,525,247 |
| Past due but not impaired: | | | |
| 31 days to 60 days | 1,288,849 | (1,198) | 1,287,651 |
| 61 days to 90 days | 1,932,558 | (2,082) | 1,930,476 |
| More than 90 days | 5,231,791 | (22,719) | 5,209,072 |
| | 8,453,198 | (25,999) | 8,427,199 |
| | 10,979,886 | (27,440) | 10,952,446 |
| **Credit Impaired** | | | |
| Individually impaired | 2,750,299 | (2,750,299) | - |
| ***Trade receivables, net*** | 16,730,717 | (2,777,739) | 13,952,978 |
| ***Contract assets*** | 925,140 | - | 925,140 |
| | 17,655,857 | (2,777,739) | 14,878,118 |

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(a) Credit risk** (cont'd)

**Trade receivables and contract assets** (cont'd)

***Recognition and measurement of impairment loss*** (cont'd)

**Impairment losses** (cont'd)

| | Gross RM | Loss Allowance RM | Net RM |
|---|---|---|---|
| **2018** | | | |
| *Trade receivables* | | | |
| Neither past due nor impaired | 3,755,267 | - | 3,755,267 |
| Past due but not impaired: | | | |
| 31 days to 60 days | 214,953 | - | 214,953 |
| 61 days to 90 days | 487,422 | - | 487,422 |
| More than 90 days | 27,489,890 | - | 27,489,890 |
| | 28,192,265 | - | 28,192,265 |
| | 31,947,532 | - | 31,947,532 |
| **Credit Impaired** | | | |
| Individually impaired | 506,451 | (506,451) | - |
| ***Trade receivables, net*** | 32,453,983 | (506,451) | 31,947,532 |
| ***Contract assets*** | 229,420 | - | 229,420 |
| | 32,683,403 | (506,451) | 32,176,952 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

Receivables that are past due not impaired

The Group has not provided for these trade receivables as there has been no significant changes in their credit quality and the amounts are still considered recoverable which are not past due for more than 180 days.

Credit impaired

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

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(a) Credit risk** (cont'd)

**Trade receivables and contract assets** (cont'd)

***Previous accounting policy for impairment of receivables***

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

*Comparative information under MFRS 139, Financial Instruments: Recognition and measurement*

The ageing of trade receivables as at 31 March 2018 was as follows:

| | Gross RM | Specific Impairment RM | Collective Impairment RM | Net RM |
|---|---|---|---|---|
| **2018** | | | | |
| Neither past due nor impaired | 3,755,267 | - | - | 3,755,267 |
| Past due but not impaired: | | | | |
| 31 days to 60 days | 214,953 | - | - | 214,953 |
| 61 days to 90 days | 487,422 | - | - | 487,422 |
| More than 90 days | 27,996,341 | (506,451) | - | 27,489,890 |
| | 28,698,716 | (506,451) | - | 28,192,265 |
| | 32,453,983 | (506,451) | - | 31,947,532 |

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(a) Credit risk** (cont'd)

**Trade receivables and contract assets** (cont'd)

The movement in the allowance for impairment loss on trade receivables are as below:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Group** | | |
| At beginning of the financial year | 506,451 | 227,868 |
| Acquisition of a subsidiary | 14,087 | - |
| Charge for the financial year | 2,586,488 | 444,241 |
| Written off during the financial year | (329,287) | (165,658) |
| At end of the financial year | 2,777,739 | 506,451 |

**Cash and cash equivalents**

The cash and cash equivalents are held with banks. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks have low credit risks. Hence, a loss allowance is not necessary.

**Other receivables and deposits**

Credit risk on other receivables and deposits are mainly arising from deposits paid for office buildings and fixtures rented and for project tendering. The deposits paid for office buildings and fixtures rented will be received at the end of each lease term. The Group and the Company manage the credit risk together with the leasing arrangement.

There are two types of deposits in respect of the project tendering. The earnest money deposits are refundable in the event that the Group failed to bid for the project, whereas the security deposits (performance bond) are refundable upon the satisfactory completion of the contract.

As at the end of the reporting period, no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired.

Other receivables and deposits are neither past due nor impaired. The Group and the Company believe that generally no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(a) Credit risk** (cont'd)

**Financial guarantees**

***Risk management objectives, policies and processes for managing the risk***

The Group and the Company provide unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and an associate. The Group and the Company monitor the ability of the subsidiaries and associate to service their loans on an individual basis.

***Exposure to credit risk, credit quality and collateral***

Associate

The maximum exposure of credit risk of the Group and of the Company amounted to RM4,116,671 (2018: RM2,174,338), representing the outstanding banking facilities of the associate as at the end of the reporting period.

Subsidiaries

The maximum exposure to credit risk of the Company amounted to RM958,393 (2018: RM296,912) representing the outstanding banking facility of the subsidiary as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the associate and subsidiary secured loans.

***Recognition and measurement of impairment loss***

Associate

The Group and the Company assume that there is a significant increase in credit risk when an associate's financial position deteriorates significantly. The Group and the Company consider a financial guarantee to be credit impaired when:

- The associate is unlikely to repay its credit obligations to the bank in full; or
- The associate is continuously loss making and is having a deficit in shareholders' fund.

The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called upon is remote at the initial recognition as there were no historical default in the associate's credit facility.

Subsidiary

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligations to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit in shareholders' fund.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(a) Credit risk** (cont'd)

**Financial guarantees** (cont'd)

***Recognition and measurement of impairment loss*** (cont'd)

Subsidiary (cont'd)

The Company determines the probability of default of the guaranteed loans individually using internal information available. The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called upon is remote at the initial recognition as the borrowings in the subsidiary is adequately secured by assets as disclosed in Note 8. Should the subsidiary default any loan repayments, the proceeds from the realisation of assets will be able to satisfy the outstanding debts.

**Inter-company loans and advances**

***Risk management objectives, policies and processes for managing the risk***

Associate

The Group and the Company provide unsecured loans and advances to its associate. The Group and the Company monitor the ability of the associate to repay the loans and advances on an individual basis.

Subsidiaries

The Company provides unsecured loans and advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

***Exposure to credit risk, credit quality and collateral***

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. Loans and advances provided are not secured by any collateral.

***Recognition and measurement of impairment loss***

Associate

Generally, the Group and the Company consider loans and advances to an associate have moderate credit risk. The Group and the Company assume that there is a significant increase in credit risk when an associate's financial position deteriorates significantly. The Group and the Company consider an associate's loans or advances to be credit impaired when the associate is unlikely to repay its loan or advances to the Group and the Company in full given insufficient highly liquid resources when the loan is demanded.

The Group and Company determine the probability of default for these loans and advances individually using internal information available.

As the reporting date, there were no indications of impairment loss in respect of amount due from an associate.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(a) Credit risk** (cont'd)

**Inter-company loans and advances** (cont'd)

***Recognition and measurement of impairment loss*** (cont'd)

Subsidiaries

Intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loans is demanded at the reporting date.

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when subsidiaries financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries loans and advances when they are payable, the Company consider subsidiaries loans or advance to be credit impaired when the subsidiaries are unlikely to repay the loans or advances to the Company in full given insufficient highly liquid resources when the loans are demanded.

At the reporting date, the Company assumes that there is a significant increase in credit risk given the subsidiaries financial position has deteriorated significantly which may lead to high probability of default for the advances to the subsidiaries. The amounts due from subsidiaries have been capitalised to investment in subsidiaries and an impairment loss of RM35,606,255 has been recognised in profit or loss as disclosed in Note 10.

**(b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the effective interest rates at the reporting date, in which they reprice or mature, whichever is earlier are disclosed in Note 17 and Note 20 respectively.

**Exposure in interest rate risk**

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Floating rate instruments:** | | | | |
| Financial assets | 4,384,330 | 4,150,322 | 2,036,271 | 1,997,127 |
| Financial liabilities | (3,162,457) | (3,231,173) | (2,204,064) | (2,934,261) |
| Net financial assets/ (liabilities) | 1,221,873 | 919,149 | (167,793) | (937,134) |

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(b) Interest rate risk** (cont'd)

**Interest rate risk sensitivity analysis**

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period with all other variables held constant:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| **Effect on increase/ (decrease) on loss after tax:** | | | | |
| Increase of 10 basis points | (929) | (699) | 128 | 712 |
| Decrease of 10 basis points | 929 | 699 | (128) | (712) |
| **Effect on increase/ (decrease) on equity:** | | | | |
| Increase of 10 basis points | 929 | 699 | (128) | (712) |
| Decrease of 10 basis points | (929) | (699) | 128 | 712 |

**(c) Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily Euro ("EUR") and United States Dollar (''USD'').

The Group holds cash and cash equivalents denominated in foreign currencies to pay its foreign purchases as natural hedge against fluctuations in foreign currency risk.

Foreign exchange exposures in transactional currencies other than functional currency of the Group are kept to an acceptable level.

**Exposure to foreign currency risk**

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

| | Group | |
|---|---|---|
| | Cash at bank | Payables |
| | RM | RM |
| **Group** | | |
| **2019** | | |
| United States Dollar ("USD") | 1,202 | - |
| Euro ("EUR") | - | (92,515) |
| | 1,202 | (92,515) |
| **2018** | | |
| United States Dollar ("USD") | 292 | - |

**28. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

**(c) Foreign Currency Risk** (cont'd)

A 5% strengthening/weakening of the RM against the EUR and USD at the end of the reporting period would have immaterial impact on the Group's loss after tax. This assumes that all other variables remain constant.

**(d) Liquidity Risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintain sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**(d) Liquidity Risk** (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment of obligations (including interest payments computed using contractual rates, or if floating, based on the rates at the end of the reporting period):

| | Carrying Amount RM | <---- Contractual Cash Flows ----> On Demand/ Within 1 year RM | 1 to 2 years RM | 2 to 5 years RM | Over 5 years RM | Total RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2019** | | | | | | |
| **Financial liabilities:** | | | | | | |
| - Trade payables | 1,204,468 | 1,204,468 | - | - | - | 1,204,468 |
| - Other payables and accruals | 1,570,210 | 1,570,210 | - | - | - | 1,570,210 |
| - Contract liabilities | 1,250,872 | 1,250,872 | - | - | - | 1,250,872 |
| - Amounts due to Directors | 43,940 | 43,940 | - | - | - | 43,940 |
| - Term loans | 1,726,628 | 200,667 | 200,667 | 602,001 | 1,096,915 | 2,100,250 |
| - Hire purchase payables | 499,048 | 220,260 | 133,454 | 185,575 | - | 539,289 |
| - Bank overdrafts | 1,435,829 | 1,555,721 | - | - | - | 1,555,721 |
| | 7,730,995 | 6,046,138 | 334,121 | 787,576 | 1,096,915 | 8,264,750 |
| **Company** | | | | | | |
| **Financial liabilities:** | | | | | | |
| - Other payables and accruals | 587,231 | 587,231 | - | - | - | 587,231 |
| - Amounts due to subsidiaries | 836,015 | 836,015 | - | - | - | 836,015 |
| - Amount due to a Director | 13,790 | 13,790 | - | - | - | 13,790 |
| - Term loans | 1,726,628 | 200,667 | 200,667 | 602,001 | 1,096,915 | 2,100,250 |
| - Bank overdrafts | 477,436 | 517,302 | - | - | - | 517,302 |
| | 3,641,100 | 2,155,005 | 200,667 | 602,001 | 1,096,915 | 4,054,588 |

**28. FINANCIAL INSTRUMENTS** (cont'd)

**(d) Liquidity Risk** (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment of obligations (including interest payments computed using contractual rates, or if floating, based on the rates at the end of the reporting period): (cont'd)

| | Carrying Amount RM | On Demand/ Within 1 year RM | 1 to 2 years RM | 2 to 5 years RM | Over 5 years RM | Total RM |
|---|---|---|---|---|---|---|
| | | <---------- Contractual Cash Flows | | | ----------> | |
| **Group** | | | | | | |
| **2018** | | | | | | |
| **Financial liabilities:** | | | | | | |
| - Trade payables | 1,391,188 | 1,391,188 | - | - | - | 1,391,188 |
| - Other payables and accruals | 1,400,561 | 1,400,561 | - | - | - | 1,400,561 |
| - Contract liabilities | 504,895 | 504,895 | - | - | - | 504,895 |
| - Amounts due to Directors | 33,878 | 33,878 | - | - | - | 33,878 |
| - Term loans | 1,839,640 | 200,667 | 200,667 | 602,001 | 1,396,581 | 2,399,916 |
| - Hire purchase payables | 592,715 | 210,384 | 171,129 | 253,470 | 14,740 | 649,723 |
| - Bank overdrafts | 1,391,533 | 1,507,726 | - | - | - | 1,507,726 |
| | 7,154,410 | 5,249,299 | 371,796 | 855,471 | 1,411,321 | 7,887,887 |
| **Company** | | | | | | |
| **Financial liabilities:** | | | | | | |
| - Other payables and accruals | 480,185 | 480,185 | - | - | - | 480,185 |
| - Amount due to a Director | 3,728 | 3,728 | - | - | - | 3,728 |
| - Term loans | 1,839,640 | 200,667 | 200,667 | 602,001 | 1,396,581 | 2,399,916 |
| - Bank overdrafts | 1,094,621 | 1,186,022 | - | - | - | 1,186,022 |
| | 3,418,174 | 1,870,602 | 200,667 | 602,001 | 1,396,581 | 4,069,851 |

## 29. FAIR VALUE INFORMATION

Financial instrument at fair value

The fair value measurement hierarchies used to measure financial instruments at fair value in the statements of financial position are disclosed in Note 3(u).

There were no material transfer between Level 1, Level 2 and Level 3 during the financial year.

Financial instrument other than those carried at fair value

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

The carrying amounts of short-term receivables and payable, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate loans approximates their fair value as the loans will be re-priced to market interest rate on or near reporting date.

The fair values of hire purchase payables and fixed rate term loans are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period. The carrying value and fair value of the hire purchase payables are not materially different.

## 30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial year ended 31 March 2019 and 31 March 2018.

There were no changes in the Group's approach to capital management during the financial year.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes loans and borrowings less cash and cash equivalents balances whilst total capital is the equity attributable to the Owners of the Company.

The Group and the Company are in compliance with all externally imposed capital requirements.

## 30. CAPITAL MANAGEMENT (cont'd)

The gearing ratio as at 31 March 2019 and 31 March 2018, which are within the Group's objectives of capital management are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Borrowings | 3,661,505 | 3,823,888 | 2,204,064 | 2,934,261 |
| Less: | | | | |
| - Fixed deposits placed with licensed banks | 4,384,330 | 4,150,322 | 2,036,271 | 1,997,127 |
| - Short-term money market deposit | 3,600,000 | - | - | - |
| - Cash and bank balances | 19,570,352 | 24,494,747 | 11,628,217 | 22,631,336 |
| | 27,554,682 | 28,645,069 | 13,664,488 | 24,628,463 |
| Net debts | (23,893,177) | (24,821,181) | (11,460,424) | (21,694,202) |
| Equity attributable to the Owners of the Company, representing total capital | 175,499,307 | 163,074,981 | 164,046,780 | 148,268,144 |
| Capital and net debts | 151,606,130 | 138,253,800 | 152,586,356 | 126,573,942 |
| Gearing ratio | * | * | * | * |

** Not meaningful*

## 31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 27 April 2018, the Company has completed the acquisition of 90% equity interest in Sunland for a purchase consideration of RM78,750,000 satisfied via a combination of cash payment of RM15,000,000 and the issuance and allotment of 1,593,750,000 new ordinary shares of the Company at an issue price of RM0.04 per share amounting to RM63,750,000, together with bonus issue of 1,087,061,194 of Warrants E. Details of the acquisition of Sunland and details of Warrants E are disclosed in Note 10 and 18(b)(iv) respectively.

## 32. COMPARATIVE FIGURES

The following are changes in comparative figures due to the adoption of new accounting standards and reclassification as disclosed in Note 2(a): -

| | As previously reported | As reclassified |
|---|---|---|
| | RM | RM |
| **Group** | | |
| **2018** | | |
| **Statements of Financial Position** | | |
| **Current Assets:** | | |
| Trade receivables | 32,176,952 | 32,000,654 |
| Other receivables and deposits | 18,248,457 | 18,195,335 |
| Contract assets | - | 229,420 |
| | 50,425,409 | 50,425,409 |

# List of Properties



| TITLE / LOCATION | DESCRIPTION / EXISTING USE | REGISTERED OWNER | AGE OF BUILDINGS (Years) | BUILT-UP AREA (Sq feet) | TENURE | CARRYING AMOUNT @ 31.03.19 (RM) | ORIGINAL COST (RM) |
|---|---|---|---|---|---|---|---|
| No. 25-5 & 25-6, Oval Damansara<br>No. 685, Jalan Damansara<br>60000 Kuala Lumpur | Office Unit/ Head Office | EA Holdings Bhd | 5 years | 3,148 | Freehold | 1,306,346 | 1,624,472 |
| No. 22-3A Oval Damansara<br>No. 685, Jalan Damansara<br>60000 Kuala Lumpur | Office Unit/ Tenanted | EA Holdings Bhd | 5 years | 1,579 | Freehold | 606,730 | 758,442 |
| No. 22-5 Oval Damansara<br>No. 685, Jalan Damansara<br>60000 Kuala Lumpur | Office Unit/ Tenanted | EA Holdings Bhd | 5 years | 1,579 | Freehold | 613,111 | 766,389 |
| No. 28-2 Oval Damansara<br>No. 685, Jalan Damansara<br>60000 Kuala Lumpur | Office Unit/ Office Use | EA Holdings Bhd | 5 years | 1,504 | Freehold | 583,804 | 729,755 |
| No. 29-2 Oval Damansara<br>No. 685, Jalan Damansara<br>60000 Kuala Lumpur | Office Unit/ Tenanted | EA Holdings Bhd | 5 years | 1,504 | Freehold | 583,804 | 729,755 |
| No.4, Jalan Sungai Beting 2<br>Batu 3 3/4, Jalan Kapar<br>Rantau Panjang<br>41200 Klang, Selangor | Office Unit/ Warehouse | Sunland Volonte Agency Sdn Bhd | 22 years | 11,141 | Freehold | 686,140 | 975,092 |
| | | | | | | 4,379,936 | 5,583,905 |

# Analysis Of Shareholdings
## As At 3 July 2019



| | |
|---|---|
| Total number of issued shares | : 5,072,360,564 |
| Class of shares | : Ordinary Shares |
| Voting Rights | : One vote per share |

### DISTRIBUTION OF SHAREHOLDINGS

| | No. of holders | % | No. of shares | % |
|---|---|---|---|---|
| Less than 100 | 161 | 2.5 | 7,554 | 0.0 |
| 100 - 1,000 | 143 | 2.3 | 63,459 | 0.0 |
| 1,001 - 10,000 | 472 | 7.5 | 2,881,235 | 0.1 |
| 10,001 - 100,000 | 2,701 | 42.8 | 134,911,500 | 2.7 |
| 100,001 and below 5% | 2,836 | 44.9 | 2,738,572,515 | 54.0 |
| 5% and above | 2 | 0.0 | 2,195,924,301 | 43.3 |
| TOTAL | 6,315 | 100.0 | 5,072,360,564 | 100.0 |

### SUBSTANTIAL SHAREHOLDERS

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name | No. of shares | % | No. of shares | % |
| Mohammad Sobri bin Saad | 1,133,424,300 | 22.3% | - | - |
| Cheong Soo Han | 1,062,500,001 | 20.9% | - | - |

### DIRECTORS' SHAREHOLDING

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name | No. of shares | % | No. of shares | % |
| Mohammad Sobri bin Saad | 1,133,424,300 | 22.3% | - | - |
| Basir bin Bachik | 492,000 | 0.0% | - | - |
| Leou Thiam Lai | - | - | - | - |
| Abdul Fattah bin Mohamed Yatim | 18 | 0.0% | - | - |
| Dato' Azahar bin Rasul | - | - | - | - |

# Analysis Of Shareholdings

## As At 3 July 2019 (Continued)



### LIST OF 30 LARGEST SHAREHOLDERS AS AT 3 JULY 2019

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | MOHAMMAD SOBRI BIN SAAD | 949,841,500 | 18.7% |
| 2 | CHEONG SOO HAN | 852,500,001 | 16.8% |
| 3 | UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD<br>UOB KAY HIAN SECURITIES (M) SDN BHD FOR CHEONG SOO HAN (EAH) | 210,000,000 | 4.1% |
| 4 | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR MOHAMMAD SOBRI BIN SAAD | 183,582,800 | 3.6% |
| 5 | CHONG NYET FAN | 142,083,333 | 2.8% |
| 6 | GOH SWEE SIM | 142,083,333 | 2.8% |
| 7 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>LAW KUM WAH | 142,083,333 | 2.8% |
| 8 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHAN CHEE WAI (E-BPJ) | 40,000,000 | 0.8% |
| 9 | UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD<br>UOB KAY HIAN SECURITIES (M) SDN BHD FOR GOH SWEE SIM (EAH) | 35,000,000 | 0.7% |
| 10 | UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD<br>UOB KAY HIAN SECURITIES (M) SDN BHD FOR LAW KUM WAH (EAH) | 35,000,000 | 0.7% |
| 11 | UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD<br>UOB KAY HIAN SECURITIES (M) SDN BHD FOR CHONG NYET FAN (EAH) | 35,000,000 | 0.7% |
| 12 | SIM MUI KHEE | 26,495,100 | 0.5% |
| 13 | LOW BOON NGEE | 23,100,000 | 0.5% |
| 14 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR ONG KING SENG | 21,500,000 | 0.4% |
| 15 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR NG CHIN HONG (BTINGGI-CL) | 20,642,900 | 0.4% |
| 16 | GAN CHOON HOCK | 20,000,000 | 0.4% |
| 17 | MAYBANK NOMINEES (TEMPATAN) SDN BHD | 19,805,400 | 0.4% |
| 18 | YAP LING KHENG | 18,700,033 | 0.4% |
| 19 | DERRICK WEE HOE ENG | 18,000,000 | 0.4% |
| 20 | ENG BOON CHONG | 14,000,000 | 0.3% |
| 21 | GOH FUI FIN | 13,533,000 | 0.3% |
| 22 | PANG SHIEW WAI | 13,030,200 | 0.3% |
| 23 | SJ SEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LAU YAU YAN (SMT) | 13,000,000 | 0.3% |
| 24 | TAN CHONG JEAN | 12,299,900 | 0.2% |
| 25 | TEIN YUK YING | 11,856,100 | 0.2% |
| 26 | LAU YAU YEE | 11,450,000 | 0.2% |
| 27 | TAN MAO LING | 11,000,000 | 0.2% |
| 28 | PER YA CHEN | 10,600,000 | 0.2% |
| 29 | LIM KIAN MIN | 10,429,400 | 0.2% |
| 30 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR SEE JOVIN (MY2752) | 10,000,000 | 0.2% |

# Analysis Of Warrantholdings For Warrants D (2017/2022)

## As At 3 July 2019



| | |
|---|---|
| Type of Securities | Warrants 2017/2022 |
| Voting Rights | One vote per warrant in respect of a meeting of warrant holders |

### DISTRIBUTION OF WARRANTHOLDINGS

| Name | No. of holders | % | No. of warrants | % |
|---|---|---|---|---|
| Less than 100 | 119 | 5.0 | 5,573 | 0.0 |
| 100 - 1,000 | 44 | 1.8 | 20,811 | 0.0 |
| 1,001 - 10,000 | 246 | 10.3 | 1,530,144 | 0.2 |
| 10,001 - 100,000 | 1,199 | 50.0 | 52,318,685 | 5.3 |
| 100,001 and below 5% | 788 | 32.8 | 603,730,998 | 60.7 |
| 5% and above | 4 | 0.2 | 336,278,805 | 33.8 |
| **TOTAL** | **2,400** | **100.0** | **993,885,016** | **100.0** |

### DIRECTORS' WARRANTHOLDINGS

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name | No. of warrants | % | No. of warrants | % |
| Mohammad Sobri bin Saad | 125,931,575 | 12.7% | - | - |
| Basir bin Bachik | - | - | - | - |
| Leou Thiam Lai | - | - | - | - |
| Dato' Azahar bin Rasul | - | - | - | - |
| Abdul Fattah bin Mohamed Yatim | - | - | - | - |

# Analysis Of Warrantholdings For Warrants D (2017/2022)

## As At 3 July 2019 (Continued)



### LIST OF 30 LARGEST WARRANT D HOLDERS AS AT 3 JULY 2019

| NO. | NAME | NO. OF WARRANTS | % |
|---|---|---|---|
| 1 | CHONG MUI FUN | 139,031,480 | 14.0% |
| 2 | MOHAMMAD SOBRI BIN SAAD | 71,666,650 | 7.2% |
| 3 | CHONG MUI FUN | 71,315,750 | 7.2% |
| 4 | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR MOHAMMAD SOBRI BIN SAAD | 54,264,925 | 5.5% |
| 5 | LUM YIN MUI | 23,552,000 | 2.4% |
| 6 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES) | 19,000,000 | 1.9% |
| 7 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHAN CHEE WAI (E-BPJ) | 16,000,000 | 1.6% |
| 8 | SIM MUI KHEE | 15,000,010 | 1.5% |
| 9 | OON LEONG LYE @ KHOO LEONG LYE | 10,500,000 | 1.1% |
| 10 | LAM CHEE MENG | 9,000,000 | 0.9% |
| 11 | JAGGA RAO A/L MALLA NAIDU | 8,666,720 | 0.9% |
| 12 | GOH CHIA PHERN | 8,000,950 | 0.8% |
| 13 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR SEE JOVIN (MY2752) | 8,000,000 | 0.8% |
| 14 | KONG SIEW MEE | 7,920,400 | 0.8% |
| 15 | QUEK KHENG KOK | 6,000,000 | 0.6% |
| 16 | TEIN YUK YING | 6,000,000 | 0.6% |
| 17 | NG THIAN HUAT | 5,482,000 | 0.6% |
| 18 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR GOH CHIA PHERN (E-BPJ) | 5,100,000 | 0.5% |
| 19 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LIM YEW LEONG (E-BPJ) | 4,355,150 | 0.4% |
| 20 | DESTINET SDN BHD | 4,235,260 | 0.4% |
| 21 | CHOW KOH FEI | 4,186,200 | 0.4% |
| 22 | ENG BOON CHONG | 4,000,000 | 0.4% |
| 23 | LAU CHOON GEK @ LOW CHOON GEK | 4,000,000 | 0.4% |
| 24 | LOW BOON NGEE | 4,000,000 | 0.4% |
| 25 | SJ SEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LAU YAU YAN (SMT) | 4,000,000 | 0.4% |
| 26 | YONG SIW YA | 4,000,000 | 0.4% |
| 27 | GOH FUI FIN | 3,866,500 | 0.4% |
| 28 | TAN CHONG JEAN | 3,649,950 | 0.4% |
| 29 | HOW KIM SENG | 3,500,000 | 0.4% |
| 30 | OOI LENG HWA | 3,500,000 | 0.4% |

# Analysis Of Warrantholdings For Warrants E (2018/2023)
## As At 3 July 2019



| | |
|---|---|
| Type of Securities | Warrants 2018/2023 |
| Voting Rights | One vote per warrant in respect of a meeting of warrant holders |

### DISTRIBUTION OF WARRANTHOLDINGS

| Name | No. of holders | % | No. of warrants | % |
|---|---|---|---|---|
| Less than 100 | 664 | 11.3 | 27,190 | 0.0 |
| 100 - 1,000 | 219 | 3.7 | 102,909 | 0.0 |
| 1,001 - 10,000 | 1,215 | 20.6 | 6,597,100 | 0.6 |
| 10,001 - 100,000 | 2,765 | 47.0 | 106,819,066 | 9.8 |
| 100,001 and below 5% | 1,021 | 17.3 | 619,319,836 | 57.0 |
| 5% and above | 4 | 0.1 | 354,195,093 | 32.6 |
| **TOTAL** | **5,888** | **100.0** | **1,087,061,194** | **100.0** |

### DIRECTORS' WARRANTHOLDINGS

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name | No. of warrants | % | No. of warrants | % |
| Mohammad Sobri bin Saad | 133,411,281 | 12.3% | - | - |
| Basir bin Bachik | 153,750 | 0.0% | - | - |
| Leou Thiam Lai | - | - | - | - |
| Dato' Azahar bin Rasul | - | - | - | - |
| Abdul Fattah bin Mohamed Yatim | 5 | 0.0% | - | - |

# Analysis Of Warrantholdings For Warrants E (2018/2023)

## As At 3 July 2019 (Continued)



### LIST OF 30 LARGEST WARRANT E HOLDERS AS AT 3 JULY 2019

| NO. | NAME | NO. OF WARRANTS | % |
|---|---|---|---|
| 1 | CHONG MUI FUN | 147,378,187 | 13.6% |
| 2 | MOHAMMAD SOBRI BIN SAAD | 76,041,656 | 7.0% |
| 3 | CHONG MUI FUN | 73,405,625 | 6.8% |
| 4 | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR MOHAMMAD SOBRI BIN SAAD | 57,369,625 | 5.3% |
| 5 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHAN CHEE WAI (E-BPJ) | 17,000,000 | 1.6% |
| 6 | SIM MUI KHEE | 11,779,793 | 1.1% |
| 7 | YONG SIW YA | 11,770,600 | 1.1% |
| 8 | LUM YIN MUI | 11,600,000 | 1.1% |
| 9 | SJ SEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LAU YAU YAN (SMT) | 10,000,000 | 0.9% |
| 10 | KONG SIEW MEE | 9,784,125 | 0.9% |
| 11 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES) | 9,392,700 | 0.9% |
| 12 | LEE CHEE KIAN | 8,000,000 | 0.7% |
| 13 | JAGGA RAO A/L MALLA NAIDU | 7,322,975 | 0.7% |
| 14 | LOW BOON NGEE | 7,118,150 | 0.7% |
| 15 | GAN CHOON HOCK | 6,991,400 | 0.6% |
| 16 | PANG MEI CHAN | 6,437,000 | 0.6% |
| 17 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR SEE JOVIN (MY2752) | 6,249,968 | 0.6% |
| 18 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>LING KHENG | 6,189,187 | 0.6% |
| 19 | MAH KOK FOON | 6,000,000 | 0.6% |
| 20 | GOH CHIA PHERN | 5,470,000 | 0.5% |
| 21 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>ONG KHEAM CHYE | 5,395,100 | 0.5% |
| 22 | CHONG MEE FAH @ FREDERICK CHONG | 5,000,000 | 0.5% |
| 23 | SUA TIEN FONG | 5,000,000 | 0.5% |
| 24 | TEH SOH YONG | 5,000,000 | 0.5% |
| 25 | LAILA BINTI ISMAIL | 4,500,000 | 0.4% |
| 26 | ENG BOON CHONG | 4,375,000 | 0.4% |
| 27 | GOH FUI FIN | 4,229,062 | 0.4% |
| 28 | TAN CHONG JEAN | 3,843,718 | 0.4% |
| 29 | TEIN YUK YING | 3,705,031 | 0.3% |
| 30 | LAU YAU YEE | 3,578,125 | 0.3% |

# Notice Of Annual General Meeting



**NOTICE IS HEREBY GIVEN** that the 9th Annual General Meeting of the Company will be held at Foyer, Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya on Thursday, 12 September 2019 at 10.00 a.m. to transact the following business :

AGENDA

## AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2019 and the Reports of Directors and Auditors thereon. **Please refer to Explanatory Note (i)**

2. To approve the payment of Directors' fees amounting to RM132,000 for the financial period ended 31 March 2019. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM150,000 for the financial period ending 31 March 2020. **Resolution 2**

4. To re-elect the Director, En. Mohammad Sobri bin Saad, who retires in accordance with Article 86 of the Company's Constitution. **Resolution 3**

5. To re-elect the Director, En. Abdul Fattah bin Mohamed Yatim, who retires in accordance with Article 86 of the Company's Constitution. **Resolution 4**

6. To re-appoint Messrs. Moore Stephens Associates PLT as auditors of the Company and to authorize the Directors to fix their remuneration. **Resolution 5**

## AS SPECIAL BUSINESS

To consider and, if deemed fit, to pass the following resolution :

7. **Authority to issue shares** **Resolution 6**

"THAT, subject always to the Companies Act 2016, the Company's Constitution and the approvals of the relevant governmental/ regulatory authorities, if applicable, the Directors be and are hereby empowered, pursuant to Section 75 and Section 76 of the Companies Act 2016, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the total number of issue shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **Ordinary Resolutions**

**- Continuing in office as Independent Non-Executive Directors**

(i) "THAT authority be and is hereby given to Dato' Azahar Bin Rasul, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 7**

(ii) "THAT subject to the passing of Ordinary Resolution 4, authority be and is hereby given to En. Abdul Fattah bin Mohamed Yatim, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 8**

# Notice Of Annual General Meeting
(Continued)



**SPECIAL RESOLUTION** **Resolution 9**

9. **Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution ("Proposed Alteration")**

   "THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution as set out in Appendix A with effect from the date of passing this special resolution AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any modifications, variations and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing".

10. To transact any other business for which due notice shall have been given.

By Order of the Board

**LAANG JHE HOW (MIA 25193)**
Company Secretary

Kuala Lumpur
**31 July 2019**

*Notes:-*

1. *In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 4 September 2019 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.*

2. *A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, participate, speak and vote in its stead.*

3. *A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.*

4. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.*

6. *The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at No. 149A, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*

## Explanatory notes :

a) **Item 1 - Audited Financial Statement for the financial year ended 31 March 2019**

   The item is meant for discussion only, as the provision of Section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward for voting.

b) **Ordinary Resolution 6 - Proposed authority to issue shares**

   The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 75 of the Companies Act 2016 at the 9th AGM of the Company (hereinafter referred to as the "General Mandate").

   The Company had been granted a general mandate by its shareholders at the 8th AGM of the Company held on 6 September 2018 (hereinafter referred to as the "Previous Mandate").

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

# Notice Of Annual General Meeting

(Continued)



The General Mandate will enable the Directors of the Company to issue shares any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and / or acquisitions.

c) Ordinary Resolutions 7 and 8

Continuing In Office as Independent Non-Executive Directors

The Nomination Committee and the Board of Directors have assessed the independence of Dato' Azahar Bin Rasul and En. Abdul Fattah bin Mohamed Yatim who have served as the Independent Non-Executive Directors of the Company for a cumulative term of 9 years or more, and recommended them to continue acting as the Independent Non-Executive Directors of the Company based on the following justifications:-

a) they fulfilled the criteria under the definition of Independent Director as stated in the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would able to provide a check and balance and bring an element of objectivity to the Board;

b) they are familiar with the Company's business operations and are able to advise the Board diligently;

c) they have devoted sufficient time and attention to their professional obligations for informed and balanced decision making by actively participated in Board discussion and provided an independent voice to the Board; and

d) they have exercised their due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the best interest of the Company and shareholders.

d) Resolution 9 : Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution ("Proposed Alteration")

This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Listing Requirements of Bursa Securities and other provisions of laws and regulation that are applicable to the Company.

The Appendix A on the Proposed New Constitution of the Company, which is circulated together with the Notice of the 9th AGM dated 31 July 2019, shall take effect once the proposed Resolution 9 has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 9th AGM.

The proposed new Constitution is set out in the Circular to Shareholders dated 31 July 2019.

## STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad :-

### 1. Details of individuals who are standing for election as Directors

The profile of the Directors who are standing for re-election is stated on page 10 to 11 of this Annual Report.

### 2. Statement relating to the general mandate for issue of securities in accordance with Rule 6.04(3) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad

Detail of the General Mandate for the Authority to issue shares pursuant to Section 75 of the Companies Act 2016 are set out in Explanatory Notes (b) of the Notice of AGM.

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# Form Of Proxy

**EA HOLDINGS BERHAD**
(Company No. 878041-A)
(Incorporated in Malaysia)

| | |
|---|---|
| **CDS Account No.:** | |
| **No. of Shares Held:** | |

I/We ____________________________________________

of ____________________________________________

being a member/members of Company hereby appoint (Proxy 1) ____________________________________________

of ____________________________________________

and*/or failing him* (Proxy 2) ____________________________________________

of ______________________________ and*/or failing him*, the Chairman of the Meeting, as *my/ our proxy to vote for *me/us and on *my/our behalf at the **9th Annual General Meeting** of the Company to be held at Foyer, Palm Garden Golf Club, IOI Resort City,62502 Putrajaya on Thursday, 12 September 2019 at 10.00 a.m. and at any adjournment thereof.

The proportions of my/our holdings to be represented by my/our proxy(ies) are as follows:-

| | | | |
|---|---|---|---|
| Proxy 1 | - | % | In case of a vote by show of hands, Proxy 1*/ Proxy 2* shall vote on my/ our behalf. |
| Proxy 2 | - | % | |
| | | 100% | |

* Strike out whichever is inapplicable

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

| | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To approve the payment of Directors' fees amounting to RM132,000 for the financial year ended 31 March 2019. | | |
| 2. | To approve the payment of Directors' fees amounting to RM150,000 for the financial year ending 31 March 2020. | | |
| 3. | To re-elect the Director, En. Mohammad Sobri bin Saad, who retires in accordance with Article 86 of the Company's Constitution. | | |
| 4. | To re-elect the Director, En. Abdul Fattah bin Mohamed Yatim, who retires in accordance with Article 86 of the Company's Constitution. | | |
| 5. | To re-appoint Messrs. Moore Stephens Associates PLT as auditors of the Company and to authorize the Directors to fix their remuneration. | | |
| | AS SPECIAL BUSINESS | | |
| 6. | Authority to issue shares. | | |
| 7. | Retention of Dato' Azahar Bin Rasul as Independent Non-Executive Director | | |
| 8. | Retention of En. Abdul Fattah bin Mohamed Yatim as Independent Non-Executive Director | | |
| 9. | Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution ("Proposed Alteration") | | |

Please indicate with " X " in either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit.

Signature of Shareholder ______________________ Affix Company Seal (if applicable) ______________________

Signed this ____________ day of ______________ 2019

*Notes:-*

1. *In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 4 September 2019 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.*
2. *A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, participate, speak and vote in its stead.*
3. *A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.*
4. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.*
6. *The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at No. 149A, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*

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AFFIX
STAMP

The Company Secretary
**EA HOLDINGS BERHAD** (878041-A)
No. 149A, Jalan Aminuddin Baki
Taman Tun Dr. Ismail
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