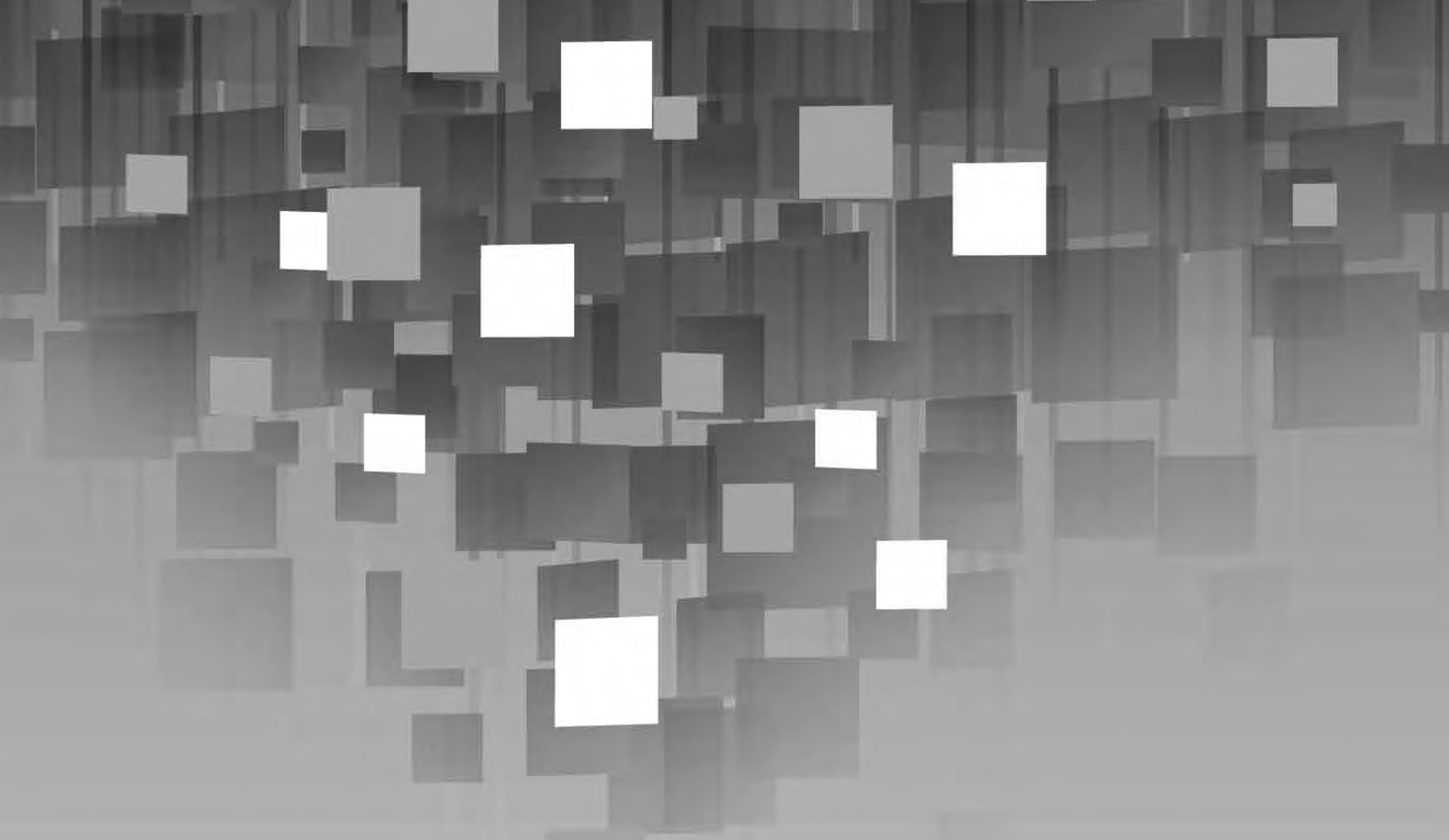
ANNUAL REPORT
2016

NOVA MSC BERHAD
(591898-H)



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting of the Company will be held at Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor on Monday 22 August 2016 at 9.30 a.m. for following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the year ended 31 March 2016, together with the Reports of Directors and Auditors thereon. (Resolution 1)

2. To re-elect Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar who retires as Director pursuant to Article 96 of the Company's Articles of Association. (Resolution 2)

3. To re-elect Mr Onn Kien Hoe who retires as Director pursuant to Article 96 of the Company's Articles of Association. (Resolution 3)

4. To approve the payment of Directors' fees for the year ended 31 March 2016. (Resolution 4)

5. To appoint Messrs. Folks DFK & Co. as Auditors of the Company and to authorize the Directors to fix the Auditors' remuneration. (Resolution 5)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

6. **ORDINARY RESOLUTION 1**
RE-APPOINTMENT OF DIRECTOR

To re-appoint Dr Victor John Stephen Price who is over the age of seventy (70) years, to hold office until the next annual general meeting pursuant to section 129(6) of the Companies Act, 1965 (Resolution 6)

7. **ORDINARY RESOLUTION 2**

Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 (Resolution 7)
"That approval be and is hereby given to Mr Onn Kien Hoe who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

8. **ORDINARY RESOLUTION 3**
SECTION 132D OF THE COMPANIES ACT, 1965.

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant regulatory authorities, the Directors be and are hereby authorized to issue shares in the Company, at any time and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution shall not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

9. **ORDINARY RESOLUTION 4**
PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"That subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market, approval be and is hereby given to the Company/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.5 of the Circular to shareholders dated 29 July 2016, provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related party than generally available to the public and are not detrimental to the minority shareholders." (Resolution 9)

That such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Proposed Shareholders' Mandate is passed, at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM;
(b) the expiration of the period within the next AGM after that date is required to be held pursuant to Section 143 (1) of the Companies Act ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Act); or
(c) is revoked or varied by resolution passed by the shareholders in a general meeting whichever is earlier;

AND THAT the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate.

10. To transact any other business for which due notice has been given.

BY ORDER OF THE BOARD

Tan Kok Aun (MACS 01564)
Wong Wai Yin (MAICSA 7003000)
Company Secretaries
Kuala Lumpur
29 July 2016

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on **15 August 2016** ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

2. 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 account it holds.

3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

4. Where a member appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.

5. The instrument appointing a proxy shall be in writing under the hands of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal, or the hand of its attorney duly authorised.

6. The Proxy Form must be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

7. Explanatory Notes On Special Business

   (i) Resolution 6 - The proposed ordinary resolution 1, if passed will enable Dr Victor John Stephen Price to continue in office until the next annual general meeting.

   (ii) Resolution 7 - The Nominating Committee and the Board have assessed the independence of Mr Onn Kien Hoe who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine years and have recommended that he continues to act as an Independent Non-Executive Director of the Company based on the following justifications:

      a) He actively participated in board decision, providing an independent and objective voice in board deliberations and decision making and hence able to act in the best interests of the Company.

      b) He is not related to any Directors and substantial shareholders of the Company.

      c) He is capable and contributes to the Group by providing critical inputs during Board discussions.

   (iii) Resolution 8 - Authority to Issue Shares

   The proposed Resolution 8 is a renewal mandate for the issue of shares under Section 132D of the Act. If passed, it will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares (other than bonus or rights issue) and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   The rationale for this resolution is to eliminate the need to seek shareholders' approval to convene general meeting(s) from time to time as and when the Company issues new shares for future business opportunities and thereby reducing administrative time and cost associated. 49,798,760 new ordinary shares of par value RM0.10 had been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 27 August 2015. The Directors would utilise the proceeds raised from this mandate for working capital or such other applications they may in their absolute discretion deem fit.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Notes: (Cont'd)

7. Explanatory Notes On Special Business (Cont'd)

(iv) Resolution 9 - Proposed Shareholders' Mandate

The proposed resolution, if passed will allow the Group to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

Please refer to the Circular to Shareholders dated 29 July 2016 for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who retire by rotation and standing for re-election pursuant to the Articles of Association of the Company

   i) Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar
   ii) Mr Onn Kien Hoe

2. Director who retires pursuant to section 129(6) of the Companies Act, 1965

   i) Dr Victor John Stephen Price

3. The profiles of Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar, Mr Onn Kien Hoe and Dr Victor John Stephen Price, who are standing for re-election/re-appointment, are set out in the Directors' Profiles appearing on page 11 to 13 of this Annual Report. The Directors' interests in shares are shown in page 36 of the annual report.

4. Details of attendance of Directors at Board of Directors' Meetings

   There were 5 Board of Directors' Meetings held during the financial year ended 31 March 2016. The details of the attendance of the Directors are shown in page 17 of the Annual Report

5. Place, date and time of the 14th Annual General Meeting

   The 14th Annual General Meeting is scheduled to be held on Monday, 22 August 2016 at Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor at 9.30 a.m.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar
Chairman, Non-Executive
Non-Independent Director

Chan Wing Kong
Chief Executive Officer

Suresh Parthasarathy
Non-Executive
Non-Independent Director

Onn Kien Hoe
Non-Executive Independent Director

Dato' Dr Chua Hock Hoo
Non-Executive Independent Director

Dr Victor John Stephen Price
Non-Executive Independent Director

AUDIT COMMITTEE

Onn Kien Hoe
Chairman,
Non-Executive Independent Director

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar
Non-Executive
Non-Independent Director

Dato' Dr Chua Hock Hoo
Non-Executive Independent Director

Dr Victor John Stephen Price
Non-Executive Independent Director

NOMINATING COMMITTEE

Onn Kien Hoe
Chairman, Non-Executive
Independent Director

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar
Non-Executive
Non-Independent Director

Dato' Dr Chua Hock Hoo
Non-Executive Independent Director

RENUMERATION COMMITTEE

Onn Kien Hoe
Chairman,
Non-Executive Independent Director

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar
Non-Executive
Non-Independent Director

Dato' Dr Chua Hock Hoo
Non-Executive Independent Director

Dr Victor John Stephen Price
Non-Executive Independent Director

ESOS COMMITTEE

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar
Chairman,
Non-Executive Independent Director

Onn Kien Hoe
Non-Executive Independent Director

Dr Victor John Stephen Price
Non-Executive Independent Director

Chan Wing Kong
Chief Executive Officer

Dato' Dr Chua Hock Hoo
Non-Executive Independent Director

COMPANY SECRETARIES

Tan Kok Aun (MACS 01564)
Wong Wai Yin (MAICSA 7003000)

REGISTERED OFFICE

No. 1 & 1A, 2nd Floor (Room 2)
Jalan Ipoh Kecil
50350 Kuala Lumpur
Tel : (03) 40435750
Fax : (03) 40435755
e-mail: steven.chan@nova-hub.com
website: www.novamsc.com

BUSINESS OFFICES

2-D, Block 2330
Century Square
63000 Cyberjaya
Tel : (03) 8319 2628
Fax : (03) 8319 3628

E 33-3A
Dataran 3 Two Square
No 2, Jalan 19/1
46300 Petaling Jaya
Tel : (03) 7957 6628
Fax : (03) 7954 6628

B-11-1, Tower B, Level 11
Northpoint, Mid Valley City
No.1, Medan Syed Putra Utara
59200 Kuala Lumpur

REGISTRARS AND TRANSFER OFFICE

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House,
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : (03) 7841 8279/7841 8278
(Helpdesk)
Fax : (03) 7841 8151/7841 8152

AUDITORS

Folks DFK & Co
12th Floor, Wisma Tun Sambanthan
No.2, Jalan Sultan Sulaiman
50000 Kuala Lumpur

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia

CORPORATE WEBSITE

www.novamsc.com

GROUP STRUCTURE

NOVA MSC BERHAD
(Incorporated in Malaysia)

- 100% **Novacitynets Pte Ltd** (Incorporated in Singapore)
  - 100% **Novacitynets International Pte Ltd** (Incorporated in Singapore)
  - 100% **NovaBIM (Lao) Sole Co Limited** (Incorporated in Lao People's Democratic Republic)
  - 70% **NovaBIM Limited** (Incorporated in Republic of China)
- 40% **B-Nova Sdn Bhd** (Incorporated in Brunei)
- 99.99% **NovaSolutions (Philippines) Inc** (Incorporated in Philippines)
- 51% **CNA Development Pte Ltd** (Incorporated in Singapore)
- 100% **Novahealth Pte Ltd** (Incorporated in Singapore)
  - 49% **JPMCnova Sdn Bhd** (Incorporated in Brunei)
  - 49% **Estemarat Technology Information LLC** (Incorporated in United Arab Emirates)

CHAIRMAN'S STATEMENT

Dear Shareholders,

In financial year ended 31 March 2016, the Group operated in a volatile environment as a result of multiple challenges affecting the global and local economy. The upheaval in the oil and commodity market, the slowing of China economy, the stagnant Eurozone economy and the U.S. Federal Reserve's interest rate normalisation in favour of a tighter monetary policy created uncertainty and affected business sentiment.

Against this backdrop and given the dynamic nature of the IT industry, the Group needs to focus on its core competencies and strategies. Hence, we have embarked on a three-prong strategy to (1) broaden our marketing activities to cover more overseas markets, (2) introduce a pay-per-use business model incorporating cloud technology and (3) enter into new complimentary business segment. I am satisfied that the Group had performed reasonably well in light of the challenging operating environment.

FINANCIAL PERFORMANCE

For the financial year ended 31 March 2016 (FY15/16), the Group recorded revenue of RM31.0 million, representing an approximately 4% decrease over the revenue for the 12 months period ended 31 March 2015 (FY14/15) of RM32.3 million. The Group recorded a lower profit before taxation of approximately RM0.5 million for FY15/16 as compared to the preceding year's profit before taxation of approximately RM1.2 million due to the lower revenue achieved and coupled with an allowance for trade receivable of approximately RM0.5 million.

The Company also issued new ordinary shares of par value RM0.10 via the following in FY15/16 to strengthen the Group's financial position:

1. 49,798,760 new ordinary shares were issued via private placement to third parties at RM0.106 per share for cash, and

2. 7,395,000 new ordinary shares were issued at par value pursuant to the Employee Share Options Scheme.

With the above, the Group is in a much stronger position financially. Shareholders' fund as at 31 March 2016 stood at approximately RM46.6 million as compared to RM37.9 million as at 31 March 2015.

R&D

R&D has always been a very essential component of our Group's strategy in driving business growth and improving operational efficiency. In FY15/16, the Group incurred approximately RM7.3 million to introduce new modules for our existing products and a new cloud-based application product called Avicenna, which is a fully integrated clinic management system.

CHAIRMAN'S STATEMENT (Cont'd)

COMPLIMENTARY BUSINESS SEGMENT

To broaden our solution offering, on 30 November 2015, the Group entered into a new complimentary business segment by subscribing for a 20% equity interest in CNA Development Pte Ltd (CNAD), which is in the business of providing integrated building control and automation. Subsequently on 7 April 2016, the Group acquired an additional 31% equity interest in CNAD, thus making CNAD a 51% subsidiary of the Group. The acquisition will allow the Group to have control over the strategic directions of CNAD and to safeguard the interest of Group whilst enabling the enlarged Group to achieve revenue and cost synergies. I believe CNAD will contribute positively to the Group.

OUTLOOK

With UK's exit from the European Union, the Group expects significant uncertainty ahead. It would have an effect on access to capital and business confidence, at least in the short term. However, the Group believes that the Group is on the right growth path. Riding on the momentum we have generated in FY15/16, we will continue to implement our three-prong strategy. However, it may take some time for the strategy to gain traction.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to thank the management and staff of the Group for their commitment, dedication and support during the year. I also wish to extend our gratitude and appreciation to our shareholders, customers, suppliers and business partners for their continuing support and confidence in the Group.

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar
Chairman, Non-Executive Non-Independent Director

DIRECTORS' PROFILES

Y.A.M. TUNKU DATO' SERI NADZARUDDIN IBNI ALMARHUM TUANKU JA'AFAR,
56, Malaysian,
Non-Executive Non-Independent Director

Tunku Nadzaruddin was appointed to the Board on 27 June 2003. He was appointed Chairman of the Group on 1 July 2003. He is also the Chairman of the ESOS Committee and a member of the Audit Committee, Nomination, and Remuneration Committee. He graduated from Middlesex University with a degree in Bachelor of Science (Honours) in Mathematics in 1984.

He holds directorships in Box-Pak (Malaysia) Berhad and Khyra Legacy Berhad.

Tunku Nadzaruddin was President of the Persatuan Broker Niaga Hadapan Malaysia (Malaysia Futures Brokers Association) and is the current Patron.

Tunku Nadzaruddin does not have any family relationship with any other Directors. However, he is deemed interested by virtue of his directorship in the Company and major shareholding in Raden Corporation Sdn Bhd, which is a major shareholder of the Company. He has not been convicted of any offences in the last ten (10) years. Tunku Nadzaruddin attended all five of the Board Meetings held in the financial year ended 31 March 2016.

MR CHAN WING KONG,
58, Singapore citizen,
Executive Non-Independent Director.

Mr Chan Wing Kong is the founder and Chief Executive Officer of Nova MSC Berhad ("Company"). He was appointed to the Board on 31 October 2002. He also sits as a member of the ESOS Committee. His responsibilities include the overall development of the business strategies and policies of the Group to achieve long-term business objectives. He leads the senior management in the development and implementation of the Group's business vision.

He has more than twenty-five (25) years of working experience at various organizations in the areas of marketing and implementation of large IT projects. Prior to the setting up of Nova MSC Berhad group of companies, he was the General Manager of the IT Division in Siemens Pte. Ltd. (Singapore). Mr Chan obtained his Bachelor of Surveying (Hons) degree from the University of Newcastle in Australia under a Colombo Plan Scholarship awarded by the Singapore Government and a Master of Science degree from the University of Queensland.

Mr Chan does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years. Mr Chan attended all five of the Board Meetings held in the financial year ended 31 March 2016.

DR VICTOR JOHN STEPHEN PRICE,
74, South African,
Non Executive Independent Director

Dr Victor John Stephen Price is a founder of the Company and was appointed to the Board on 31 October 2002. He is also a member of the Audit Committee, Remuneration Committee and ESOS Committee.

Dr Stephen Price has more than 40 years of experience in land planning, development and management in both the government and private sectors.

Dr Price served the company as Chief Technical Officer from its inception until his retirement in January 2009.

Dr Price does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years. Dr Price attended four out of five of the Board Meetings held in the financial year ended 31 March 2016.

DIRECTORS' PROFILES (Cont'd)

MR ONN KIEN HOE,
51, Malaysian,
Non Executive Independent Director

Mr Onn Kien Hoe was appointed to the Board on 5 June 2003. He is currently the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee. He is also a member of the ESOS Committee. Mr Onn completed his professional qualification with the Association of Chartered Certified Accountants in 1988, and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr Onn is a partner of Crowe Horwath (Kuala Lumpur Office), and is the co-head of Crowe Horwath's corporate advisory department. Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants and as a member of the Interpretation Committee of the Malaysian Accounting Standards Board. He also holds directorships in MAA Group Berhad, MAA Takaful Berhad, MAA International Assurance Ltd and Reliance Pacific Berhad.

Mr Onn does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years. Mr Onn attended all five of the Board Meetings held in the financial year ended 31 March 2016.

DATO' DR CHUA HOCK HOO,
50, Malaysian,
Non Executive Independent Director

Dato' Dr Chua Hock Hoo was appointed as a Non-Executive Independent Director of the Company on 12 May 2009. Currently, he is also a member of the Audit Committee, Remuneration Committee, Nominating Committee and ESOS Committee.

Dato' Dr Chua qualified as a professional accountant from the Chartered Institute of Management Accountant in 1993. He obtained Doctorate in Knowledge Management (PHD) from University of Malaya in 2012 and Master of Business Administration (MBA) from Oklahoma City University, USA in 1995. He had successfully completed the 5th Asean Senior Management Development Program organized by Harvard Business School Alumni Club of Malaysia on 7th July 2013.

Dato' Dr Chua distinguished himself in practice as an auditor, licensed liquidator and a tax consultant. He is the co-founder and currently the Managing Partner of Cheng & Co, a Chartered Accountants firm. He has been appointed as an Adjunct Professor of UNITAR International University since January 2014. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Taxation and Financial Planning Association of Malaysia, a fellow member of the Chartered Institute of Management Accountants (UK), a fellow member of CPA Australia, and an associate member of the Institute of Internal Auditors Malaysia. He is also a member of Harvard Business School Alumni Club of Malaysia.

Dato' Dr Chua does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years. Dato' Dr Chua attended all five of the Board Meetings held in the financial year ended 31 March 2016.

DIRECTORS' PROFILES (Cont'd)

MR SURESH PARTHASARATHY,
45, Indian,
Non-Executive Non-Independent Director

Mr Suresh Parthasarathy was appointed executive director to the Board on 7 April 2010 and re-designated as non executive non independent director with effect from 1 April 2015.

He has more than 19 years of extensive Software Project and Resources Management experience. He has successfully executed various projects, from design stage till deployment. He has done extensive multi-tier and web applications design for the leading financial institutions.

Before 2006, Mr Suresh was heading the Sales for the Indian businesses for an Indian Software Company. He was instrumental in building the banking products practice, where he was able to procure some prestigious orders from leading MNC Bank.

Besides the Company, Mr Suresh also sits on board of Zylog Systems Asia Pacific Pte Ltd, a major shareholder of the Company.

Mr Suresh does not have any family relationship with any other Directors and/or major shareholders of the Company. Neither has he been convicted of any offences in the last ten (10) years. Mr Suresh attended all five of the Board Meetings held in the financial year ended 31 March 2016.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“Board”) of Nova MSC Berhad (“the Company”) recognizes the importance of good corporate governance and is committed to the establishment and implementation of a proper framework and controls that are in line with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“the Code”), where applicable.

The following statements describe the corporate governance practices that were in place in the financial year ended 31 March 2016:-

1. BOARD

1.1 Duties and Responsibilities

The Board is responsible for formulating and reviewing the strategic plans and key policies of the Company while providing effective oversight of Group’s performance, risk assessment and controls over business operations. In discharging its roles and responsibilities, the Board is guided by its Board Charter which outlines the duties of and responsibilities of the Board.

The Chairman leads the Board and ensures the effective functioning of the Board to act in the best interests of the Company and its shareholders. The Chairman facilitates the relationship between the Board, Executive Director and Management, by engaging them in constructive discussions over various matters, including strategic issues and business planning process. He ensures that discussion at the Board level are conducted objectively and professionally where all views are heard and key issues are debated in a fair and open manner.

The Non-Executive Directors contribute their expertise and experience to give independent judgment to the Board on issues of strategy, performance and resources, including major policies, key directions and standards of conduct.

The roles of the Non-Executive Independent Directors are to ensure that the strategies proposed by the executive management are fully reviewed and examined. They also undertake the responsibility of protecting and securing the varied long-term interests of the shareholders, employees, customers, and the communities in which the Group conducts its business.

Save for the significant matters reserved for the Board’s approval, such as financial results, annual budget and business plan, issuance of new shares, expenditure above a certain limit, disposals or acquisition of significant assets and others, the Board delegates the day-to day operations of the business and implementation of Board’s policies and plans to the Executive Director. The Executive Director is also accountable to the Board for the conduct and performance of the Group.

The role of the Management is to support the Executive Director.

During the year, the Executive Director and Management presented comprehensive summaries of the significant business activities and financial performance of the Group to the Board on a quarterly basis, whereby explanations on any material shortfalls and proposed corrective actions were provided. The Executive Director and Management also presented to the Board proposed business strategies and plans for the Board’s review. The Board deliberated on the business strategies and plans to ensure that they were in line with Group’s visions and mission after taking into consideration the latest market conditions and internal capabilities.

The Company Secretary plays an advisory role to the Board and is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also ensures that the deliberations at the Board meetings are well captured and documented.

1. BOARD (CONT'D)

1.1 Duties and Responsibilities (Cont'd)

The Board is also supported by four (4) Board committees to which it delegates specific areas of responsibilities for review and decision making. They are the Audit Committee, Nominating Committee, ESOS Committee and Remuneration Committee.

No individual or group of individuals dominates the Board's decision-making. Together, the Directors possess the wide range of business, commercial and financial knowledge, expertise and skills essential in the management and direction of a corporation with regional presence.

1.2 Board Charter and Code of Corporate Conduct

The Company has adopted a Board charter and this is made available on the corporate website. The document aims to govern how the Board conduct its affairs, including the roles and responsibilities of the Board and Board Committees and their processes and procedures for convening their meetings. The Board will review its charter regularly to ensure its effectiveness and relevance to the Board's objectives.

The Board has adopted a Code of Conduct and Ethics policy which set out the standards of conduct expected from Directors, to engender good corporate behaviour. The Board intends to review the Code of Conduct and Ethics policy biennially or as and when it is required to ensure the information remains relevant and appropriate. A summary of this is available on the corporate website. In addition, the Board intends to put in place a whistle blowing policy in the new financial year.

1.3 Composition and Board Balance

1.3.1 Composition

The Board currently has six members, comprising one executive director, two non-executive non-independent Directors and three Non-Executive Independent Directors. The Board is mindful that if the Chairman is not an independent director, the board should comprise of a majority of independent directors. However the Board has deliberated and viewed that it is not necessary to comply with the recommendation 3.5 of the Code due to the following reasons:-

i) The size of the current Board is balanced and the composition of the Board is sufficient.
ii) The Company is not in a complicated business which requires enlarged Board members.
iii) The present Chairman is a substantial shareholder but not a major shareholder of the Company.
iv) The present Chairman holds a non-executive position

The Board is of the opinion that the interests of the shareholders of the Company are fairly represented in the current composition and its size constitutes an effective Board of the Company. The wide spectrum of knowledge, skills and experience of the Board gives added strength to the leadership which is necessary for the effective stewardship of the Group.

1.3.2 Board Balance

The five Non Executive Directors of the Company, which form 5/6 of the Board, provide the Board with a good mix of industry-specific knowledge plus broad business and commercial experience. They provide guidance, unbiased, fully balanced and independent views, advice and judgment to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that higher standards of conduct and integrity are maintained by the Group.

The Board recognizes the importance of effective executive leadership to Nova's success and the Nominating Committee is tasked to discuss executive succession planning at least annually.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1. BOARD (CONT'D)

1.3 Composition and Board Balance (Cont'd)

1.3.2 Board Balance (Cont'd)

The Board has further deliberated and views that although the tenure of one of the Independent Directors has exceeded 9 years, he continues to provide independent judgement in carrying out his duties and thus the Board will seek shareholders' approval to allow the affected Director to continue in office as Independent Director of the Company

The profiles of the Directors are provided in pages 11 to 13 of the Annual Report.

1.4 Access to Information and Advice

Before each Board meeting, the Directors are provided with the agenda and full set of Board papers containing relevant information relating to the business of the meeting. Where necessary, additional information is provided during the Board meeting on significant issues that arise or when specifically requested by a Director.

The directors also have access to the services of the Company Secretary and senior management staff whether as a full board or in their individual capacity. In certain instances as deemed appropriate, the Board may also engage the services of professionals at the expense of the Group on specialized issues.

1.5 Appointment Process

The Board appoints its members through a formal and transparent selection process, which is consistent with the Articles of Association of the Company. Appointments are made upon the recommendation of the Nominating Committee. This process has been reviewed, approved and adopted by the Board. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met. The Board has set up a Nominating Committee on 28 August 2007.

1.6 Re-election of Directors

Directors appointed by the Board during the financial year are subject to re-election by the shareholders at the next Annual General Meeting held following their appointments and thereafter shall retire at least once every 3 years and retiring directors shall be eligible for re-election.

The Company does not have term limits for both Executive Directors and Non-Executive Independent Directors as the Board believes that continued contribution by Directors provide benefits to the Board and the Group as a whole. The integrity of Independent Directors is not compromised by the long period of serving. The Board recognizes the importance of establishing criteria on independence to be used in the annual assessment of its Non-Executive Independent Directors. In accordance with Recommendation 3.3 of MCCG 2012, the Board must justify and seek shareholders' approval in the event it retains an independent director, a person who has served in that capacity for more than nine years.

The Board has conducted an assessment on independence of directors in the period under review. The performance evaluation of the independent directors is conducted by way of self-assessment checklist. The independence evaluation is based on the criteria laid down in the Listing Requirements. It was noted by the Board that the independent directors complied with the definition of independent director as set out in Chapter 1 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements.

1. BOARD (CONT'D)

1.7 Meetings

During the year under review, five (5) Board Meetings have been held. The attendance record of each Director since the last financial year or the date of appointment is as follows:

	Number of Meetings Attended
Executive Directors	
Chan Wing Kong	5/5
Non-Executive Directors	
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	5/5
Onn Kien Hoe	5/5
Dr Victor John Stephen Price	4/5
Dato' Dr Chua Hock Hoo	5/5
Suresh Parthasarathy	5/5

During the financial year, the Board also resolved and approved the Company's matters through circular resolutions. Board members are provided sufficient detailed information for approvals via circular resolutions and are given full access to senior management to clarify any matters arising.

The Board also observe the recommendation of the Code that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment. To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, they must no hold directorships at more than five public listed companies and must be able to commit sufficient time to the Company.

The Board is satisfied that the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company as evidenced by the attendance record of the Directors at Board meetings.

1.8 Directors' Training

At every Board Meeting, all Directors were briefed on the latest developments of the Group's business and operations to enhance and ensure that they have a comprehensive understanding on the Group's operations to enable them to discharge their responsibilities effectively and to keep abreast with developments in the market place. The Company does not have a formal training programme for new director. However, familiarization programme with the operations of the Group shall be arranged for any new appointee to the Board. In financial year under review, all Directors have attended development and training programmes, seminars and courses, the details of which are as follows:

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1. BOARD (CONT'D)

1.8 Directors' Training (Cont'd)

1. Y.A.M TUNKU DATO' SERI NADZARUDDIN IBNI ALMARHUM TUANKU JA'AFAR

Date	Details	Organised By
06/05/2015	Focus Group session	Bursa Malaysia Berhad
09/09/2015	CG Breakfast Series With Directors - "How to Maximise internal audit"	Bursa Malaysia Berhad
15/09/2015	BOARD CHAIRMAN SERIES - "Tone From the Chair & Establishing Boundaries"	Bursa Malaysia Berhad
01 to 04/10/2015	16th Antah Group Conference	Syarikat Pesaka Antah Sdn Bhd
26/11/2015	CG Breakfast Series With Director: Board Reward & Recognition	Bursa Malaysia Berhad
26/02/2016	CG Breakfast Series - Thought Leadership Session for Directors	Bursa Malaysia Berhad
11/03/2016	Directors' Breakfast Series: Ring the Bell for Gender Equality	Bursa Malaysia Berhad

2. MR. ONN KIEN HOE

Date	Details	Organised By
06/05/2015	Focus Group Session for Board of Directors on Strengthening Corporate Governance Disclosure	Bursa Malaysia Berhad
19/05/2015	Developing & Managing Key Performance Indicators (KPIs)	Neville-Clarke
25 & 26/08/2015	National Tax Conference 2015	Lembaga Hasil Dalam Negeri ("LHDN") and Chartered Tax Institute of Malaysia
03/10/2015	Completion of course requirements to become a Level 1 TRIZ practitioner	The Malaysia TRIZ Innovation Association and The International TRIZ Association ("MATRIZ")
20/10/2015	Corporate Fraud & Forensic Accounting	Kampuchea Institute of Certified Public Accountants and Auditors ("KICPAA") and BG Associates Ltd
29/10/2015	Seminar Percukaian Kebangsaan 2015	LHDN
30/11/2015	Valuing a Business	KICPAA
17 & 18/03/2015	An Overview of Latest Developments in MFRS	Malaysia Institute of Accountants

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1. BOARD (CONT'D)

1.8 Directors' Training (Cont'd)

3. DR. VICTOR JOHN STEPHEN PRICE

Date	Details	Organised By
9 & 10/02/2016	Finance, Accounts and Budgets for Managers	Corporate Business Management Training

4. DATO' DR. CHUA HOCK HOO

Date	Details	Organised By
25 & 26/08/15	National Tac Conference 2015	Lembaga Hasil Dalam Negeri ("LHDN") and Chartered Tax Institute of Malaysia
22/09/2015	CPA Congress 2015	CPA Australia
29/10/2015	Seminar Percukaian Kebangsaan 2015	LHDN

5. MR. CHAN WING KONG

Date	Details	Organised By
14/03/2016	E Commerce and Digital Strategy for Asia	Advisory Seminar

6. MR. SURESH PARTHASARATHY

Date	Details	Organised By
6 & 7/10/2015	ASOCIO PIKOMICT Leadership Summit 2015	The National ICT Association of Malaysia
18 & 19/11/2015	BTA Series 4: Investment Banking Technology	Knowledge Group of Companies

1. BOARD (CONT'D)

1.9 Board Committee

The Board has established the following committees:

i) Audit Committee

The Board has set up an Audit Committee, which composition is in compliance with the relevant regulatory requirements. The report of the Audit Committee is found on pages 27 to 30.

ii) Nominating Committee

The Nominating Committee ("NC") comprises of the following members:

- Onn Kien Hoe (Chairman), Independent Non-Executive Director
- Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar, Non-Independent Non-Executive Director
- Dato' Dr Chua Hock Hoo, Independent Non-Executive Director

The NC shall meet at least once a year or as and when deemed fit and necessary.

The duties and responsibilities of the NC are as follows:-

- To assist the Board in implementing an assessment program to assess the effectiveness of the Board as a whole, the committee of the Board and the individual director on an annual basis.
- To assist the Board in its annual review of its required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board
- To nominate and recommend to the Board suitable candidates for directorships. In making such recommendations, to consider candidates proposed by chief executive office and within the bounds of practicability by any other senior executives or any director or shareholder
- To nominate and recommend to the Board the nominees to fill seats on Board committees and succession planning.

During the period under view, the NC met once and was attended by a majority of the members of the NC. At this meeting, the NC:-

i) Reviewed the annual assessment of the Board and individual directors;
ii) Discussed and recommended to the Board for re-election/re-appointment of retiring directors in the Annual General Meeting; and
iii) Brought up the need for directors' trainings.
iv) Proposed setting up a training policy for employees of the Group.

The performance evaluation of the Board is conducted by way of self-assessment. The performance criteria used in this evaluation includes individual contributions of each directors, the overall effectiveness of the Board and its required mix of skill, experience and other qualities including core competencies. Directors are required to fill out the self-assessment forms and provide their feedback, view.

The results of these self-assessments forms are compiled and tabled to the Nominating Committee for review and deliberation.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1. BOARD (CONT'D)

1.9 Board Committee (Cont'd)

ii) Nominating Committee (Cont'd)

At this meeting, the NC did not review the office and performance of the Audit Committee members as there is a conflict of interest since the members of NC and Audit Committee are the same. NC requested the Company Secretary to recommend to NC on the composition of the various Board Committees at the next NC meeting.

As part of the management succession planning, the Group has appointed Mr Lai Teik Kin as the Deputy Group Chief Executive Officer. The Nominating Committee had discussed with the Executive Director on management succession planning and the Executive Director proposed a new remuneration package for Chief Executive Officer ("CEO") to be drawn up and benchmarked against the CEO package in similar business in the market in order to attract and ensure successful succession planning. The proposed new remuneration package will be discussed at the next Remuneration Committee Meeting.

iii) Employees Share Option Scheme ("ESOS") Committee

A new ESOS Committee was set up on 23 May 2016 which comprises of the following members:

- Onn Kien Hoe (Chairman), Independent Non-Executive Director
- Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar, Non-Independent Non-Executive Director
- Dr Victor John Stephen Price, Independent Non-Executive Director
- Chan Wing Kong, Non-Independent Executive Director
- Dato' Dr Chua Hock Hoo, Independent Non-Executive Director

The ESOS committee was established to administer the Company's ESOS. The Committee's principal function is to ensure that the Scheme is administered in accordance with the by-laws approved by the shareholders of the Company. The present ESOS was implemented on 18 November 2015 and is governed by the by-laws that were approved by the shareholders on 27 August 2015.

The ESOS Committee met once during the period under review with all the members attending the meeting. The ESOS Committee reviewed and discussed the terms, criteria and overall assessment for the ESOS allocation for eligible employees and director.

iv) Remuneration Committee

The Remuneration Committees comprises of the following members:

- Onn Kien Hoe (Chairman), Independent Non-Executive Director
- Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar, Non-Independent Non-Executive Director
- Dato' Dr Chua Hock Hoo, Independent Non-Executive Director
- Dr Victor John Stephen Price, Independent Non-Executive Director

It is responsible to assist the Board in developing and establishing commensurate remuneration policies and packages of the Executive Directors. The Committee shall meet at least once a year or as and when deemed fit and necessary.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1. BOARD (CONT'D)

1.9 Board Committee (Cont'd)

iv) Remuneration Committee (Cont'd)

The Remuneration Committee met once during the period under review with a majority of the members attended the meeting. The Remuneration Committee reviewed CEO's recommendations for bonus and performance of the Management team, the remuneration package of the executive directors in the Company and in the respective subsidiary companies. The performance criteria for increment of salaries were based on performance of executive directors under the "Flexi Scheme Basis" for the financial year. In addition, Remuneration Committee also reviewed CEO's recommendation for performance of the Group management team.

2. DIRECTORS' REMUNERATION

2.1 Remuneration Policy and Procedures

The directors' remuneration is determined in accordance to the performance and their capability to the Group. The Board recognizes that levels of remuneration must be sufficient to attract, retain and motivate the directors of the quality required to manage the business of the Company and the Group and to align the interest of the Directors with those of the shareholders. The Remuneration Committee is entrusted under its term of reference to assist the Board, among others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted with the Directors concerned abstaining from discussions on their individual remuneration.

Aggregate remuneration of the Directors during the financial year ended 31 March 2016 can be categorized into the following components:

Category	**Proposed Director's Fees (RM)**	**Salaries and other emolument (RM)**	**Total (RM)**
Executive Director	–	873,666	873,666
Non-Executive Directors	228,800	–	228,800

Directors' remuneration is broadly categorized into the following bands:

	Number of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
Below 50,000	–	4
RM50,001 to RM100,000	–	1
RM100,001 to RM150,000	–	–
RM150,001 to RM200,000	–	–
RM200,001 to RM300,000	–	–
RM300,001 to RM400,000	–	–
RM400,001 to RM500,000	–	–
RM500,001 to RM600,000	–	–
RM601,000 to RM700,000	–	–
RM701,000 to RM800,000	1	–

The Board is of the view that the above disclosure, without divulging respective Director's individual remuneration, is sufficient.

3. SHAREHOLDERS

Relation with Shareholders and Investors

The Board recognizes the importance of communicating with shareholders and investors. Information on the Group's business activities and financial performance are disseminated through press release, quarterly reports, annual reports and the Annual General Meeting. In addition, the shareholders and investors may obtain the Company's latest announcement via the Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com.my and the Company's web site at www.novamsc.com.

The principle forum for dialogue with shareholders is during the Annual General Meeting ("AGM"). At the AGM, the Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, Audited Financial Statements, corporate developments in the Group, the resolutions being proposed and on the business of the Group in general.

The Group has yet to adopt the practice of poll voting for all resolutions at AGM except as required under the Listing Requirement and the Company's Articles of Association when there is a demand for poll by shareholder or the Chairman.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Board is responsible to present a balanced and comprehensive assessment of the Group's financial position to shareholders by means of the annual and quarterly reports and other published information. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness and that the financial statements are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

4.2 Directors' Responsibility in Financial Reporting

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and the income statements of the Company and the Group for the year then ended.

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In preparing the financial statements, the Directors are required to select appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to do so.

The Directors have responsibility for ensuring that the Group keeps proper accounting records which disclose with accuracy at any time the financial position of the Group which enables them to ensure that the financial statements comply with the Companies Act,1965. The Directors also have responsibility for taking such steps as are reasonable to safeguard the assets of the Group for prevention and detection of fraud and other irregularities.

4. ACCOUNTABILITY AND AUDIT (CONT'D)

4.3 Internal Control and Risk Management

The Board assumes overall responsibility for maintaining a sound system of risk management and internal controls that provide reasonable assurance of effective operations and legal compliance including both internal policies and standard operating procedures. The Group's Statement on Risk Management and Internal Control is set out on pages 31 to 33 of this Annual Report to provide an overview of the state of risk management and internal controls within the Group.

4.4 Relationship with Auditors (Cont'd)

The Board, via the Audit Committee, maintains a close and transparent relationship with its Auditors in seeking professional advice and ensure compliance with the appropriate accounting standards. The Audit Committee meets the external auditors at least twice a year to discuss their audit plan, audit findings and the Group's financial statements. At least 2 meetings are held without the presence of the Executive Director and the management to encourage a greater exchange of independent and open dialogue.

The Audit Committee assesses the performance of the external auditors in terms of suitability, objectivity and independence of their services. The Audit Committee will then recommend their reappointment to the Board, subject to shareholders' approval in the AGM.

4.5 Corporate Social Responsibilities ("CSR")

The Group recognizes the importance of being a responsible corporate citizen to enhance and positively contribute to society in addition to its pursuit of business objective. As such, the Group will, to its best endeavour, integrate CSR practice into its business operation.

The Group considers its people as the most valuable asset. To ensure optimal performance and staff job satisfaction, adequate trainings are provided to develop and upgrade skills, knowledge and attitudes of our people. We also offer our staff fair and equitable benefits packages, including insurances policies covering life, travel and hospitalization. Social gathering and yearly reviews were also organized during the year to create social balance, maintain harmony and build better rapport.

The Group will be looking at implementing the best practices of CSR in areas of environment, community, workplace and marketplace in the coming years.

4.6 Compliance with the Code

The Board is satisfied that the Company has in all material aspects complied with the principles and recommendations of the Code during the financial year ended 31 March 2016 except where it was specifically stated otherwise.

ADDITIONAL COMPLIANCE INFORMATION

The following set out below is disclosed in compliance with the Listing Requirements of Bursa Securities:

1. SHARE BUY-BACK

The Company does not have a scheme to buy back its own shares.

2. OPITONS, WARRANTS OR CONVERTIBLE SECURITIES

(a) Employee Share Option Scheme

The Company had granted options under the Employee Share Option Scheme ("ESOS") governed by the By-Laws that was approved by the Company's shareholders at the Extraordinary General Meeting held on 28 September 2004. The ESOS was implemented on 31 October 2005 and is to be in force for a period of ten (10) years from the date of implementation. The ESOS had expired on 30 Oct 2015.

During the financial year ended 31 March 2016, the details of the ESOS granted , offered, exercised or vested were as follows:-

	During the Financial Year Ended 31 March 2016	Since Commencement of ESOS on 31 October 2005
Total number of options or shares granted	–	48,420,000
Total number of options exercised or shares vested	7,395,000	28,475,000
Total options or shares outstanding	–	–

Granted to Directors and Chief Executive	During the Financial Year Ended 31 March 2016	** Since Commencement of ESOS on 31 October 2005
Aggregate options or shares granted	–	11,900,000
Aggregate options exercised or shares vested	1,200,000	6,860,000
Aggregate options or shares outstanding	–	–

** A breakdown of the options offered to and exercised by the directors during the financial year can be found in the Directors' Report on pages 35 to 40.

Granted to Directors and senior management	Since Commencement of ESOS on 31 October 2005
Aggregate maximum applicable to directors and senior management in percentage; and	50%
The actual percentage granted to them	40%

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

2. OPITONS, WARRANTS OR CONVERTIBLE SECURITIES (CONT'D)

(b) New Employee Share Option Scheme ("New ESOS Scheme")

At an extraordinary general meeting held on 27 August 2015, the Company's shareholders approved the establishment of a ten (10) years ESOS of up to thirty percent (30%) of the issued and paid up capital of the Company. The New ESOS Scheme was implemented on 18 November 2015. No option was granted under the New ESOS Scheme during the financial year. Subsequent to the end of financial year, the following options was granted pursuant to the New ESOS Scheme:

(a)	Grant Date		2 Jun 2016
(b)	Exercise price of options		RM0.10
(c)	Options granted	(i) Tranche 1: (ii) Tranche 2:	4,500,000 (vested) Up to 10,500,000
(d)	Number of options granted to Executive Director	(i) Tranche 1: (ii) Tranche 2:	2,000,000 (vested) Up to 5,000,000
(e)	Vesting period of options	(i) Tranche 1: (ii) Tranche 2:	Vested upon award Subject to the achievement of certain performance criteria by the eligible employee over the performance period concluding at the end of the financial year ending 31 March 2017

3. UTILISATION OF PROCEEDS FROM NEW SHARES ISSUED

During the financial year, the Company undertook the following issuance of new ordinary shares of RM0.10:

1. 49,798,760 new ordinary shares of RM0.10 each of the Company at RM0.106 per share pursuant to a private placement exercise to eligible investors for cash;
2. 7,395,000 new ordinary shares of RM0.10 each of the Company at par from the exercise of the Company's Employees' Share Option Scheme.

The proceeds had been fully utilized for the working capital of the Group during the financial year under review.

4. NON-AUDIT FEES

The amount of non-audit fee incurred for services rendered to the Company by the external auditor was RM5,000 for the financial year ended 31 March 2016.

5. VARIATION OF RESULTS

There was no material variation between the audited result for the financial year ended 31 March 2016 and that of the unaudited results previously announced on 24 May 2016.

6. MATERIAL CONTRACTS

For the financial year ended 31st March 2016, no contracts of a material nature were entered into or were subsisting between the Group and its Directors or major shareholders.

7. DEPOSITORY RECEIPT PROGRAMME

The Group did not sponsor any such programme during the financial year.

AUDIT COMMITTEE REPORT

The Audit Committee was formed on 1 July 2003 as a committee within the Board of Directors primarily responsible to assist the Directors in carrying out their duties in relation to accounting and financial reporting of the Group and the Company.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee consists of:

Name	Designation	Directorship
Onn Kien Hoe	Chairman	Non-Executive Independent
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	Member	Non-Executive Non-Independent
Dato' Dr Chua Hock Hoo	Member	Non-Executive Independent
Dr Stephen Victor John Price	Member	Non-Executive Independent

TERMS OF REFERENCE

Composition of the Audit Committee

The Audit Committee shall be appointed from amongst the Board and shall consist of not less than three members. All Audit Committee members must be non-executive directors with a majority of them being independent directors. At least one member of the Audit Committee must be:

(a) a member of the Malaysian Institute of Accountants (MIA); or
(b) if he is not a member of MIA, he must have at least three (3) years working experience and:-

  (i) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
  (ii) he is a member of one (1) of the Associations specified in Part II of the 1st Schedule of the Accountants Act, 1976.

(c) Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Bhd.

No alternate director shall be appointed as a member of the Committee.

The Chairman who shall be elected by the Audit Committee, must be an independent director.

In the event the elected Chairman is not able to attend a meeting, a member of the Audit Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Director. In the event of any vacancy with the result that the number of members is reduced to below three, the vacancy must be filled within three (3) months.

Authority

The Audit Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries and all employees shall be directed to co-operate as and when required by the Audit Committee. The Audit Committee shall also be empowered to consult independent experts where necessary to assist in executing its duties.

Meetings

The Audit Committee is to meet at least four times a year and as many times as the Audit Committee deems necessary.

The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

AUDIT COMMITTEE REPORT (Cont'd)

NOTICE OF MEETINGS AND ATTENDANCE

The agenda of the Audit Committee meetings shall be circulated before each meeting to members of the Audit Committee. The Audit Committee may require the external auditors and any officer of the Company to attend any of its meetings as it determines.

The external and internal auditors shall have the right to appear and be heard at any meeting of the Audit Committee and shall so appear when required to do so by the Audit Committee.

Upon the request of the external or internal auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters that the auditors believe should be brought to the attention of the Directors or shareholders.

The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Company Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Audit Committee members.

DUTIES AND RIGHTS OF THE AUDIT COMMITTEE

The duties and rights of the Audit Committee shall be:

1. To review the following:

   a. The nomination of external auditors;
   b. The adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
   c. The effectiveness of the internal audit function;
   d. The effectiveness of the internal control and management information systems;
   e. The Committee is authorized to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the listed company, whenever deemed necessary;
   f. Any management letters sent by the external auditors to the Company and the management's response to such letters;
   g. Any letter of resignation from the Company's external auditors;
   h. The assistance given by the Company's officers to the external auditors;
   i. All areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
   j. All related-party transactions and potential conflict of interests situations.
   k. The implementation and allocation of the Group's Employee Share Option Scheme ("ESOS"), as being in compliance with the criteria set out in the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the ESOS by-laws as approved by the Board of Directors and shareholders.
   l. The independence and objectivity of the external auditors and their services including non-audit fees and professional fees, so as to ensure proper balance between objectivity and value for money.

2. The Audit Committee shall:

   a. Have explicit authority to investigate any matters within its terms of reference;
   b. Have the resources which it needs to perform its duties;
   c. Have full access to any information which it requires in the course of performing its duties;
   d. Have unrestricted access to the chief executive officer and the chief financial officer;
   e. Have direct communication channels with the external and internal auditors;
   f. Be able to obtain independent professional or other 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.

DUTIES AND RIGHTS OF THE AUDIT COMMITTEE (CONT'D)

The duties and rights of the Audit Committee shall be: (Cont'd)

3. Where the Audit Committee is of the view that any matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee must promptly report such matters to the Bursa Malaysia Securities Berhad;

4. To make recommendations to the Board of Directors to outsource certain of its internal audit functions to an independent firm of consultants, if necessary.

5. To discuss problems and reservations arising from the interim and final audits, their evaluation of the system of internal controls, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).

6. To consider the major findings of internal investigations and management's response during the year with management and the external auditors, including the status of previous audit recommendations.

7. To carry out any other functions that may be mutually agreed upon by the Audit Committee and the Board.

SUMMARY OF WORKS OF THE COMMITTEE

The Audit Committee met 4 times during the financial year ended 31 March 2016. The attendance record of each Director since the last financial year or the date of appointment is as follows:

	Number of Meetings Attended
Onn Kien Hoe	4/4
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	4/4
Dato' Dr Chua Hock Hoo	4/4
Dr Stephen Victor John Price	4/4

During the financial year ended 31 March 2016, the Audit Committee has discharged the following functions and duties:-

- Reviewed the quarterly financial result announcement with management for recommendation to the Board for approval. In the review, the parties discussed on the accounting principles and standards that were applied and their judgement of the accounting principles and standards that might affect the financial results and statements;

- Reviewed and approved the risk based internal audit plan with the Internal Auditors, taking into consideration the adequacy, relevance and resources on all significant operational processes and internal controls systems.

- Reviewed and deliberated on issues raised in the internal audit reports in relation to weakness in internal controls;

- Monitored the corrective actions taken on outstanding internal audit issues to ensure that all the key risks and control lapses were duly addressed;

- Reviewed and approved the external audit plan of the Company and Group for the year with the external auditors prior to the commencement of the annual audit;

- Reviewed the extent of assistance rendered by management and issues and reservations arising from audits with the external auditors without the presence of management and the Executive Director;

- Reviewed the audit report, issues and reservations arising from the statutory audit with the external auditors;

AUDIT COMMITTEE REPORT (Cont'd)

SUMMARY OF WORKS OF THE COMMITTEE (CONT'D)

During the financial year ended 31 March 2016, the Audit Committee has discharged the following functions and duties:- (Cont'd)

- Reviewed the Group's annual audited financial statements for recommendation to the Board for approval;
- Assessed and evaluated the performance, independence and suitability of the external auditor for its re-appointment and made recommendations to the Board on their re-appointment and remuneration, taking into considerations factors including the adequacy of experience and resources of the external auditors and the professional staff assigned to the audit. The external auditors also provided a written confirmation on their independence and the measures used to control the quality of their work;
- Reviewed the audit and non-audit fees of the external auditors;
- Reviewed the Annual Report for recommendation to the Board for approval;
- Reviewed all recurrent related party transactions within the Group to ensure that the transactions entered into were at arm's length and on normal commercial terms;
- Reviewed and approved the Circular to Shareholders in respect of the proposed shareholders' mandate for recurrent related party transactions;

INTERNAL AUDIT FUNCTION

The Board outsource its internal audit function for a annual fee of RM18,000 to a professional consulting firm which provides support to the Audit Committee in monitoring and managing risks and internal control systems of the Group. It reports directly to the Audit Committee.

The main responsibilities of the internal auditors are:

(i) To assist in reviewing the adequacy, integrity and effectiveness of the Company's internal control system for the Board to make an accurate Statement of Internal Controls in the Annual Report;
(ii) To support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritized action plan to further enhanced the internal control system;
(iii) To perform a risk assessment of the Group to identify the business processes within the Group that the internal audit should focus on;
(iv) To allocate resources to areas within the Group in order to provide management and the Audit Committee with efficient and effective levels of internal audit coverage.

The activities of the Internal audit function during the year were as follows:-

- Developed a risk-based internal audit plan;
- Conducted internal audit reviews in accordance with the internal audit plan approved by the Audit Committee;
- Reported the results of internal audits and made recommendations for improvements to the Audit Committee on a periodic basis; and
- Performed follow-up visit to ensure that recommendations for improvement were satisfactorily implemented.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control and Risk Management for the inclusion in the annual report of the Group for the financial year ended 31 March 2016 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

The above statement is made in accordance with a resolution of the Board on 21 July 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is fully committed to maintain a sound system of internal control and risk management in accordance with Principle 6 of the Malaysian Code on Corporate Governance 2012 to safeguard shareholders' investments, the Group's assets and the interest of other stakeholders. The Board is pleased to present the Statement on Risk Management and Internal Control which outlines the Group's internal control framework and risk management system for the financial year ended 31 March 2016 pursuant to Paragraph 15.26(b) of Requirements of Bursa Malaysia Securities Berhad for the ACE Market ("the AMLR") and the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

RESPONSIBILITY

The Board has overall responsibility for the Group's risk management and system of internal controls and for reviewing its adequacy and effectiveness. Management is responsible for implementing the processes for identifying, assessing, monitoring and reporting of risks and internal control to the Board. Management's duties include taking appropriate and timely corrective actions as needed to mitigate and control these risks and providing assurance to the Board that the processes for identifying, evaluating and managing significant risks have been carried out.

The Board recognises that the system of internal control and risk management is designed to manage and minimize the risk of failure rather than eliminate the risks involved. Therefore, the Board is cognizant that the systems implemented can provide only reasonable and not absolute assurance against the occurrence of any material misstatement loss or fraud.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The main features of the Group's internal control system and risk management are described below:

Internal Control and Risk Management Framework

The Board together with Management ensures that there is a sound internal control framework and ongoing process for identifying, evaluating, monitoring and managing the significant risks faced by the Group in the achievement of its objectives and strategies. The Board reviews the process, taking into account changes in the regulatory and business environment to ensure the adequacy and effectiveness of the system of internal controls.

The Group has also in place a risk management framework consisting of three line of defence for managing risks affecting its business and operations. The first line of defence is carried out via the internal controls implemented as part of the day to day operations. The second line of defence relates to the oversight function by both the Board and Management. The final and third line of defence is that of the independent assurance providers, namely the Internal Auditors. The framework and ongoing process have been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

Clear roles and responsibilities

The Group has in place an organisational structure that supports business and operational requirements, with clearly defined levels of responsibilities, lines of accountability and delegated authority with appropriate reporting procedures.

The Executive Director is involved in the day-to-day business operations of the Group. Scheduled informal operational and management meetings are held with Management to identify, discuss and resolve business and operational issues. Significant matters identified during these meetings are highlighted to the Board.

The Board is assisted by the Audit Committee in specific areas in order to enhance the system of internal controls and corporate governance.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

Formalised policies and procedures

Clear formalised internal policies and procedures are in place to support the Group to facilitate effective and efficient operations. The Company's subsidiaries are accredited with ISO9001:2000. Documented internal procedures and standard operating procedures have been put in place and surveillance/certification audits are conducted on a periodic basis by assessors of the ISO certification body to ensure that standard operating procedures are being adhered to.

Internal Audit Function

The Group's internal audit function has been outsourced to an independent party which assists the Audit Committee and the Board in discharging their responsibilities. The internal audit function provides independent, objective assurance and advisory services that add value and improve the operations by:

- ensuring the existence of processes to monitor the effectiveness and efficiency of operations and the achievement of business objectives;
- ensuring the adequacy and effectiveness of internal control and management information systems for safeguarding of assets and providing consistent, accurate financial and operational data;
- promoting risk awareness and the value and nature of an effective internal control system;
- ensuring compliance with laws, regulations, corporate policies and procedures;
- assisting management in accomplishing its objectives by adopting a systematic and disciplined audit approach in evaluating and improving the effectiveness of risk management, control and governance processes within the Group's operations; and
- testing the effectiveness and efficiency of the internal controls systems periodically to ensure that they are effective and viable.

The internal audit function reports directly to the Audit Committee and focuses on high priority activities determined by risk assessment in accordance with the Audit Planning Memorandum approved by the Audit Committee. Please refer to the Audit Committee Report on pages 27 to 30.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

This Statement has been reviewed by the External Auditors for inclusion in the Annual Report 2016 in accordance with Paragraph 15.23 of the AMLR. The External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that this Statement is not prepared, in all material respects, 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, nor is factually inaccurate.

CONCLUSION BY THE BOARD

The Board, through the Audit Committee, has reviewed the adequacy and effectiveness of the risk management and internal control system based on the information:-

(i) provided by key management in the Company delegated with the responsibility for the development and maintenance of the internal control and risk management framework and processes;

(ii) from the Internal Auditors, who submit regular reports to the Audit Committee which include their independent and objective opinion on the adequacy and effectiveness of the Company's systems of risk management and internal control together with recommendations for improvement;

(iii) provided by the External Auditors.

CONCLUSION BY THE BOARD (CONT'D)

The Board has received assurance from the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Group's risk management and internal control system does not apply to the associate company as the Board does not have control over its operations. Notwithstanding, the Group's interests are served through representation on the board of the associate company which provide the Board with timely information and decision making in relation to the investment in its associate company.

No material losses were incurred during the financial year under review as a result of weaknesses in risk management and the internal control system. The Board and management will continue to take adequate measures to strengthen the control environment in which the Group operates.

The Board is satisfied that the risk management and internal control systems in place for the financial year ended 31 March 2016 are adequate and effective to safeguard shareholders' investments, the Group's assets and the interest of other stakeholders.

This Statement is made in accordance with the resolution of the Board dated 21 July 2016.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 March 2016.

1. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, software research and development, provision of e-business solutions through the sale of application software and professional services for software customisation and implementation. The principal activities of the subsidiaries and the associates are as stated in Note 7 and 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is listed on the ACE Market of Bursa Malaysia Securities Berhad.

2. RESULTS

	Group RM	Company RM
Profit/(loss) for the year	510,358	(2,559,252)
Attributable to:		
- Owners of the Company	513,055	(2,559,252)
- Non-controlling interests	(2,697)	–
	510,358	(2,559,252)

3. RESERVES AND PROVISIONS

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

4. DIVIDENDS

No dividend was declared or paid since the end of the last financial year and the Directors do not recommend any dividend to be paid for the financial year ended 31 March 2016.

5. SHARE CAPITAL

During the financial year, the issued and paid-up share capital of the Company was increased from RM49,359,260 to RM55,078,636 through the issue of 57,193,760 ordinary shares by way of:-

(a) 49,798,760 new ordinary shares of RM0.10 each via a private placement to eligible investors for a total cash consideration of RM5,278,668 for working capital purposes. The private placement of ordinary shares was approved at an extraordinary general meeting held on 27 August 2015.

(b) 7,395,000 new ordinary shares of RM0.10 each for cash arising from the exercise of employees' share options at an exercise price of RM0.10 per ordinary share.

The movements in the issued and paid-up share capital of the Company arising from the new issue of shares are disclosed in Note 13 to the financial statements.

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

6. DIRECTORS OF THE COMPANY

Directors who served since the date of the last Directors' Report are:-

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar (Chairman)
Chan Wing Kong
Victor John Stephen Price
Onn Kien Hoe
Dato' Chua Hock Hoo
Suresh Parthasarathy

7. DIRECTORS' INTERESTS

According to the register of directors' shareholding, the interests of directors in office at the end of the financial year in shares and options over ordinary shares in the Company and its related corporations during the financial year were as follows:-

	Number of ordinary shares of RM0.10 each in the Company			
	As at 1.4.2015	**Bought**	**Sold**	**As at 31.3.2016**
Direct interest				
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	5,160,000	–	–	5,160,000
Chan Wing Kong	16,770,230	760,000	–	17,530,230
Victor John Stephen Price	9,428,211	–	–	9,428,211
Dato' Chua Hock Hoo	–	440,000	–	440,000
Indirect interest				
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	45,178,150	–	–	45,178,150

		Number of options over ordinary shares of RM0.10 each in the Company			
	Exercise price RM/share	**As at 1.4.2015**	**Exercised**	**Lapsed**	**As at 31.3.2016**
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	0.10	–	–	–	–
Chan Wing Kong	0.10	760,000	(760,000)	–	–
Victor John Stephen Price	0.10	–	–	–	–
Onn Kien Hoe	0.10	–	–	–	–
Dato' Chua Hock Hoo	0.10	880,000	(440,000)	(440,000)	–

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

8. DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown 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 certain Directors who have or are deemed to have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29 to the financial statements.

There were no arrangements during and 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 apart from the Employees' Share Option Scheme as explained in Section 9 of the Directors' Report.

9. OPTIONS GRANTED OVER UNISSUED SHARES

The Company's Employees' Share Option Scheme ("Lapsed ESOS Scheme") approved by the shareholders on 28 September 2004 and was implemented on 31 October 2004, had lapsed on 30 October 2015. During the current financial year, the shareholders had, on 27 August 2015, approved a new Employees' Share Option Scheme ("New ESOS Scheme") for the period of ten (10) years. The New ESOS Scheme was implemented on 18 November 2015 and will expire on 17 November 2025.

The salient features of the Lapsed ESOS Scheme are as follows:-

(i) The total number of new ordinary shares of RM0.10 each that may be made available under the ESOS shall not exceed thirty per cent (30%) of the issued and paid-up capital of the Company, subject to a maximum entitlement of fifteen per cent (15%) for the first 5 years.

(ii) Eligible employees are Directors and confirmed employees of the Group (save and except for companies which are dormant) who meet the criteria of eligibility for participation as set out in the By-Laws, at the date of the offer.

(iii) The option is personal to the grantee and is non-assignable.

(iv) An option may, at the discretion of the ESOS Committee, be determined based on a discount of not more than 10% from the 5-day weighted average market price of the underlying shares as shown in the Daily Official List issued by Bursa Malaysia for the 5 market days immediately preceding the Date of Offer in writing to the grantee.

The option price per new share shall in no event be less than the par value of the share.

(v) An option may be exercised by notice in writing to the Company in the prescribed form from time to time during the option period in respect of all or any part of the new shares comprised in the option, provided that where an option is exercised in respect of a part of the new shares comprised therein, the number of new shares of which such an option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).

9. OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

The number of options outstanding as at the end of the financial year are as follows:-

	Number of options over ordinary shares of RM0.10 each in the Company				
Grant date	**As at 1.4.2015**	**Granted**	**Exercised**	**Lapsed**	**As at 31.3.2016**
15.6.2007	4,260,000	–	(2,740,000)	(1,520,000)	–
1.10.2009	1,455,000	–	(1,455,000)	–	–
1.10.2010	1,250,000	–	(1,250,000)	–	–
15.4.2011	910,000	–	(910,000)	–	–
30.10.2014	1,040,000	–	(1,040,000)	–	–
	8,915,000	–	(7,395,000)	(1,520,000)	–

Options outstanding at the end of the financial year have the following expiry date and exercise price:-

	Number of options over ordinary shares of RM0.10 each in the Company			
			Number of options	
Grant date	**Exercise price RM**	**Expiry date**	**2016**	**2015**
15.6.2007	0.10	30.10.2015	–	4,260,000
1.10.2009	0.10	30.10.2015	–	1,455,000
1.10.2010	0.10	30.10.2015	–	1,250,000
15.4.2011	0.10	30.10.2015	–	910,000
30.10.2014	0.10	29.10.2015	–	1,040,000
			–	8,915,000

The salient features of the New ESOS Scheme are as follows:-

(i) The total number of new ordinary shares of RM0.10 each that may be made available under the ESOS shall not exceed thirty per cent (30%) of the issued and paid-up capital of the Company.

(ii) Eligible employees are Directors and confirmed employees of the Group (save and except for companies which are dormant) who meet the criteria of eligibility for participation as set out in the By-Laws, at the date of the offer.

(iii) The option is personal to the grantee and is non-assignable.

(iv) An option may, at the discretion of the ESOS Committee, be determined based on a discount of not more than 10% from the 5-day weighted average market price of the underlying shares as shown in the Daily Official List issued by Bursa Malaysia for the 5 market days immediately preceding the Date of Offer in writing to the grantee.

The option price per new share shall in no event be less than the par value of the share.

(v) An option may be exercised by notice in writing to the Company in the prescribed form from time to time during the option period in respect of all or any part of the new shares comprised in the option, provided that where an option is exercised in respect of a part of the new shares comprised therein, the number of new shares of which such an option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).

9. OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

No option has been granted under the New ESOS Scheme during the financial year. Subsequent to the end of the financial year on 2 June 2016, options granted pursuant to the New ESOS Scheme are follows:-

(a)	Grant date		2 June 2016
(b)	Exercise price of options		RM0.10
(c)	Option granted	(i) Tranche 1: (ii) Tranche 2:	4,500,000 (vested) Up to 10,500,000
(d)	Number of options granted to Executive Director/CEO, Chan Wing Kong	(i) Tranche 1: (ii) Tranche 2:	2,000,000 (vested) Up to 5,000,000
(e)	Vesting period of options	(i) Tranche 1: (ii) Tranche 2:	Vested upon award The number of options to be vested shall be subject to the achievement of certain performance criteria by the eligible employees over the performance period concluding at the end of the financial year ending 31 March 2017.

10. OTHER STATUTORY INFORMATION

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps to ascertain that:-

(i) action had been taken in relation to writing off of bad debts and the making of allowances for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate allowances had been made for doubtful debts; and

(ii) any current assets which were unlikely to realise in the ordinary course of business, their values as stated in the accounting records of the Group and the Company have been written down to an amount which they might expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(i) that would render the amount of bad debts written off or the amount of the allowance for doubtful debts, in the financial statements of the Group and the Company inadequate to any substantial extent;

(ii) that would render the value attributed to the current assets in the financial statements of the Group and the Company misleading;

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

(iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Group and the Company misleading.

10. OTHER STATUTORY INFORMATION (CONT'D)

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

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

(ii) any contingent liability in respect of the Group or the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors:-

(i) the results of the operations of the Group and the Company for the financial year ended 31 March 2016 were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between 31 March 2016 and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Group and the Company for the financial year in which this report is made.

11. AUDITORS

The auditors, Messrs Folks DFK & Co., have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors,

Y.A.M. TUNKU DATO' SERI NADZARUDDIN IBNI ALMARHUM TUANKU JA'AFAR

CHAN WING KONG

Kuala Lumpur,
21 July 2016

STATEMENTS OF FINANCIAL POSITION
as at 31 March 2016

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	850,161	708,949	26,803	26,302
Intangible assets	6	16,742,496	10,979,711	–	–
Investment in subsidiaries	7	–	–	30,167,388	30,167,388
Investment in associates	8	7,073,102	589,432	6,119,072	29,072
		24,665,759	12,278,092	36,313,263	30,222,762
Current Assets					
Amount due from contract customers	10	10,110,511	18,931,222	–	–
Trade and other receivables	11	20,748,989	8,325,190	2,998,747	1,199,727
Tax recoverable		2,590	2,590	2,590	2,590
Cash and bank balances	12	3,237,643	8,939,874	111,467	7,091,827
		34,099,733	36,198,876	3,112,804	8,294,144
TOTAL ASSETS		58,765,492	48,476,968	39,426,067	38,516,906
EQUITY					
Share capital	13	55,078,636	49,359,260	55,078,636	49,359,260
Share premium	14	12,254,668	11,658,531	12,254,668	11,658,531
Accumulated losses		(29,062,841)	(29,674,232)	(29,910,396)	(27,449,480)
Equity compensation reserve		–	513,871	–	513,871
Foreign currency translation reserve		8,321,702	5,989,531	–	–
Equity attributable to the shareholders of the Company		46,592,165	37,846,961	37,422,908	34,082,182
Non-controlling interests	16	25,626	27,701	–	–
Total equity		46,617,791	37,874,662	37,422,908	34,082,182
LIABILITIES					
Current Liabilities					
Amount due to contract customers	10	803,492	238,858	83,594	–
Trade and other payables	18	9,273,771	8,359,355	1,919,565	4,434,724
Bank borrowings	17	2,050,140	1,999,118	–	–
Tax payable		20,298	4,975	–	–
		12,147,701	10,602,306	2,003,159	4,434,724
TOTAL EQUITY AND LIABILITIES		58,765,492	48,476,968	39,426,067	38,516,906

The notes on pages 49 to 106 form part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	19	30,978,140	32,282,896	1,358,846	1,877,812
Other income		243,054	430,521	–	–
Employee benefits expenses	20	(17,214,502)	(20,447,910)	(2,026,825)	(2,203,061)
Hardware and material costs		(4,692,480)	(3,806,787)	(255,296)	29,747
Office rental		(986,312)	(1,244,146)	(102,398)	(101,948)
Other expenses		(5,136,871)	(3,523,922)	(1,554,720)	(1,224,448)
Depreciation and amortisation		(2,645,648)	(2,337,347)	(17,339)	(23,117)
Interest income		38,863	22,561	38,480	22,170
Finance costs	21	(143,038)	(285,410)	–	–
Share of profit of associates		84,489	75,046	–	–
Profit/(loss) before taxation	23	525,695	1,165,502	(2,559,252)	(1,622,845)
Tax expense	24	(15,337)	(3,242)	–	–
Profit/(loss) for the year		510,358	1,162,260	(2,559,252)	(1,622,845)
Other comprehensive income *Item that may be reclassified subsequently to profit or loss:-*					
Currency translation differences		2,332,793	1,446,386	–	–
Other comprehensive income for the year, net of tax		2,332,793	1,446,386	–	–
Total comprehensive income /(loss) for the year		2,843,151	2,608,646	(2,559,252)	(1,622,845)

The notes on pages 49 to 106 form part of these financial statements.

STATEMENT ON COMPREHENSIVE INCOME
for the year ended 31 March 2016 (Cont'd)

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Net profit/(Loss) for the year attributable to:-					
Owners of Company		513,055	1,164,564	(2,559,252)	(1,622,845)
Non-Controlling interests		(2,697)	(2,304)	–	–
		510,358	1,162,260	(2,559,252)	(1,622,845)
Total comprehensive income /(loss) for the year attributable to:-					
Owners of Company		2,845,226	2,608,660	(2,559,252)	(1,622,845)
Non-Controlling interests		(2,075)	(14)	–	–
		2,843,151	2,608,646	(2,559,252)	(1,622,845)
EARNINGS PER ORDINARY SHARE					
Basic	25	0.111 sen	0.269 sen		
Fully diluted	25	0.111 sen	0.267 sen		

The notes on pages 49 to 106 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 March 2016

	Attributable to the shareholders of the Company							
	Non-distributable			Non-distributable				
Group	Share Capital RM	Share Premium RM	Accumulated Losses RM	Equity Compensation Reserve RM	Foreign Currency Translation Reserve RM	Total RM	Non-Controlling Interests RM	Total Equity RM
2016								
At 1 April 2015	49,359,260	11,658,531	(29,674,232)	513,871	5,989,531	37,846,961	27,701	37,874,662
Profit for the year	–	–	513,055	–	–	513,055	(2,697)	510,358
Other comprehensive income:-								
Foreign currency translation difference for foreign operations	–	–	–	–	2,332,171	2,332,171	622	2,332,793
Total comprehensive income for the year	–	–	513,055	–	2,332,171	2,845,226	(2,075)	2,843,151
Share issuance expenses	–	(118,190)	–	–	–	(118,190)	–	(118,190)
Equity compensation arising from ESOS	–	–	–	–	–	–	–	–
Issuance of shares:								
- Exercise of ESOS	739,500	–	–	–	–	739,500	–	739,500
- Private placement	4,979,876	298,792	–	–	–	5,278,668	–	5,278,668
Recognition of premium on ESOS exercised	–	415,535	–	(415,535)	–	–	–	–
Transfer to accumulated losses on ESOS lapsed	–	–	98,336	(98,336)	–	–	–	–
At 31 March 2016	55,078,636	12,254,668	(29,062,841)	–	8,321,702	46,592,165	25,626	46,617,791

The notes on pages 49 to 106 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2016 (Cont'd)

Group	Share Capital RM	Share Premium RM	Accumulated Losses RM	Equity Compensation Reserve RM	Foreign Currency Translation Reserve RM	Total RM	Non-Controlling Interests RM	Total Equity RM
	Attributable to the shareholders of the Company							
	Non-distributable			Non-distributable				
2015								
At 1 April 2014	40,279,800	8,307,010	(30,872,040)	941,940	4,545,435	23,202,145	27,715	23,229,860
Profit for the year	–	–	1,164,564	–	–	1,164,564	(2,304)	1,162,260
Other comprehensive income:-								
Foreign currency translation difference for foreign operations	–	–	–	–	1,444,096	1,444,096	2,290	1,446,386
Total comprehensive income for the year	–	–	1,164,564	–	1,444,096	2,608,660	(14)	2,608,646
Share issuance expenses	–	(223,249)	–	–	–	(223,249)	–	(223,249)
Equity compensation arising from ESOS	–	–	–	79,920	–	79,920	–	79,920
Issuance of shares:-								
- Exercise of ESOS	921,500	–	–	–	–	921,500	–	921,500
- Private placement	8,157,960	3,100,025	–	–	–	11,257,985	–	11,257,985
Recognition of premium on ESOS exercised	–	474,745	–	(474,745)	–	–	–	–
Transfer to accumulated losses on ESOS lapsed	–	–	33,244	(33,244)	–	–	–	–
At 31 March 2015	49,359,260	11,658,531	(29,674,232)	513,871	5,989,531	37,846,961	27,701	37,874,662

The notes on pages 49 to 106 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2016 (Cont'd)

	Attributable to the shareholders of the Company				
		Non-distributable		Non-distributable	
Company	**Share Capital RM**	**Share Premium RM**	**Accumulated Losses RM**	**Equity Compensation Reserve RM**	**Total RM**
2016					
As at 1 April 2015	49,359,260	11,658,531	(27,449,480)	513,871	34,082,182
Total comprehensive loss	–	–	(2,559,252)	–	(2,559,252)
Share issuance expenses	–	(118,190)	–	–	(118,190)
Issuance of shares:-					
- Exercise of ESOS	739,500	–	–	–	739,500
- Private placement	4,979,876	298,792	–	–	5,278,668
Recognition of premium on ESOS exercised	–	415,535	–	(415,535)	–
Transfer to accumulated losses on ESOS lapsed	–	–	98,336	(98,336)	–
As at 31 March 2016	55,078,636	12,254,668	(29,910,396)	–	37,422,908
2015					
As at 1 April 2014	40,279,800	8,307,010	(25,859,879)	941,940	23,668,871
Total comprehensive income	–	–	(1,622,845)	–	(1,622,845)
Share issuance expenses	–	(223,249)	–	–	(223,249)
Equity compensation arising from ESOS	–	–	–	79,920	79,920
Issuance of shares:-					
- Exercise of ESOS	921,500	–	–	–	921,500
- Private placement	8,157,960	3,100,025	–	–	11,257,985
Recognition of premium on ESOS exercised	–	474,745	–	(474,745)	–
Transfer to accumulated losses on ESOS lapsed	–	–	33,244	(33,244)	–
As at 31 March 2015	49,359,260	11,658,531	(27,449,480)	513,871	34,082,182

The notes on pages 49 to 106 form part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 March 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	525,695	1,165,502	(2,559,252)	(1,622,845)
Adjustments for:-				
Amortisation of intangible assets	2,299,100	1,984,533	–	–
Depreciation of property, plant and equipment	346,548	352,814	17,339	23,117
Property, plant and equipment written off	1,727	–	–	–
Loss on foreign exchange (net)	1,448,454	782,955	–	–
Share of associates profits	(84,489)	(75,046)	–	–
Interest expense	143,038	285,410	–	–
Interest income	(38,863)	(22,561)	(38,480)	(22,170)
Share based compensation expenses	–	79,920	–	24,420
Operating profit/(loss) before changes in working capital	4,641,210	4,553,527	(2,580,393)	(1,597,478)
Changes in working capital:-				
Amount due from contract customers	9,385,345	(7,782,165)	306,832	–
Trade and other receivables	(12,423,799)	(1,027,454)	(2,022,258)	902,264
Trade and other payables	914,416	(2,159)	(2,515,159)	(4,408,631)
Cash generated from/(used in) operations	2,517,172	(4,258,251)	(6,810,978)	(5,103,485)
Income tax paid	(281)	–	–	–
Interest paid	(143,038)	(285,410)	–	–
Net cash generated from/(used in) operating activities	2,373,853	(4,543,661)	(6,810,978)	(5,103,485)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(524,293)	(355,289)	(17,840)	(7,998)
Development expenditure incurred, net of government grant received	(7,242,118)	(2,268,509)	–	–
Acquisition of associate, net of cash acquired (Note 8)	(6,361,237)	–	(6,090,000)	–
Dividend received from associate	–	414,148	–	–
Interest received	38,863	22,561	38,480	22,170
Net cash (used in)/generated from investing activities	(14,088,785)	(2,187,089)	(6,069,360)	14,172

The notes on pages 49 to 106 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2016 (Cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	6,018,168	12,179,485	6,018,168	12,179,485
Payment for share issue expenses	(118,190)	(223,249)	(118,190)	(223,249)
Repayment of bank borrowings	(3,545,223)	(2,844,807)	–	–
Drawdown of bank borrowings	3,460,800	–	–	–
Net cash generated from financing activities	5,815,555	9,111,429	5,899,978	11,956,236
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,899,377)	2,380,679	(6,980,360)	6,866,923
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	8,939,874	6,310,868	7,091,827	224,904
FOREIGN EXCHANGE DIFFERENCE ON OPENING BALANCE	197,146	248,327	–	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3,237,643	8,939,874	111,467	7,091,827

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	3,237,643	3,439,874	111,467	1,591,827
Deposits with licensed banks	–	5,500,000	–	5,500,000
	3,237,643	8,939,874	111,467	7,091,827

The notes on pages 49 to 106 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, software research and development, provision of e-business solutions through the sale of application software and professional services for software customisation and implementation. The principal activities of the subsidiaries and the associates are as stated in Note 7 and 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. GENERAL INFORMATION

The financial statements were approved and authorised for issue by the Board of Directors on 21 July 2016.

The Company is a public limited company, incorporated and domiciled in Malaysia.

The Company is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The address of the Company's registered office is No. 1 & 1A, 2nd Floor, Jalan Ipoh Kecil, 50350 Kuala Lumpur.

The principal places of business of the Company are:-
- 2-D Block 2330, Century Square, 63000 Cyberjaya
- E33-3A, Dataran 3 Two Square, No 2, Jalan 19/1, 46300 Petaling Jaya
- B-11-1, Tower B, Level 11, Northpoint Mid Valley City, No.1, Medan Syed Putra Utara, 59200 Kuala Lumpur

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Company, unless otherwise stated below, are consistent with those applied in the previous financial year.

3.1 Basis of Preparation

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

The accounting policies adopted by the Group and the Company are consistent with those applied in the previous financial year other than the adoption of the amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB"), as set out in Note 3.2, which are effective from the beginning of the current financial year.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Application of Amendments to MFRSs

During the financial year, the Group and the Company have applied the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are effective from the beginning of the current financial year:-

Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions
Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2010 - 2012 Cycle"
Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2011 - 2013 Cycle"

(a) Amendments to MFRS 119, Defined Benefits Plan : Employee Contributions

The Amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of the service cost in the period in which the related service is rendered.

If the amount of contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit i.e. either based on the plan's contribution formula or on a straight-line basis.

The adoption of the above amendments to MFRSs did not have any material impact on the financial statements of the Group and of the Company.

3.3 New MFRSs and Amendments to MFRSs That Are In Issue But Not Yet Effective

The Group and the Company have not early adopted the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective:-

Effective for annual periods beginning on or after 1 January 2016

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

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 107 - Disclosure of initiative
Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Loss

Effective for annual periods beginning on or after 1 January 2018

MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
MFRS 15, Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 New MFRSs and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

Effective for annual periods beginning on or after a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The Group and the Company will apply the above new MFRSs and amendments to MFRSs that are applicable once they become effective. The main features of these new standards and amendments to standards are summarised below:-

(a) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

The Standard replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The key enhancements of MFRS 9 are:

- Under MFRS 9, all recognised financial assets are required to be subsequently measured at either amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") on the basis of both an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets as the numerous categories of financial assets under MFRS 139 had been replaced.

- Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9, except for the measurement of financial liabilities designated as at FVTPL. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss. However, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. Under MFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139 i.e. fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. MFRS 9 incorporates a new hedge accounting model that aligns the hedge accounting more closely with an entity's risk management activities. The new hedge accounting model has also expanded the scope of eligibility of hedge items and hedging instruments respectively.

(b) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 111, MFRS 118 and the related IC Interpretations when it becomes effective.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 New MFRSs and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

(b) MFRS 15, Revenue from Contracts with Customers (Cont'd)

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:-

Step 1 Identify the contract(s) with a customer

Step 2 Identify the performance obligations in the contract

Step 3 Determine the transaction price

Step 4 Allocate the transaction price to the performance obligations in the contract

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 also requires more extensive disclosures.

(c) MFRS 16, Leases

Thus Standard replaces existing standard on Leases, MFRS 117, MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its balance sheet as recording certain leases as off-balance sheet leases will no longer be allowed except for some limited practical exemptions.

The initial application of MFRS 9 may have an impact on the financial statements of the Group and of the Company. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed. The initial application of other new MFRSs and amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group and of the Company.

3.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group:

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Basis of Consolidation (Cont'd)

Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect external transactions and balances only. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received by the Group is recognised directly in equity and attributed to owners of the Company. If the Group loses control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

3.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of an acquiree is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, equity interests issued and contingent consideration given. Acquisition-related costs are recognised as an expense in the periods in which the costs are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair values, except for non-current assets (or disposal group) that are classified as held for sale which shall be measured at fair value less costs to sell.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. The excess of the Group's interest in the net amounts of the identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest is recognised immediately in profit or loss.

Non-controlling interests represent that portion of profit or loss and net assets of a subsidiary not attributable, directly or indirectly, to the Group. For each business combination, non-controlling interests are measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Non-controlling interests in the net assets of consolidated subsidiaries comprised the amount of non-controlling interests at the date of original combination and their share of changes in equity since the date of combination.

In a business combination achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight-line basis so as to write off the cost of the assets to their residual values over their estimated useful lives. The annual depreciation rates used are as follows:-

Renovations	33 1/3%
Computers and office equipment	33 1/3%
Furniture and fittings	33 1/3%

The residual values and useful lives of assets are reviewed at each financial year end and adjusted prospectively, if appropriate, where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

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

3.7 Intangible Assets

Research costs and development expenditure

Research costs are charged as an expense in the profit or loss in the year in which they are incurred. Costs incurred on development project are recognised as intangible assets when all the following criteria are fulfilled:-

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditure that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development cost are recorded as intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Intangible Assets (Cont'd)

Research costs and development expenditure (Cont'd)

Subsequent cost on capitalised product development expenditure are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are expensed as incurred.

Development expenditure recognised as an asset is carried at cost net of any related government grants, accumulated amortisation and any accumulated impairment loss.

Development expenditure capitalised are tested for impairment annually, in accordance with the accounting policy on impairment of non-financial assets.

Computer software

Computer software which is acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation

Capitalised development expenditure and other intangible assets are amortised to the income statement on a straight line basis over their estimated useful lives of 8 years.

3.8 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (other than inventories and deferred tax assets) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of each reporting period or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

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

An impairment loss is charged to the profit or loss in the period in which it arises, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised in other comprehensive income for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment of Non-Financial Assets (Cont'd)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised to the profit or loss unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

3.9 Investments in Subsidiaries and Associates

In the Company's separate financial statements, investments in subsidiaries and associates are stated at cost less any accumulated impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

On disposal of such investments the difference between the net disposal proceeds and net carrying value of the investments is recognised as a gain or loss on disposal in the Company's profit or loss.

3.10 Associates

An associate is an entity, including an unincorporated entity, in which the Group have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investments in associates are initially recognised at cost and adjusted thereafter for the Group's share of the profit or loss and changes in the associates' other comprehensive income after the date of acquisition. Equity accounting is discontinued when the Group's share of losses of an associate equals or exceeds its interest in the associate. Once the Group's interest in such associate is reduced to zero, additional losses are provided for and a liability recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment.

On acquisition of an investment in an associate, any excess between the cost of the investment and the Group's share of net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at the end of each reporting date whether there is any objective evidence that the investments in associates are impaired. If such evidence exists, the Group determines the amount of impairment by comparing the investment's recoverable amount with its carrying amount (including goodwill) and the impairment loss is recognised to profit or loss as part of the Group's share of results of associates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Associates (Cont'd)

In applying the equity method of accounting, the latest audited financial statements of the associate are used. Where the reporting dates of the Group and the associate are not coterminous, equity accounting is applied on the management accounts made to the financial year end of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group reduces its equity interest in an associate but continues to apply the equity method, the Group reclassifies to profit or loss the proportion of gain or loss that had previously been recognised in other comprehensive income.

The Group discontinues the use of equity method from the date when its investment ceases to be an associate. If the Group retains interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date. The Group recognises in profit or loss the difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued.

3.11 Financial Assets

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of asset within the time frame established generally by regulation or convention in the marketplace concerned. Trade date accounting refers to:-

- the recognition of an asset to be received and the liability to pay for it on the trade date i.e. the date the Group commits itself to purchase or sell an asset; and
- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

3.11.1 Classification and measurement

Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are classified into the following specified categories depending on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Financial assets are classified at fair value through profit or loss when the financial assets are either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if:-

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial Assets (Cont'd)

3.11.1 Classification and measurement (Cont'd)

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

After initial recognition, financial assets at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The net gains or losses do not include any exchange differences, dividend or interest earned on the financial asset. Exchange differences, dividend and interest earned on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment losses.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment losses. A gain or loss is recognised in profit or loss when the held-to-maturity investment is derecognised or impaired, and through the amortisation process.

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or at fair value through profit or loss. Available-for-sale financial assets comprise quoted and unquoted equity and debt instruments that are not held for trading.

Subsequent to initial recognition, quoted equity and debt instruments are measured at fair value and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. A gain or loss from changes in fair value is recognised in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial Assets (Cont'd)

3.11.2 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than financial assets at fair value through profit or loss, is impaired. Financial assets are considered to be impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For quoted equity instrument, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

An amount of impairment loss in respect of financial assets measured at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate i.e. the effective rate computed at initial recognition. The carrying amount of the asset is reduced through an allowance account. The amount of loss is recognised in profit or loss.

If in a subsequent period the amount of the impairment loss on financial assets measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account to the extent that the carrying amount of the financial asset does not exceed its amortised cost had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

When an available-for-sale financial asset is impaired, the cumulative loss in relation to decline in fair value previously recognised in other comprehensive income is reclassified from equity and recognised in profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified is the difference between the acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Increase in fair value, if any, subsequent to the impairment loss, is recognised in other comprehensive income.

If the fair value of a debt instrument classified as available-for-sale, increases in a subsequent period 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 with the amount of the reversal is recognised in profit or loss.

An amount of impairment loss in respect of financial assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.11.3 Derecognition of financial assets

The Group decognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset without retaining control or transfers substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Government Grants

Asset-related government grants for the development of e-business solutions are deducted from the product development expenditure incurred to arrive at the cost of the e-business solutions.

Income-related government grants are recognised in the profit or loss over the periods necessary to match them with the costs they are intended to compensate.

All government grants are accounted for on an accrual basis when there is reasonable assurance that the Group has complied with all terms and conditions attached to them and that there is reasonable certainty that the grants will be received.

3.13 Contract Work-In-Progress

The Group uses the percentage of completion method to determine the appropriate amount of revenue and cost to recognise in a given period. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract can be estimated reliably, contract revenue and contract cost are recognised over the period of the contract as revenue and expenses respectively.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract cost incurred that is probably recoverable and contract cost is recognised as expense in the period in which it is incurred.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceeds progress billings, the balance is shown as amounts due from customers on contracts under current assets. Where progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is shown as amounts due to customers on contracts under current liabilities.

Cost of contracts include direct labour and other costs related to contract performance.

3.14 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with bank and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 3.10.1(c).

3.15 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the end of the reporting period are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

3.16.1 Classification and measurement

Financial liabilities are initially measured at fair value plus, in the case of other financial liabilities, directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if:-

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair value recognised in profit or loss. The net gains or losses recognised in profit or loss do not include any exchange differences or interest paid on the financial liability. Exchange differences and interest expense on financial liabilities at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is measured at cost.

(b) Other financial liabilities

All financial liabilities, other than those categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Other financial liabilities of the Group include trade and other payables, loans and borrowings.

A gain or loss on other financial liabilities is recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Financial Liabilities

3.16.2 Derecognition of financial liabilities

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability are substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.17 Offsetting Financial Instruments

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.18 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are amortised in profit or loss using the straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made in accordance with MFRS 137, Provisions, Contingent Liabilities and Contingent Assets. If the carrying amount of the financial guarantee is lower than the obligation estimated, the carrying value is adjusted to the obligation amount and accounted for as a provision.

3.19 Employee Benefits

<u>Short term employee benefits</u>

Wages, salaries, bonuses and social security contributions are recognised as expenses in the 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.

<u>Defined contribution plans</u>

The Group make contributions to the defined contribution plans operated by the relevant authorities at the prescribed rate. Contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Employee Benefits (Cont'd)

Share-based payment

The Company operates an equity-settled share-based compensation plan for eligible employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in profit or loss over the vesting period of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to the original estimates, if any, in profit or loss, and a corresponding adjustment to equity. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

The grant by the Company of the share options to employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value is recognised over the vesting period as an increase to investments in subsidiaries with a corresponding credit to equity in the Company's financial statements.

3.20 Income Tax

Tax expense is the aggregate amount of current and deferred taxation. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the end of the reporting period.

Deferred tax is provided for using the liability method on temporary differences at end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which the temporary differences can be utilised and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Income Tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.21 Foreign Currency

Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates i.e. the entity's functional currency. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are recognised directly to other comprehensive income.

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

(i) Assets and liabilities for each financial position date presented are translated at the closing rate prevailing at the end of the reporting period;

(ii) Items of income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are recognised in other comprehensive income and are accumulated in exchange translation reserve within equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Foreign Currency (Cont'd)

Foreign operations (Cont'd)

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in the functional currency of the Company or the foreign operation are recognised in the profit or loss of the Company or of the foreign operation, as appropriate. In the Group financial statements, such exchange differences are recognised initially in other comprehensive income and accumulated in equity under exchange translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and taken to equity under exchange translation reserve will be reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

3.22 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

3.23 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services.

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Consultancy contracts

Consultancy contracts comprise sale of specific e-business solutions to customers, including license and hardware revenue.

Revenue from consultancy contracts is recognised in accordance with the accounting policy as disclosed in Note 3.13.

Maintenance services

Revenue from maintenance services rendered are recognised on a straight line basis over the life of the maintenance contract.

Licensing revenue

Licensing revenue is recognised upon delivery, provided that no significant obligations remain, no significant uncertainties exist with respect to product acceptance and collection is probable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.24 Expenses

<u>Operating lease payments</u>

Operating lease payments are recognised in profit or loss on a straight line basis over the period of the relevant leases.

<u>Interest expense</u>

Interest expense and similar charges are recognised as an expense in the period in which they are incurred.

3.25 Operating Segments

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

3.26 Earnings Per Share

The Group presents basic and diluted (where applicable) earnings per share [''EPS"] data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

3.27 Fair Value Measurement

The fair value of an asset or a liability, except for share-based payments 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 absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurements 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 fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Fair value measurements 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 market for identical assets or liabilities;
Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfer between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the MFRSs requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Significant Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management are of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key Sources of Estimation Uncertainty

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

(i) Intangible assets

The Group has intangible assets and the annual amortisation of intangible assets is charged to the statement of comprehensive income. The Group reviews the residual value and useful life of intangible assets at each balance sheet date in accordance with the accounting policy disclosed in Note 3.8 to the financial statements. 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 flow projections. 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.

The carrying amount of intangible assets at 31 March 2016 was RM16,742,496 (2015: RM10,979,711) and the annual amortisation charge for the financial year ended 31 March 2016 was RM2,299,100 (2015: RM1,984,533).

(ii) Deferred tax assets

Deferred tax assets are recognised for unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences to the extent that its is probable that taxable profit will be available against which the tax losses, capital allowances and other deductible temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment on the probability of the availability of future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(b) Key Sources of Estimation Uncertainty (Cont'd)

(iii) Impairment on investment in subsidiaries

The Company reviews the carrying amount of investment in subsidiaries at each balance sheet date by comparing the carrying amount with their recoverable amount. No additional impairment loss was recognised during the financial year on the investment in subsidiaries as the recoverable amount of subsidiaries is expected to be higher than the carrying amount.

(iv) Impairment losses on trade and other receivables

The Group makes an allowance for impairment losses based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. In assessing the extent of irrecoverable debts, the management has given due consideration to all pertinent information relating to the ability of the debtors to settle debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables. The carrying amounts of receivables and the cumulative allowances for impairment loss are disclosed in Note 11.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2016	Renovations RM	Computers and office equipment RM	Furniture and fittings RM	Total RM
Cost				
At 1 April 2015	467,605	2,176,768	74,349	2,718,722
Additions	117,270	332,075	74,948	524,293
Written - off	–	(42,156)	–	(42,156)
Exchange differences	21,119	104,721	2,469	128,309
At 31 March 2016	605,994	2,571,408	151,766	3,329,168
Deduct: Accumulated depreciation				
At 1 April 2015	376,717	1,595,487	37,569	2,009,773
Charge for the year	15,598	386,271	12,835	414,704
Written - off	–	(40,429)	–	(40,429)
Exchange differences	18,533	75,510	916	94,959
At 31 March 2016	410,848	2,016,839	51,320	2,479,007
Net book value at 31 March 2016	195,146	554,569	100,446	850,161
Depreciation charge for the year:				
Recognised in Statement of Comprehensive Income	15,598	318,115	12,835	346,548
Capitalised as development expenditure	–	68,156	–	68,156
	15,598	386,271	12,835	414,704

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

Group 2015	Renovations RM	Computers and office equipment RM	Furniture and fittings RM	Total RM
Cost				
At 1 April 2014	435,752	1,788,128	37,702	2,261,582
Additions	9,508	310,291	35,490	355,289
Written - off	–	(10,456)	–	(10,456)
Exchange differences	22,345	88,805	1,157	112,307
At 31 March 2015	467,605	2,176,768	74,349	2,718,722
Deduct : Accumulated depreciation				
At 1 April 2014	353,504	1,195,655	31,137	1,580,296
Charge for the year	10,821	347,520	5,297	363,638
Written - off	–	(10,456)	–	(10,456)
Exchange differences	12,392	62,768	1,135	76,295
At 31 March 2015	376,717	1,595,487	37,569	2,009,773
Net book value at 31 March 2015	90,888	581,281	36,780	708,949
Depreciation charge for the year:				
Recognised in Statement of Comprehensive Income	10,821	336,696	5,297	352,814
Capitalised as development expenditure	–	10,824	–	10,824
	10,821	347,520	5,297	363,638

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Company	Renovations RM	Computers and office equipment RM	Furniture and fittings RM	Total RM
2016				
Cost				
At 1 April 2015	85,338	312,541	18,086	415,965
Additions	–	17,840	–	17,840
Written - off	–	(40,429)	–	(40,429)
At 31 March 2016	85,338	289,952	18,086	393,376
Deduct: Accumulated depreciation				
At 1 April 2015	85,338	286,239	18,086	389,663
Charge for the year	–	17,339	–	17,339
Written - off	–	(40,429)	–	(40,429)
At 31 March 2016	85,338	263,149	18,086	366,573
Net book value at 31 March 2016	–	26,803	–	26,803

Company	Renovations RM	Computers and office equipment RM	Furniture and fittings RM	Total RM
2015				
Cost				
At 1 April 2014	85,338	314,999	18,086	418,423
Additions	–	7,998	–	7,998
Written - off	–	(10,456)	–	(10,456)
At 31 March 2015	85,338	312,541	18,086	415,965
Deduct: Accumulated depreciation				
At 1 April 2014	85,338	273,578	18,086	377,002
Charge for the year	–	23,117	–	23,117
Written - off	–	(10,456)	–	(10,456)
At 31 March 2015	85,338	286,239	18,086	389,663
Net book value at 31 March 2015	–	26,302	–	26,302

6. INTANGIBLE ASSETS

Group 2016	Computer software RM	Development expenditure RM	Total RM
Cost			
At 1 April 2015	4,123,703	77,935,204	82,058,907
Amount capitalised during the year	–	7,310,274	7,310,274
Exchange differences	279,392	5,280,319	5,559,711
At 31 March 2016	4,403,095	90,525,797	94,928,892
Deduct: Government grant			
At 1 April 2015	–	4,595,171	4,595,171
Exchange differences	–	311,335	311,335
At 31 March 2016	–	4,906,506	4,906,506
Deduct: Accumulated amortisation			
At 1 April 2015	4,123,703	56,383,009	60,506,712
Amortisation charge for the year	–	2,299,100	2,299,100
Exchange differences	279,392	3,812,394	4,091,786
At 31 March 2016	4,403,095	62,494,503	66,897,598
Deduct: Accumulated impairment losses			
At 1 April 2015	–	5,977,313	5,977,313
Exchange differences	–	404,979	404,979
At 31 March 2016	–	6,382,292	6,382,292
Net book value at 31 March 2016	–	16,742,496	16,742,496

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. INTANGIBLE ASSETS (CONT'D)

Group 2015	Computer software RM	Development expenditure RM	Total RM
Cost			
At 1 April 2014	3,963,396	72,714,786	76,678,182
Amount capitalised during the year	–	2,279,333	2,279,333
Exchange differences	160,307	2,941,085	3,101,392
At 31 March 2015	4,123,703	77,935,204	82,058,907
Deduct: Government grant			
At 1 April 2014	–	4,416,536	4,416,536
Exchange differences	–	178,635	178,635
At 31 March 2015	–	4,595,171	4,595,171
Deduct: Accumulated amortisation			
At 1 April 2014	3,963,396	52,209,667	56,173,063
Amortisation charge for the year	–	1,984,533	1,984,533
Exchange differences	160,307	2,188,809	2,349,116
At 31 March 2015	4,123,703	56,383,009	60,506,712
Deduct: Accumulated impairment losses			
At 1 April 2014	–	5,744,948	5,744,948
Exchange differences	–	232,365	232,365
At 31 March 2015	–	5,977,313	5,977,313
Net book value at 31 March 2015	–	10,979,711	10,979,711

6. INTANGIBLE ASSETS (CONT'D)

Development expenditure are incurred for the development internally of application software. The Group considers each development project as a single cash generating unit (''CGU").

Impairment loss has been recognised to write down the carrying amount of a CGU to its estimated recoverable amount. The recoverable amount is based on the asset's value-in-use which has been calculated using cash flow projections prepared by management and discounted at a rate that reflects the risks specific to the CGU.

7. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost	37,552,132	37,552,132
Amount due from a subsidiary	1,420,217	1,420,217
	38,972,349	38,972,349
Accumulated impairment losses	(10,503,337)	(10,503,337)
	28,469,012	28,469,012
Options granted to employees of subsidiaries	1,698,376	1,698,376
	30,167,388	30,167,388

The amount due from a subsidiary company forms part of the Company's net investment in the subsidiary. The amount is unsecured, interest free and no repayment term is stipulated.

The principal activities of the subsidiaries, country of incorporation and the effective equity interest of the Group are as follows:-

Name of Company	Principal Activity	Country of Incorporation	Effective Equity Interest 2016 %	Effective Equity Interest 2015 %
Held by the Company				
novaHEALTH Pte. Ltd.	Provision of e-business solutions for healthcare industry	Republic of Singapore	100.00	100.00
novaCITYNETS Pte. Ltd.	Provision of e-business solutions for the building and construction, city, town council and telecommunications industries	Republic of Singapore	100.00	100.00
novaSOLUTIONS (Philippines), Inc.	Provision of information technology expertise and consultancy services	Philippines	99.99	99.99

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Principal Activity	Country of Incorporation	Effective Equity Interest 2016 %	2015 %
Subsidiaries held by novaCITYNETS Pte Ltd				
novaBIM Limited	Provision of software consultancy and computer systems integration - Dormant during the financial year	Republic of China	70.00	70.00
novaCITYNETS International Pte Ltd	Provision of software consultancy and computer systems integration	Republic of Singapore	100.00	100.00
novaBIM (Lao) Sole Co., Ltd	Provision of Building Information Modeling service and information technology consultancy	Lao People's Democratic Republic	100.00	–

All subsidiaries are not audited by Folks DFK & Co.

<u>Incorporation of subsidiary during the financial year</u>

(a) On 27 October 2015, novaCITYNETS Pte. Ltd., a wholly owned subsidiary of the Company had incorporated a wholly-owned limited liability company in the Lao People's Democratic Republic, novaBIM (Lao) Sole Co., Ltd, with a registered share capital of USD40,000. The incorporation of this subsidiary has no material financial effect to the Group.

8. INVESTMENT IN ASSOCIATES

	Group 2016 RM	Group 2015 RM
Unquoted shares, at cost	6,447,032	85,794
Share of post-acquisition profits (net of dividends received)	578,674	420,966
Exchange fluctuation reserve	47,396	82,672
	7,073,012	589,432

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost	6,119,072	29,072

8. INVESTMENT IN ASSOCIATES (CONT'D)

Name of Company	Principal Activity	Country of Incorporation	Effective Equity Interest 2016 %	2015 %
Held by the Company				
B-Nova Sdn Bhd	To market and deliver Information Technology solutions	Brunei Darussalam	40	40
CNA Development Pte Ltd	Provision, design and implementation of integrated control and automation systems and information technology solutions for buildings and facilities	Republic of Singapore	20	–
Associated company held by novaHealth Pte. Ltd.				
JPMCnova Sdn Bhd	Industry solution provider to medical and healthcare institutions and related areas	Brunei Darussalam	49	49
Nova Al Khaleej Technology Information LLC (formerly known as Estemarat Information Technology LLC)	Provision of information technology expertise/consultancy solution, including development of certain software application and platforms which will be available to subscribers via the internet on a pay-per-use basis, in UAE	United Arab Emirates	49	–

All the associated companies are not audited by Folks DFK & Co.

8.1 Acquisition of CNA Development Pte Ltd ("CNAD")

On 6 November 2015, the Company entered into a conditional subscription agreement with CNAD for the proposed subscription of 12,500 new CNAD Shares representing 20% of the enlarged issued share capital in CNAD, a company incorporated in Singapore for cash consideration of SGD2,000,000 (equivalent to RM6,123,800 based on the exchange rate of SGD1:MYR3.0619 as at 5 November 2015).

The above acquisition had been completed on 30 November 2015.

8.2 Acquisition of Nova Al Khaleej Technolgy Information LLC (formerly known as Estemarat Information Technology LLC) ("EIT")

On 30 July 2015, novaHealth Pte. Ltd., a wholly owned subsidiary of the Company, through its nominee, had subscribed for 245 shares of Emirati Dirham (AED) 1,000 each (equivalent to RM257,000), representing 49% of equity interest in EIT, a company incorporated in United Arab Emirates.

8. **INVESTMENT IN ASSOCIATES (CONT'D)**

Summarised financial information in respect of material associates of the Group is set out below. The summarised financial information presented below represents the financial statements of the associates and not the Group's share of those amounts:-

	CNA Development Pte Ltd		JPMCnova Sdn Bhd		Nova Al Khaleej Technology Information LLC (formerly known as Estemarat Information Technology LLC)	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Assets and liabilities						
Non-current assets	1,992,628	–	–	–	33,713	–
Current assets	51,900,153	–	2,498,504	1,915,431	629,282	–
Total assets	53,892,781	–	2,498,504	1,915,431	662,995	–
Non-current liabilities	–	–	–	–	–	–
Current liabilities	46,744,461	–	1,128,016	725,740	381,357	–
Total liabilities	46,744,461	–	1,128,016	725,740	381,357	–
Results						
Revenue	33,487,372	–	2,572,505	2,966,727	–	–
(Loss)/profit after taxation	1,201,290	–	100,530	168,165	(273,340)	–

The financial year ends of the above associates are coterminous with those of the Group, except for Nova Al Khaleej Technology Information LLC (formerly known as Estemarat Information Technology LLC), which have a financial year end of 31 December to conform the Company's financial year end. For the purpose of applying the equity method of accounting, the financial statements of Nova Al Khaleej Technology Information LLC (formerly known as Estemarat Information Technology LLC) for the year ended 31 March 2016 have been used and appropriate adjustments have been made for the effects of significant transactions between 31 December 2015 and 31 March 2016.

8. INVESTMENT IN ASSOCIATES (CONT'D)

The reconciliation of net assets to carrying amount as at 31 March 2016 is as follows:-

	CNA Development Pte Ltd		JPMCnova Sdn Bhd		Nova Al Khaleej Technology Information LLC (formerly known as Estemarat Information Technology LLC)	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Group's share of net assets	1,448,119	–	671,539	582,949	138,003	–
Goodwill	4,819,936	–	–	–	–	–
Carrying amount of Group's interest in associates	6,268,055	–	671,539	582,949	138,003	–

Aggregate information of associates that are not individually material:-

	2016 RM	2015 RM
Share of loss after taxation	(31,731)	(7,353)
Share of comprehensive loss	(31,731)	(7,353)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9. DEFERRED TAX

Deferred tax assets have not been recognised in respect of the following temporary differences (stated at gross amounts) due to the uncertainty of their realisation in the foreseeable future:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Development expenditure capitalised	11,492,740	10,763,485	–	–
Excess of capital allowances over depreciation	(2,105,012)	(1,950,570)	(455,364)	(411,000)
Unabsorbed tax losses	(54,066,510)	(45,928,313)	(18,663,583)	(15,692,000)
	(44,678,782)	(37,115,398)	(19,118,947)	(16,103,000)

The unutilised capital allowances and unabsorbed tax losses have no expiry date under current tax legislations but are subject to agreement of the tax authorities and compliance with tax regulation in the respective countries in which companies of the Group operate.

10. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Aggregate costs incurred to date and attributable profit	37,568,664	35,541,054	4,199,956	690,457
Less: Progress billings	(28,261,645)	(16,848,690)	(4,283,550)	(690,457)
	9,307,019	18,692,364	(83,594)	–

The currency profile of the amount due from/(to) contract customers is as follow:-

Amount due from contract customers				
- Singapore Dollar	10,110,511	18,931,222	–	–
Amount due to contract customers				
- Singapore Dollar	(719,898)	(238,858)	–	–
- Ringgit Malaysia	(83,594)	–	(83,594)	–

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
Trade receivables	17,795,673	5,879,454	783,895	1,139,072
Less: Allowance for impairment loss	(1,268,873)	(722,441)	(500,108)	(500,108)
Trade receivables, net	16,526,800	5,157,013	283,787	638,964
Other receivables				
Accrued receivables	449,760	595,684	–	223,238
Other receivables, deposits and prepayments	2,790,179	2,005,051	353,957	40,275
	19,766,739	7,757,748	637,744	902,477
Amount due from an associate				
- Trade	982,250	567,442	–	–
Amount due from subsidiaries				
- Non-trade	–	–	2,361,003	297,250
Total trade and other receivables	20,748,989	8,325,190	2,998,747	1,199,727

11.1 Trade and other receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 (2015: 30 to 60) day terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Accrued receivables represent revenue accrued for completed work on contract which have not been billed at end of financial year.

The currency profile of trade and other receivables is as follows:-

	Group	
	2016 RM	2015 RM
Ringgit Malaysia	637,744	933,857
US Dollar	7,992,464	879,024
Singapore Dollar	3,905,019	5,233,941
Philippines Peso	398,075	216,095
Saudi Riyal	6,436,592	456,385
Brunei Dollar	1,205,616	605,472
Taiwan Dollar	–	416
Emirati Dirham	173,479	–
	20,748,989	8,325,190

	Company	
	2016 RM	2015 RM
Ringgit Malaysia	2,998,747	1,199,727

11. TRADE AND OTHER RECEIVABLES (CONT'D)

11.1 Trade and other receivables (Cont'd)

Ageing analysis of trade and other receivables

The ageing analysis of the Group's and the Company's trade and other receivables is as follows:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Neither past due nor impaired	9,404,576	3,433,496	2,218,988	875,282
1 to 30 days past due not impaired	1,869,577	1,017,952	147,679	57,105
31 to 60 days past due not impaired	968,102	1,261,822	108,010	200,000
More than 61 days past due not impaired	8,506,734	2,611,920	524,070	67,340
	11,344,413	4,891,694	779,759	324,445
Impaired	1,268,873	722,441	500,108	500,108
	22,017,862	9,047,631	3,498,855	1,699,835

Trade and other receivables including those that are past due but not impaired are considered to be creditworthy and are able to settle their debts.

The Group and the Company does not hold any collateral as security for the trade receivables as at the end of the reporting period.

During the financial year, the Group and the Company did not renegotiate the terms of any trade receivable.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:-

Group

2016	**Collectively Impaired RM**	**Individually Impaired RM**	**Total RM**
Trade receivables - nominal amounts	–	1,268,873	1,268,873
Less: Allowance for impairment	–	(1,268,873)	(1,268,873)
	–	–	–

2015			
Trade receivables - nominal amounts	–	722,441	722,441
Less: Allowance for impairment	–	(722,441)	(722,441)
	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. TRADE AND OTHER RECEIVABLES (CONT'D)

11.1 Trade and other receivables (Cont'd)

Receivables that are impaired (Cont'd)

Company

2016	Collectively Impaired RM	Individually Impaired RM	Total RM
Trade receivables - nominal amounts	–	500,108	500,108
Less: Allowance for impairment	–	(500,108)	(500,108)
	–	–	–
2015			
Trade receivables - nominal amounts	–	500,108	500,108
Less: Allowance for impairment	–	(500,108)	(500,108)
	–	–	–

Movements in impairment loss:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At beginning of financial year	722,441	706,085	500,108	500,108
Exchange differences	12,058	16,356	–	–
Charge for the year	534,374	–	–	–
At end of financial year	1,268,873	722,441	500,108	500,108

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.

11.2 Amount due from subsidiaries and associate

The amounts due from subsidiaries and associate are interest free, unsecured and repayable on demand. Non-trade balances with subsidiaries are in respect of advances made to subsidiaries.

12. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash in hand and at banks	3,237,643	3,439,874	111,467	1,591,827
Deposits with licensed banks	–	5,500,000	–	5,500,000
	3,237,643	8,939,874	111,467	7,091,827

The currency profile of cash and bank balances is as follows:-

	Group	
	2016 RM	2015 RM
Ringgit Malaysia	111,467	7,091,826
Philippines Peso	26,292	41,248
Singapore Dollar	2,912,114	1,630,864
US Dollar	187,770	175,936
	3,237,643	8,939,874

	Company	
	2016 RM	2015 RM
Ringgit Malaysia	111,467	7,091,827

13. SHARE CAPITAL

(a) Authorised shares of RM0.10 each

	Group and Company			
	2016 Number of shares	2015 Number of shares	2016 RM	2015 RM
At beginning of financial year	1,000,000,000	500,000,000	100,000,000	50,000,000
Created during the financial year	–	500,000,000	–	50,000,000
At end of financial year	1,000,000,000	1,000,000,000	100,000,000	100,000,000

13. SHARE CAPITAL (CONT'D)

(b) Issued and fully paid ordinary shares of RM0.10 each

	Group and Company			
	2016 Number of shares	2015 Number of shares	2016 RM	2015 RM
At beginning of financial year	493,592,600	402,798,000	49,359,260	40,279,800
Issued during financial year:				
- Employees' Share Option Scheme (Note 15)	7,395,000	9,215,000	739,500	921,500
- Private placement	49,798,760	81,579,600	4,979,876	8,157,960
At end of financial year	550,786,360	493,592,600	55,078,636	49,359,260

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM49,359,260 to RM55,078,636 by way of the issuance of:-

(i) 49,798,760 new ordinary shares of RM0.10 each at an issue price of RM0.106 by way of a private placement.

(ii) 7,395,000 new ordinary shares of RM0.10 each at an issue price of RM0.10 arising from the exercise of options under ESOS.

Private placement

This comprised of the allotment and issuance of 49,798,760 ordinary shares at an issue price of RM0.106 per share and for cash consideration to eligible investors. The private placement was approved by the shareholders at an extraordinary general meeting of the Company held on 27 August 2015.

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

14. SHARE PREMIUM

	Group and Company	
	2016 RM	2015 RM
At beginning of financial year	11,658,531	8,307,010
Share premium attributable to issuance of shares from:-		
- Private placement	298,792	3,100,025
- ESOS exercised	415,535	474,745
Share issuance expenses	(118,190)	(223,249)
At end of financial year	12,254,668	11,658,531

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

15. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS approved by shareholders on 28 September 2004 and was implemented on 31 October 2004 had lapsed on 30 October 2015 (Lapsed ESOS Scheme).

On 27 August 2015, the Company's shareholders approved a new ESOS which was effective on 18 November 2015 for a period of ten (10) years, set to expire on 17 November 2025 (New ESOS Scheme).

The salient features of the Lapsed ESOS Scheme are as follows:-

(i) The total number of new ordinary shares of RM0.10 each that may be made available under the ESOS shall not exceed thirty per cent (30%) of the issued and paid-up capital of the Company, subject to a maximum entitlement of fifteen per cent (15%) for the first 5 years.

(ii) Eligible employees are Directors and confirmed employees of the Group (save and except for companies which are dormant) who meet the criteria of eligibility for participation as set out in the By-Laws, at the date of the offer.

(iii) The option is personal to the grantee and is non-assignable.

(iv) An option may, at the discretion of the ESOS Committee, be determined based on a discount of not more than 10% from the 5-day weighted average market price of the underlying shares as shown in the Daily Official List issued by Bursa Malaysia for the 5 market days immediately preceding the Date of Offer in writing to the grantee.

The option price per new share shall in no event be less than the par value of the share.

(v) An option may be exercised by notice in writing to the Company in the prescribed form from time to time during the option period in respect of all or any part of the new shares comprised in the option, provided that where an option is exercised in respect of a part of the new shares comprised therein, the number of new shares of which such an option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).

Set out below are the details of options over the ordinary shares of the Company under the Lapsed ESOS Scheme:-

	Number of options over ordinary shares of RM0.10 in the Company				
2016	**As at 1.4.2015**	**Granted**	**Exercised**	**Lapsed**	**As at 31.3.2016**
Grant date					
15.6.2007	4,260,000	–	(2,740,000)	(1,520,000)	–
1.10.2009	1,455,000	–	(1,455,000)	–	–
1.10.2010	1,250,000	–	(1,250,000)	–	–
15.4.2011	910,000	–	(910,000)	–	–
30.10.2014	1,040,000	–	(1,040,000)	–	–
	8,915,000	–	(7,395,000)	(1,520,000)	–

Number of options exercisable at end of the financial year	–

15. EMPLOYEE BENEFITS/EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

Set out below are the details of options over the ordinary shares of the Company under the Lapsed ESOS Scheme:- (Cont'd)

	Number of options over ordinary shares of RM0.10 in the Company				
2015	**As at 1.4.2015**	**Granted**	**Exercised**	**Lapsed**	**As at 31.3.2016**
Grant date					
15.6.2007	5,340,000	–	(800,000)	(280,000)	4,260,000
1.10.2009	5,230,000	–	(3,775,000)	–	1,455,000
1.10.2010	3,400,000	–	(2,150,000)	–	1,250,000
15.4.2011	3,440,000	–	(2,090,000)	(440,000)	910,000
30.10.2014	–	1,440,000	(400,000)	–	1,040,000
	17,410,000	1,440,000	(9,215,000)	(720,000)	8,915,000

Number of options exercisable at end of the financial year	8,915,000

Options outstanding at the end of the financial year have the following expiry date and exercise price:-

	Number of options over ordinary shares of RM0.10 each in the Company			
Grant date	**Exercise price RM**	**Expiry date**	**Number of options 2016**	**2015**
15.6.2007	0.10	30.10.2015	–	4,260,000
1.10.2009	0.10	30.10.2015	–	1,455,000
1.10.2010	0.10	30.10.2015	–	1,250,000
15.4.2011	0.10	30.10.2015	–	910,000
30.10.2014	0.10	29.10.2015	–	1,040,000
			–	8,915,000

The salient features of the New ESOS Scheme are as follows:-

(i) The total number of new ordinary shares of RM0.10 each that may be made available under the ESOS shall not exceed thirty per cent (30%) of the issued and paid-up capital of the Company.

(ii) Eligible employees are Directors and confirmed employees of the Group (save and except for companies which are dormant) who meet the criteria of eligibility for participation as set out in the By-Laws, at the date of the offer.

(iii) The option is personal to the grantee and is non-assignable.

(iv) An option may, at the discretion of the ESOS Committee, be determined based on a discount of not more than 10% from the 5-day weighted average market price of the underlying shares as shown in the Daily Official List issued by Bursa Malaysia for the 5 market days immediately preceding the Date of Offer in writing to the grantee.

The option price per new share shall in no event be less than the par value of the share.

15. EMPLOYEE BENEFITS/EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The salient features of the New ESOS Scheme are as follows:- (Cont'd)

(v) An option may be exercised by notice in writing to the Company in the prescribed form from time to time during the option period in respect of all or any part of the new shares comprised in the option, provided that where an option is exercised in respect of a part of the new shares comprised therein, the number of new shares of which such an option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).

No option has been granted under this New ESOS Scheme at the end of the reporting date.

Share options exercised during the financial year

Options over 7,395,000 ordinary shares at RM0.10 each were exercised during the financial year (2015: 9,215,000).

Fair value of share options granted during the previous financial year

The fair value of share options granted during the previous financial year of RM0.055 each has been determined using the binomial valuation model and measured at grant date using the following significant inputs and assumptions:-

	Lapsed ESOS Scheme
Share price at grant date (sen)	0.115
Exercise price (sen)	0.100
Early exercise factor (times)	2.5
Expected volatility (%)	80.547
Expected option life (years)	1
Risk free interest rate (%)	3.513

The expected life of the options is based on the life of the Lapsed ESOS Scheme. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

During the financial year, the Group and the Company recognised total expenses of RM Nil (2015 : RM79,920) and RM Nil (2015 : RM24,420) respectively in profit or loss in respect of equity-settled share based payment transactions with corresponding transfer to equity.

16. NON-CONTROLLING INTEREST

	Group	
	2016 RM	2015 RM
Non-controlling interests at date of acquisition	32,710	32,710
Share of accumulated losses:-		
At beginning of financial year	(5,009)	(4,995)
Share of loss for the year	(2,075)	(14)
At end of financial year	(7,084)	(5,009)
	25,626	27,701

17. BANK BORROWINGS

The bank borrowings of the subsidiaries represent proceeds from factoring of trade receivables (with recourse) and are subject to interest at 7.49% to 7.50% (2015: 7.49% to 7.50%) per annum and are secured as follows:-

(a) Corporate guarantee from holding company; and

(b) Pledge of present and future proceeds from certain consultancy contracts.

The currency exposure profile of borrowings is as follows:-

	Group	
	2016 RM	2015 RM
Singapore Dollar	2,050,140	1,999,118

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Trade payables	883,865	1,249,707	39,892	–
Other payables and accrued expenses	3,124,933	2,217,835	481,141	262,240
Revenue received in advance	1,411,260	1,216,872	–	–
Liability for short term accumulating compensated absences	493,774	564,339	31,991	34,008
Amount owing to affiliated corporations	2,451,983	2,431,446	–	–
Amount due to subsidiaries	–	–	458,585	3,459,320
Amount owing to Directors	907,956	679,156	907,956	679,156
	9,273,771	8,359,355	1,919,565	4,434,724

The normal credit terms of trade payables granted to the Group and the Company range from 30 to 60 (2015: 30 to 60) days.

The currency exposure profile of trade and other payables is as follows:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Ringgit Malaysia	1,460,983	975,404	1,919,565	4,434,724
British Pound	–	840	–	–
Philippines Peso	116,058	38,174	–	–
Brunei Dollar	–	137,346	–	–
Singapore Dollar	7,645,556	7,207,591	–	–
Renminbi	51,174	–	–	–
	9,273,771	8,359,355	1,919,565	4,434,724

The amounts owing to affiliated corporation, associate, subsidiaries and directors are non-trade in nature, interest free, unsecured and repayable on demand.

An affiliated corporation is defined as a company or its related corporation in which a Director of the Company has a substantial financial interest.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Consultancy contracts	19,576,004	20,599,444	409,591	1,233,874
Maintenance services	11,402,136	11,683,452	949,255	643,938
	30,978,140	32,282,896	1,358,846	1,877,812

20. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Wages, salaries and bonus	19,881,814	19,916,839	1,811,107	1,944,045
Contributions to defined contribution plans	1,862,964	1,990,661	205,289	222,881
Share based compensation expense	–	79,920	–	24,420
Other benefits	763,199	510,975	10,429	11,715
	22,507,977	22,498,395	2,026,825	2,203,061

Included in employee benefits expenses of the Group is executive directors' remuneration amounting to RM2,924,527 (2015: RM2,840,030) as further disclosed in Note 22.

Employee benefits expenses are taken up as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Charged to Statement of Comprehensive Income	17,214,502	20,447,910	2,026,825	2,203,061
Capitalised as development expenditure	5,293,475	2,050,485	–	–
	22,507,977	22,498,395	2,026,825	2,203,061

21. FINANCE COSTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest on bank borrowings	143,038	285,410	–	–

22. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive Directors (Note 20):-				
- Directors of holding company	873,666	997,124	–	–
- Directors of subsidiary companies	2,050,861	1,842,906	–	–
	2,924,527	2,840,030	–	–
Non-Executive Directors' fees	228,800	190,800	228,800	190,800
Total directors' remuneration	3,153,327	3,030,830	228,800	190,800

23. PROFIT/(LOSS) BEFORE TAXATION

This is arrived at after charging/(crediting):-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Amortisation of intangible assets	2,299,100	1,984,533	–	–
Depreciation of property, plant and equipment	346,548	352,814	17,339	23,117
Allowance for impairment loss				
- trade receivables	534,374	–	–	–
Auditors' remuneration				
- current year	138,669	132,032	49,500	49,500
- underprovision in prior year	4,500	4,500	4,500	4,500
- other services	5,000	5,000	5,000	5,000
Property, plant and equipment written off	1,727	–	–	–
Unrealised loss on foreign exchange (net)	693,350	388,772	–	–
Office rental	986,312	1,244,146	102,398	101,948
Interest expense	143,038	285,410	–	–
Interest income	(38,863)	(22,561)	(38,480)	(22,170)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. TAX EXPENSE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
<u>Foreign tax</u>				
Current year taxation	15,337	4,519	–	–
Over provision of taxation in prior year	–	(1,277)	–	–
	15,337	3,242	–	–

A reconciliation of tax applicable to the profit/(loss) before taxation at the statutory tax rates to current year's tax expense of the Group and the Company is as follows:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Profit/(loss) before taxation	525,695	1,165,502	(2,559,252)	(1,622,845)
Taxation at the rate of 25% (2015 : 25%)	131,424	291,376	(639,813)	(405,711)
Tax effect of:				
Different tax rates in foreign jurisdictions	(268,873)	(225,241)	–	–
Non-deductible expenses	640,980	326,907	164,690	160,337
Income not subject to tax	(1,470,386)	(10,605)	–	–
Deferred tax benefit not recognised	982,192	466,342	475,123	245,374
Subsidiaries' deferred tax benefits utilised	–	(844,260)	–	–
Over provision of taxation in prior year	–	(1,277)	–	–
	15,337	3,242	–	–

Subject to the agreement of the tax authorities and compliance with tax regulation in the respective countries in which companies of the Group operate, the estimated unutilised capital allowances and unabsorbed tax losses available for set off against future taxable profits are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Unutilised capital allowances	2,105,012	1,950,570	455,364	411,000
Unabsorbed tax losses	54,066,510	45,928,313	18,663,583	15,692,000
	56,171,522	47,878,883	19,118,947	16,103,000

25. EARNING PER ORDINARY SHARE

Basic earning per ordinary share

The calculation of basic earning per ordinary share is based on the net profit attributable to shareholders of the Company of RM513,052 (2015:RM1,164,564) and the weighted average number of ordinary shares in issue during the financial year of 461,410,232 (2015: 433,252,214) which was derived at after taking into account the issuance of shares pursuant to private placement and ESOS.

Fully diluted earning per ordinary share

The calculation of fully diluted earning per ordinary share is based on the net profit attributable to shareholders of the Company of RM513,052 (2015: RM1,164,564) and the weighted average number of ordinary shares after adjustments for effects of all dilutive potential ordinary shares attributable to the share options in issue calculated as follows:-

	Group	
	2016 RM	**2015 RM**
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue	461,410,232	433,252,214
Effect of share options *	–	3,013,352
Weighted average number of ordinary shares for diluted earning per share	461,410,232	436,265,566

There were no share options oustanding at the end of the reporting period at 31 March 2016.

26. OPERATING SEGMENTS

The Group operates predominately in one business segment only and they operate in principally in the ASEAN region. The primary format, geographical segments is based on the locations where Group's management function is exercised and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and for development expenditure.

26. OPERATING SEGMENTS (CONT'D)

	E-Business Solutions							
	Malaysia		Singapore		Eliminations		Group	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Geographic segments								
Revenue from external customers	1,358,846	1,877,812	29,619,294	30,405,084	–	–	30,978,140	32,282,896
Revenue from inter-segment	–	–	2,583,832	1,869,729	(2,583,832)	(1,869,729)	–	–
Total revenue	1,358,846	1,877,812	32,203,126	32,274,813	(2,583,832)	(1,869,729)	30,978,140	32,282,896
Segment results	(2,597,732)	(1,645,015)	3,143,113	3,166,629	–	(168,309)	545,381	1,353,305
Interest income							38,863	22,561
Interest expense							(143,038)	(285,410)
Share of results of associates							84,489	75,046
Profit/(loss) before taxation							525,695	1,165,502
Taxation							(15,337)	(3,242)
Profit/(loss) after taxation							510,358	1,162,260
Segment assets	3,137,017	8,317,857	50,913,786	39,864,339	(2,361,003)	(297,250)	51,689,800	46,884,946
Tax recoverable	2,590	2,590	–	–	–	–	2,590	2,590
Investment in an associate	6,287,985	21,719	785,117	567,713	–	–	7,073,102	589,432
Total assets							58,765,492	48,476,968
Segment Liabilities	1,544,575	4,434,724	10,144,542	9,626,902	458,584	(3,459,320)	12,147,701	10,602,306
Other segment items								
Capital expenditure	17,840	7,998	7,816,727	2,626,624	–	–	7,834,567	2,634,622
Depreciation and amortisation	17,339	23,117	2,628,309	2,314,230	–	–	2,645,648	2,337,347

26. OPERATING SEGMENTS

Geographical information

2016	Revenue RM	Non-current assets RM
Malaysia	1,358,846	6,168,205
Singapore	29,619,294	18,693,362
	30,978,140	24,861,567
2015		
Malaysia	1,877,812	40,138
Singapore	30,405,084	11,875,312
	32,282,896	11,915,450

Major customers

The following are major customers with revenue equal or more than 10 percent of Group revenue:-

	Segment	Group 2016 RM	Group 2015 RM
Customer A	Singapore	6,180,943	9,124,958
Customer B	Singapore	4,541,349	5,927,578
Customer C	Singapore	3,133,100	–

27. CONTINGENT LIABILITIES (UNSECURED)

	Company 2016 RM	Company 2015 RM
Guarantees given by the Company to financial institutions for credit facilities granted to subsidiaries		
- Limit	3,460,800	3,230,760
- Utilised	2,050,140	1,999,118

28. OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Less than one year	1,112,008	1,271,765	24,558	82,608
Between one to five years	650,540	647,049	–	22,575
	1,762,548	1,918,814	24,558	105,183

The Group and the Company leases office premises under operating leases. The leases have remaining lease terms between one to five years, with an option to renew the leases after the date of expiration. None of the leases include contingent rentals.

29. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party or when both parties are under the common control of another party.

Related party relationships exist between the Group and the Company with the following entities:-

(a) The subsidiaries as disclosed in Note 7;

(b) The associates as disclosed in Note 8,

(c) Chan Wing Kong, being a Director;

(d) Victor John Stephen Price, being a Director.

(e) novaSprint Pte. Ltd. and novaC2R Pte. Ltd. Being companies in which Chan Wing Kong and Victor John Stephen Price have or are deemed to have a substantial interest; and

(f) Zylog Systems Asia Pacific Pte Ltd, a substantial shareholder.

29. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

29.1 Related party transactions

Significant related party transactions during the year other than those disclosed elsewhere in the financial statements are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<u>Income</u>				
Zylog Systems Asia Pacific Pte Ltd - Rental Income	(168,627)	(151,512)	–	–
<u>Expenses</u>				
NovaCITYNETS Pte. Ltd. Administrative fees paid	–	–	134,054	163,415
NovaC2R Pte. Ltd. Purchase of scanning services	512,998	–	–	–

29.2 Related Party Balances

Balances at year end included in the statements of financial position are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<u>Receivables</u>				
Amount due from subsidiaries				
- novaCITYNETS Pte. Ltd. (non-trade)	–	–	2,355,673	295,000
- novaSOLUTIONS (PH) Inc. (non-trade)	–	–	5,330	2,250
<u>Payables</u>				
Amount due to subsidiaries				
- novaCITYNETS Pte. Ltd. (non-trade)	–	–	(14,224)	(246,532)
- novaHEALTH Pte. Ltd. (trade)	–	–	–	(2,971,319)
- novaHEALTH Pte. Ltd. (non-trade)	–	–	(444,360)	(241,468)
Amount due to affiliated corporation				
- novaSPRINT Pte. Ltd.	(2,451,983)	(2,431,446)	–	–

The amount due from/to subsidiaries and amount due to affiliated corporation are unsecured, interest free and repayable on demand.

29. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

29.3 Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly which include Group Chief Executive Officer, Group Chief Operation Officer and Group Business Development Director. The key management personnel of the Group and the Company exclude non-executive Directors.

The remuneration of key management personnel during the year is as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short term employee benefits	2,154,921	2,121,837	–	–
Post-employment benefits	107,400	113,256	–	–
	2,262,321	2,235,093	–	–

30. FINANCIAL INSTRUMENTS

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

Financial assets of the Group include deposits, cash and bank balances and trade and other receivables.

Financial liabilities of the Group include trade and other payables and bank borrowings.

In respect of the Company, financial assets also include amount owing by a subsidiary while financial liability include amount owing to a subsidiary.

30.1 Categories of financial instruments

The Group's and the Company's financial instruments are categorised as follows:-

2016

Financial assets per statement of financial position

	Carrying amount RM	Loans and receivables RM
Group		
Trade and other receivables	20,748,989	20,748,989
Cash and bank balances	3,237,643	3,237,643
	23,986,632	23,986,632
Company		
Trade and other receivables	2,998,747	2,998,747
Cash and bank balances	111,467	111,467
	3,110,214	3,110,214

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of financial instruments (Cont'd)

2016

Financial liabilities per statement of financial position

	Carrying amount RM	Other financial liabilities measured at amortised cost RM
Group		
Trade and other payables	9,273,771	9,273,771
Bank borrowings	2,050,140	2,050,140
	11,323,911	11,323,911
Company		
Trade and other payables	1,919,565	1,919,565

The Group's and the Company's financial instruments are categorised as follows:-

2015

Financial assets per statement of financial position

	Carrying amount RM	Loans and receivables RM
Group		
Trade and other receivables	8,325,190	8,325,190
Cash and bank balances	8,939,874	8,939,874
	17,265,064	17,265,064
Company		
Trade and other receivables	1,199,727	1,199,727
Cash and bank balances	7,091,827	7,091,827
	8,291,554	8,291,554

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of financial instruments (Cont'd)

2015

Financial liabilities per statement of financial position

	Carrying amount RM	Other financial liabilities measured at amortised cost RM
Group		
Trade and other payables	8,359,355	8,359,355
Bank borrowings	1,999,118	1,999,118
	10,358,473	10,358,473
Company		
Trade and other payables	4,434,724	4,434,724

30.2 Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:-

	Note
Trade and other receivables	11
Amount due from subsidiaries	11
Cash and bank balances	12
Bank borrowings	17
Trade and other payables	18
Amount due to subsidiaries	18

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

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

31. FINANCIAL RISK MANAGEMENT POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Group's and the Company's overall financial risk management objective is to seek to address and control the risks to which the Group and the Company are exposed and to minimise or avoid the incidence of loss that may result from the exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

31.1 Credit risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group and the Company. The Group's and the Company's main exposure to credit risk is in respect of its trade receivables, bank deposits and cash and bank balances. The Company's exposure to credit risk includes amount due from subsidiary companies and financial guarantees given to banks for credit facilities of subsidiaries as disclosed in Note 27.

Credit risk is addressed by the application of credit evaluation and close monitoring procedures by the management.

It is inherent in the Group's and the Company's business to make individually large sales to its customers that may lead to a significant concentration of credit risks. Such risks are managed by ensuring that transactions are only carried out with customers with reliable financial profile.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal action taken to ensure recoveries and mitigate losses.

Exposure to credit risk

The Group's and the Company's maximum exposure to credit risk as at 31 March 2016 is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

In the case of the Company, its exposure includes the corporation guarantee extended financial institutions for credit facilities granted to subsidiaries as disclosed in Note 27.

31. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

31.1 Credit risk (Cont'd)

Credit risk concentration profile

At 31 March 2016, the Group and the Company had approximately 26 and 3 customers, out of which 8 and 1 respectively customers owed more than RM500,000 and RM300,000 which accounted for approximately 89% and 64% of the total receivables balance. The analysis of t7he Group's and the Company's trade receivables by country of such receivables is as follows:-

	Group			
	2016		2015	
	RM	% of total	RM	% of total
Malaysia	283,787	2%	638,965	10%
Laos	794,254	4%	753,773	12%
Singapore	8,939,909	48%	3,626,423	56%
Brunei	1,212,825	6%	605,472	9%
Saudi Arabia	6,759,591	36%	–	0%
Vietnam	152,564	1%	196,903	3%
Indonesia	591,272	3%	625,360	10%
Maldivas	46,721	0%	–	0%
	18,777,923	100%	6,446,896	100%

	Company			
	2016		2015	
	RM	% of total	RM	% of total
Malaysia	283,787	36%	638,964	56%
Indonesia	500,108	64%	500,108	44%
	783,895	100%	1,139,072	100%

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 11. Deposits with banks and other financial institutions that are neither past due nor impaired are entered into or placed with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11.

31. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

31.2 Interest rate risk

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

The Group's and the Company's operations are financed through a mixture of internally generated funds and bank borrowings. The Group's and the Company's exposure to interest rate risk relates to interest bearing financial assets and liabilities. Interest bearing financial assets includes fixed deposits with licensed banks which are based on fixed rates and the Group's and the Company's interest bearing financial liabilities comprise bank overdraft and term loan which are based on floating rates.

Sensitivity analysis for interest rate risk

No sensitivity analysis is prepared as the Group and Company does not expect any material effect on the Group or Company's profit or loss arising from the effect of reasonably possible changes to interest rates on interest bearing financial instruments at the reporting date.

31.3 Foreign currency risk

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

The Group and the Company are exposed to foreign currency risks in respect of their investments in foreign subsidiaries and foreign receivables. The currencies primarily giving rise to this exposure are Saudi Arabian Riyal ("SAR") and United States Dollar ("USD"). During and at the end of the financial year, the Group and the Company had not entered into any forward currency contracts. However, management will keep this policy under review and will take necessary action to minimise the exposure of this risk.

The Group's and the Company's foreign currency exposure profiles of the following financial assets and liabilities as at 31 March 2016 have been disclosed under the respective notes:-

- Trade and other receivables - Note 11
- Cash and bank balances - Note 12
- Bank borrowings - Note 17
- Trade and other payables - Note 18

Sensitivity analysis for foreign currency risk

Below is an analysis of the sensitivity of the Group's profit for the year to a 5 percent strengthening or weakening of the foreign currencies against the various functional currencies at the end of the reporting period of entities within the Group. This analysis assumes that all other variables, in particular interest rates, remain constant.

	GROUP Profit/(loss) for the year Increase/(Decrease)	
	2016 RM	2015 RM
SAR against SGD (Functional currency : SGD)		
- strengthened 5%	337,134	22,818
- weakened 5%	(337,134)	(22,818)
USD against SGD (Functional currency : SGD)		
- strengthened 5%	405,110	45,123
- weakened 5%	(405,110)	(45,123)

31. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

31.4 Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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 the use of credit facilities.

Analysis of financial instruments by remaining contractual maturities

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments are as follows:-

Group

	On demand or within 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM
2016				
Financial liabilities				
Trade and other payables	9,273,771	–	–	9,273,771
Bank borrowings	2,050,140	–	–	2,050,140
Total undiscounted financial liabilities	11,323,911	–	–	11,323,911
2015				
Financial liabilities				
Trade and other payables	8,359,355	–	–	8,359,355
Bank borrowings	1,999,118	–	–	1,999,118
Total undiscounted financial liabilities	10,358,473	–	–	10,358,473

Company

	On demand or within 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM
2016				
Financial liabilities				
Trade and other payables	1,919,565	–	–	1,919,565
Total undiscounted financial liabilities	1,919,565	–	–	1,919,565
2015				
Financial liabilities				
Trade and other payables	4,434,724	–	–	4,434,724
Total undiscounted financial liabilities	4,434,724	–	–	4,434,724

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32. CAPITAL MANAGEMENT

The Group's objectives of managing capital are to safeguard the Group's ability to continue in its operations as a going concern in order to provide fair returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the optimal capital structure, the Group may, from time to time, adjust or vary the dividend payouts to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

For capital management purposes, the Group considers shareholders' equity and bank borrowings to be the key components in the Group capital structure. The Group monitors capital on the basis of gearing ratio. The ratio is calculated as the total liabilities to total equity. The Group's strategy is to maintain a gearing ratio of below 50%. There were no changes in the Group's approach to capital management during the year.

The debt-to-equity ratio as at 31 March 2016 and 31 March 2015 were as follows:-

	Group	
	2016 RM	**2015 RM**
Bank borrowings	2,050,140	1,999,118
Total debt	2,050,140	1,999,118
Total equity	46,617,791	37,874,662
Debt-to-equity ratio	0.04	0.05

33. SIGNIFICANT/SUBSEQUENT EVENTS

33.1 On 18 Janaury 2016, the Company had entered into a conditional share sale agreement ("SSA") with Stone Villa Limited ("Stone Villa") for the proposed acquisition of 19,375 ordinary shares in CNA Development Pte Ltd ("CNAD"), a company incorporated in Singapore, representing 31% of the issued share capital in CNAD from Stone Villa, for a total aggregate consideration of RM10.00 million. The proposed acquisition of 31% equity interest in CNAD will resulted in CNAD becoming a 51% owned subsidiary company.

The Purchase Consideration is to be satisfied in the following manner:-

Date	**Mode of Settlement**	**Note**	**Amount RM**
7 April 2016	Issuance of 45,454,545 new ordinary shares of RM0.10 each in the Company to Stone Villa.	**(a)**	5,000,000
Within 90 days subsequent to the issuance of the audited accounts of CNAD for the FYE 31 March 2017	Deferred Cash Payment 1 (To be paid in cash)	**(b)(i)**	Amounts will be calculated in accordance with formulas set out in Note 33.1 (b)(i) and 33.1 (b)(ii) for Deferred Cash Payment 1 and Deferred Cash Payment 2 respectively. Cumulative cash payments for Deferred Cash Payment 1 and Deferred Cash Payment 2 shall be subject to a maximum cap of RM5 million.
Within 90 days subsequent to the issuance of the audited accounts of CNAD for the FYE 31 March 2018	Deferred Cash Payment 2 (To be paid in cash)	**(b)(ii)**	

33. SIGNIFICANT/SUBSEQUENT EVENTS (CONT'D)

33.1 (Cont'd)

(a) Issuance of 45,454,545 New Ordinary Shares to Stone Villa

Total of RM5million is satisifed via by issuance of ordinary shares of RM0.10 each at an issue price of RM0.11.

(b) Deferred Cash Payment

The deferred cash payment shall be calculated based on the formula set below:

(i) Deferred Cash Payment 1

$$\frac{\text{Audited Profit After Tax (PAT) of CNAD for FYE31 March 2017}}{\text{FYE2017 Performance Target}} \times \text{RM2,500,000}$$

Whereby:

(1) Audited PAT of CNAD for FYE2017 must be at least 50% of FYE2017 Performance Target ("Minimum Threshold"). If CNAD is unable to achieve the Minimum Threshold, no Deferred Cash Payment 1 shall be paid.

(2) Subject to a maximum cap of RM2,500,000.

(ii) Deferred Cash Payment 2

$$\frac{\text{(Audited PAT of CNAD for FYE31 March 2017 + Audited PAT of CNAD for FYE31 March 2018)}}{\text{(FYE2017 Performance Target + FYE2018 Performance Target)}} \times \text{RM5,000,000} - \text{Deferred Cash Payment 1}$$

The performance target for FYE31 March 2017 and FYE31 March 2018 had been set at Singapore Dollar, SGD1.2million and SGD2.3million, respectively.

The cumulative cash payments for Deferred Cash Payment 1 and Deferred Cash Payment 2 shall be subject to a maximum cap of RM5,000,000.

In the event the calculation of the deferred cash payments based on the formula above shall result in a negative figure, the Company and Stone Villa agree that no deferred cash payment in that particular financial year shall be payable to Stone Villa and the Company will not be entitled to any compensation.

The CNAD is principally engaged in the provision, design and implementation of integrated control and automation systems and information technology solutions for buildings and facilities.

The above acquisition had been completed on 7 April 2016.

The disclosure of information on the amount goodwill, acquisition-date fair value of the total consideration transferred and acquisition-date fair value at each major class of consideration, such as cash, tangible and intangible assets, liabilities incurred, amount of contigent consideration could not be made as the Group is currently in the midst of determining the initial accounting for the acquisition and the relevant valuations and other calculations have not been finalised.

33. SIGNIFICANT/SUBSEQUENT EVENTS (CONT'D)

33.2 On 2 June 2016, the Company had granted the following options pursuant to the New ESOS Scheme to eligible employees (including Executive Director) of the Company and its subsidiary companies:

(a)	Grant date	2 June 2016	
(b)	Exercise price of options	RM0.10	
(c)	Number of options offered	(i) Tranche 1: (ii) Tranche 2:	4,500,000 (vested) Up to 10,500,000
(e)	Number of options granted to Executive Director/CEO, Chan Wing Kong	(i) Tranche 1: (ii) Tranche 2:	2,000,000 (vested) Up to 5,000,000
(e)	Vesting period of options	(i) Tranche 1: (ii) Tranche 2:	Vested upon award The number of options to be vested shall be subject to the achievement of certain performance criteria by the eligible employees over the performance period concluding at the end of the financial year ending 31 March 2017.

33.3 On 18 January 2016, the Company had proposed a private placement of up to 155,022,635 new ordinary shares, representing 20% of the enlarged issued and paid-up share capital of the Company, at an issue price of RM0.10 per share and for cash consideration to eligible investors. The private placement was approved by the shareholders at an extraordinary general meeting of the Company held on 5 April 2016.

The placement of shares was made on 17 June 2016 with the allotment and issuance of 87,000,000 ordinary shares at an issue price of RM0.10 per share for cash consideration of RM8,700,000.

34. SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of accumulated losses of the Group and the Company as at 31 March 2016, into realised and unrealised profits or losses, pursuant to the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010, is as follows:-

	2016 Group RM	2016 Company RM
Total accumulated losses of the Company and its subsidiaries:-		
- Realised	(38,205,238)	(29,910,396)
- Unrealised	(433,695)	–
	(38,638,933)	(29,910,396)
Total share of retained profits from associates:		
- Realised	578,675	–
- Unrealised	–	–
	(38,060,258)	(29,910,396)
Less: Consolidation adjustments	8,997,417	–
Accumulated losses as per financial statements	(29,062,841)	(29,910,396)

	2015 Group RM	2015 Company RM
Total accumulated losses of the Company and its subsidiaries:-		
- Realised	(38,688,743)	(27,449,480)
- Unrealised	243,859	–
	(38,444,884)	(27,449,480)
Total share of retained profits from associates:-		
- Realised	494,186	–
- Unrealised	–	–
	(37,950,698)	(27,449,480)
Less: Consolidation adjustments	8,276,466	–
Accumulated losses as per financial statements	(29,674,232)	(27,449,480)

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

STATEMENT BY DIRECTORS

We, Y.A.M. TUNKU DATO' SERI NADZARUDDIN IBNI ALMARHUM TUANKU JA'AFAR and CHAN WING KONG, being two of the directors of NOVA MSC BERHAD, state that in the opinion of the directors, the financial statements set out on pages 41 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2016 and of their results and cash flows for the year ended on that date.

The information set out in Note 34 to the financial statements on page 107 have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed in accordance with a resolution of the Board of Directors,

**Y.A.M. TUNKU DATO' SERI NADZARUDDIN
IBNI ALMARHUM TUANKU JA'AFAR**

CHAN WING KONG

Kuala Lumpur,
21 July 2016

STATUTORY DECLARATION

I, TAN CHEE PING, the officer primarily responsible for the financial management of NOVA MSC BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 41 to 106 are in my opinion 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 above named TAN CHEE PING)
at Kuala Lumpur in Wilayah Persekutuan)
on 21 July 2016) **TAN CHEE PING**

INDEPENDENT AUDITORS' REPORT

to the members of NOVA MSC BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of NOVA MSC BERHAD, which comprise the statements of financial position as at 31 March 2016 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 a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 106.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanation required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
to the members of NOVA MSC BERHAD (Cont'd)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 107 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

FOLKS DFK & CO.
AF: 0502
Chartered Accountants

KHOO PEK LING
900/03/18(J/PH)
Chartered Accountant

Kuala Lumpur,
21 July 2016

ANALYSIS OF SHAREHOLDINGS

as at 8 July 2016

Issued and fully paid up	:	683,240,905 ordinary share of RM0.10 each; RM68,324,090.50
Class of Shares	:	Ordinary shares of RM0.10 each fully paid
Voting Rights	:	One vote per RM 0.10 share

BREAKDOWN OF SHAREHOLDINGS

as at 8 July 2016

Range of Shareholdings	No of Holders	Percentage of Holders	No of RM0.10 Shares	Percentage of Issued Capital
1 – 99	58	1.03	2,899	0.00
100 – 1,000	396	7.01	281,899	0.04
1,001 – 10,000	2,146	37.98	13,693,249	2.00
10,001 - 100,000	2,496	44.18	105,300,160	15.41
100,001 - 34,162,044	551	9.75	395,231,253	57.85
34,162,045 and above	3	0.05	168,731,445	24.70
Total	5,650	100.00	683,240,905	100.00

SUBSTANTIAL HOLDERS

as at 8 July 2016

According to the register required to be kept under section 69L of the Companies Act, 1965, the following are the substantial holders of the Company:

Name of Substantial Shareholders	No of Shares held (direct)	% of Shareholding	No of Shares held (indirect)	% of Shareholding
Citigroup Nominees (Asing) Sdn Bhd Exempt an for OCBC Securities Private Limited (Client A/C-NR)	86,703,545	12.69	0	0
Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd For Zylog Systems Asia Pacific Pte Ltd	42,849,750	6.27	0	0
Raden Corporation Sdn Bhd	39,178,150	5.73	0	0
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	5,160,000	0.75	45,178,150*	6.61

STATEMENT OF SHAREHOLDINGS
as at 8 July 2016 (Cont'd)

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS
as at 8 July 2016

Name of Directors	No of Shares held (direct)	% of Shareholding	No of Shares held (indirect)	% of Shareholding
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	5,160,000	0.75	45,178,150*	6.61
Chan Wing Kong	17,530,230	2.57	–	–
Dr. Victor John Stephen Price	9,428,211	1.38	–	–
Dato' Dr. Chua Hock Hoo	440,000	0.06	–	–

* Deemed interested by virtue of his directorship and substantial shareholding in Raden Corporation Sdn Bhd, by virtue of his directorship and substantial shareholding in Syarikat Pesaka Antah Sdn Bhd which owns the entire issued and paid up capital of Pesaka Antah Holding Sdn Bhd and by virtue of shares held by his brother Y.A.M. Tunku Naquiyuddin Ibni Almarhum Tuanku Ja'afar pursuant to Section 6A of the Act.

THIRTY LARGEST REGISTERED HOLDERS
as at 8 July 2016

	Name of Substantial Shareholders	No of Shares held	% of Shareholding
1.	Citigroup Nominees (Asing) Sdn Bhd *Exempt an for OCBC Securities Private Limited (Client A/C-NR)*	86,703,545	12.69
2.	Maybank Securities Nominees (Asing) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd for Zylog Systems Asia Pacific Pte Ltd*	42,849,750	6.27
3.	Raden Corporation Sdn Bhd	39,178,150	5.73
4.	Affin Hwang Nominees (Asing) Sdn Bhd *DBS Vickers Secs (S) Pte Ltd for Dionna Zhao*	30,000,000	4.39
5.	Li RongZhi	30,000,000	4.39
6.	Chew Leok Chuan	23,600,000	3.45
7.	Maybank Securities Nominees (Asing) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd for Chan Wing Kong*	17,530,230	2.57
8.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)*	11,030,500	1.61
9.	Lai Thiam Poh	10,390,000	1.52
10.	Maybank Securities Nominees (Asing) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd for Victor John Stephen Price*	9,428,211	1.39

STATEMENT OF SHAREHOLDINGS
as at 8 July 2016 (Cont'd)

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)
as at 8 July 2016

Name of Substantial Shareholders		No of Shares held	% of Shareholding
11.	Lim Seok Kim	8,500,000	1.24
12.	Affin Hwang Nominees (Tempatan) Sdn Bhd *Lim & Tan Securities Pte Ltd for Chan Hoong Kwai*	5,564,200	0.81
13.	YAM Tunku Nadzaruddin Ibni Tuanku Ja'afar	5,160,000	0.76
14.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Credit Suisse (HK BR-TST-Asing)*	5,000,000	0.73
15.	Cheah Saw Guat	4,500,000	0.66
16.	Lai Teik Kin	4,308,170	0.63
17.	Tan Yew Soon	4,195,070	0.61
18.	Jimmy Cheah Kheng Siew	4,150,000	0.61
19.	Pesaka Antah Holdings Sdn Bhd	4,000,000	0.59
20.	Kenanga Nominees (Tempatan) Sdn Bhd *Liow Yit Lee*	3,360,000	0.49
21.	HLIB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Jimmy Cheah Kheng Siew)*	3,185,000	0.47
22.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chew Ben Ben (8095340)*	3,000,000	0.44
23.	Maybank Securities Nominees (Asing) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd for Chew Leok Chuan*	3,000,000	0.44
24.	To Kwee Eng	2,900,000	0.42
25.	Han Foo Juan	2,650,000	0.39
26.	HLIB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chan Swee Booi*	2,590,100	0.38
27.	SJ Sec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for In Fwn Sin (SMT)*	2,550,000	0.37
28.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Tiam Ming (008)*	2,549,500	0.37
29.	HLIB Nominees (Asing) Sdn Bhd *Lim & Tan Securities Pte Ltd for Lee Chin Choo*	2,272,000	0.33
30.	Lu Kim San	2,195,300	0.32

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NOVA MSC BERHAD

(591898-H)

PROXY FORM

No. of shares held

I/We .... NRIC No. ....

of ....being a

member / members of NOVA MSC BERHAD, hereby appoint ....

NRIC No. .... of ....

.... or failing him, **THE CHAIRMAN OF THE MEETING** as my / our proxy, to vote for me / us and on my / our behalf at the 14th Annual General Meeting of the Company held on Monday, 22 August 2016 and at any adjournment thereof.

Please indicate with an "X" in the spaces below as to how you wish your votes to be cast. (If you do not do so, the Proxy will vote or abstain from voting at his discretion).

Resolutions		**Resolution**	**For**	**Against**
1.	To receive and adopt Audited Accounts & Reports	1		
2.	To re-elect Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	2		
3.	To re-elect Mr. Onn Kien Hoe	3		
4.	To approve the payment of Directors' fees for the year ended 31 March 2016.	4		
5.	To appoint Messrs. Folks DFK & Co. as Auditors and to authorize the Directors to fix their remuneration.	5		
6.	Ordinary Resolution 1: To re-appoint Dr. Victor John Stephen Price under Section 129(6) of the Companies Act, 1965.	6		
7.	Ordinary Resolution 2: To approve Mr. Onn Kien Hoe to continue to act as an Independent Non-Executive Director.	7		
8.	Ordinary Resolution 3: To approve the Issuance of Shares Pursuant to Section 132D	8		
9.	Ordinary Resolution 4: To approve the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions Of Revenue or Trading Nature.	9		

Dated: ....

Signature / Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 August 2016 shall be eligible to attend the meeting.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. 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 account it holds.
4. Where a member appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hands of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal, or the hand of its attorney duly authorised.
6. The Proxy Form must be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Fold this flap for sealing

Then fold here

AFFIX
POSTAGE
STAMP

The Share Registrars
NOVA MSC BERHAD (591898-H)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor

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