**3I INFOTECH SDN. BHD. 200201026164 (593827 - M)**
(Incorporated in Malaysia)

# REPORTS AND FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

**RAKI CS TAN & RAMANAN (NO. AF 0190)**
**CHARTERED ACCOUNTANTS**

**3I INFOTECH SDN. BHD. 200201026164 (593827 - M)**
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

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**3I INFOTECH SDN. BHD. 200201026164 (593827 - M)**
(Incorporated in Malaysia)

## DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

The directors have pleasure to present their report together with the audited financial statements of the Company for the financial year ended 31 March 2020.

### 1. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of providing information technology applications solutions and services consultancy.

There has been no change in these activities during the financial year.

### 2. RESULTS FOR THE FINANCIAL YEAR

| | RM |
|---|---|
| Profit for the financial year | 1,450,505 |

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### 3. RESERVES AND PROVISIONS

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

### 4. DIVIDENDS

No dividends have been recommended or paid since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

### 5. ISSUE OF SHARES AND DEBENTURES

No shares or debentures were issued by the Company during the financial year.

### 6. SHARE OPTIONS

No share options were granted by the Company during the financial year. There are no unissued shares under options at the end of the financial year.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

## 7. DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Padmanabhan Nemmara Ranganathan Iyer
Uma Shanker Singh
Shahniza Anom Binti Elias (resigned on 12.05.2020)
Tia Hwei Ping
Mrinal Manoj Ghosh
Suryanarayan Kasichainula
Sandip Kumar Jai Prakash Singh (resigned on 12.05.2020)
Giri Mohana Krishnan Natarajan (appointed on 12.05.2020)
Saridah Binti Ismail (appointed on 12.05.2020)

## 8. DIRECTORS' INTERESTS

None of the directors in office at the end of the financial year had any interest in the shares of the Company during the financial year.

## 9. DIRECTORS' BENEFITS

Since the end of previous financial year, no director has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with any 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.

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## 10. DIRECTORS' REMUNERATION

The amount of the remuneration of the directors of the Company have received and receivable from the Company during the financial year is disclosed in Note 7 to the financial statements.

None of the directors of the Company have received any other benefits otherwise than in cash from the Company during the year.

No payment has been paid or payable to any third party in respect of the services provided to the Company by the directors of the Company during the financial year.

## 11. INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given or insurance premium paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company.

## 12. OTHER STATUTORY INFORMATION

Before the financial statements of the Company were prepared, the directors took reasonable steps:

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

(b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

As of the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

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

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

As of the date of this report, there does not exist:

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

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

No contingent or other liability 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 Company to meet its obligations as and when they fall due.

In the opinion of the directors:

(a) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

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

## 13. HOLDING AND ULTIMATE HOLDING COMPANY

The directors regard 3i Infotech Asia Pacific Pte. Ltd., a company incorporated in Singapore, and 3i Infotech Limited, a company incorporated in India, as the holding and ultimate holding company respectively.

## 14. AUDITORS

Total amount receivable by the auditors as remuneration for their services as auditors of the Company for financial year is disclosed in Note 7 to the financial statements.

The auditors, Messrs. Raki CS Tan & Ramanan, Chartered Accountants, have expressed their willingness to continue in office.

Signed at Kuala Lumpur on behalf of the Board of Directors in accordance with their resolution dated 21 May 2020.

**PADMANABHAN NEMMARA RANGANATHAN IYER**
Director

**UMA SHANKER SINGH**
Director

**3I INFOTECH SDN. BHD. 200201026164 (593827 - M)**
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

The directors of 3i Infotech Sdn. Bhd. stated that, in their opinion, the financial statements set out on pages 10 to 44 are drawn up in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2020 and of its financial performance and of its cash flows of the Company for the financial year then ended.

Signed at Kuala Lumpur on behalf of the Board of Directors in accordance with their resolution dated 21 May 2020.

**PADMANABHAN NEMMARA RANGANATHAN IYER**
Director

**UMA SHANKER SINGH**
Director

## DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Uma Shanker Singh**, the director primarily responsible for the financial management of **3I INFOTECH SDN. BHD.**, do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 10 to 44 are 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.

**UMA SHANKER SINGH**
Director

Subscribed and solemnly declared

At Kuala Lumpur on 21 May 2020.

Before me,

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**3I INFOTECH SDN. BHD. 200201026164 (593827 - M)**
(Incorporated in Malaysia)

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

**Opinion**

We have audited the financial statements of 3i Infotech Sdn. Bhd., which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 44.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**3I INFOTECH SDN. BHD. 200201026164 (593827 - M) (CONT'D)**
(Incorporated in Malaysia)

**Other Matters**

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

Signed at Johor Bahru on 2 1 MAY 2020.

**RAKI CS TAN & RAMANAN**
**(NO. AF 0190)**
**CHARTERED ACCOUNTANTS**

**MOHAMMAD NIZAM BIN JOHARI**
**(NO. 03226/02/2022 J)**
**CHARTERED ACCOUNTANT**
**PARTNER**

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

| | NOTE | 2020 RM | 2019 RM |
|---|---|---|---|
| REVENUE | 6 | 17,469,544 | 17,160,591 |
| Cost of sales | | (15,276,867) | (15,378,219) |
| Gross profit | | 2,192,677 | 1,782,372 |
| Other operating income | | 3,045,685 | 2,931,212 |
| Other operating expenses | | (3,973,917) | (5,345,717) |
| Profit/(loss) from operations | | 1,264,445 | (632,133) |
| Finance cost | | (2,940) | - |
| Profit/(loss) before tax | 7 | 1,261,505 | (632,133) |
| Income tax expense | 8 | 189,000 | 541,416 |
| Profit/(loss) for the financial year | | 1,450,505 | (90,717) |
| Other comprehensive income, net of tax | | - | - |
| Total comprehensive income for the financial year | | 1,450,505 | (90,717) |

The annexed notes form an integral part of these financial statements.

**3I INFOTECH SDN. BHD. 200201026164 (593827 - M)**
(Incorporated in Malaysia)

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

| | NOTE | 2020 RM | 2019 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 91,652 | 107,751 |
| Right-to-use assets | 10 | 99,891 | - |
| Intangible assets | 11 | 3,795,829 | 3,656,321 |
| Other receivables | 12 | 26,993,896 | 24,177,026 |
| Deferred tax asset | 13 | 1,389,000 | 1,200,000 |
| | | 32,370,268 | 29,141,098 |
| **Current assets** | | | |
| Trade receivables | 14 | 5,387,699 | 5,608,014 |
| Other receivables | 12 | 9,351,062 | 9,406,020 |
| Fixed deposit with a licensed bank | 15 | - | 136,690 |
| Cash and bank balances | | 906,093 | 577,583 |
| | | 15,644,854 | 15,728,307 |
| **Total assets** | | 48,015,122 | 44,869,405 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 16 | 5,000,000 | 5,000,000 |
| Retained earnings | 17 | 24,995,569 | 23,545,064 |
| **Total equity** | | 29,995,569 | 28,545,064 |
| **Non-current liability** | | | |
| Lease liabilities | 18 | 44,295 | - |
| **Current liabilities** | | | |
| Trade payable | 19 | 13,449,389 | 11,764,636 |
| Other payables | 20 | 4,468,760 | 4,559,705 |
| Lease liabilities | 18 | 57,109 | - |
| | | 17,975,258 | 16,324,341 |
| **Total liabilities** | | 18,019,553 | 16,324,341 |
| **Total equity and liabilities** | | 48,015,122 | 44,869,405 |

The annexed notes form an integral part of these financial statements.

**3I INFOTECH SDN. BHD. 200201026164 (593827 - M)**
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## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

| | Share capital RM | Retained earnings RM | Total RM |
|---|---|---|---|
| As at 1 April 2018 | 5,000,000 | 23,635,781 | 28,635,781 |
| Loss for the financial year | - | (90,717) | (90,717) |
| As at 31 March 2019 | 5,000,000 | 23,545,064 | 28,545,064 |
| Profit for the financial year | - | 1,450,505 | 1,450,505 |
| As at 31 March 2020 | 5,000,000 | 24,995,569 | 29,995,569 |

The annexed notes form an integral part of these financial statements.

**3I INFOTECH SDN. BHD. 200201026164 (593827 - M)**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit/(Loss) before tax | 1,261,505 | (632,133) |
| Adjustments for: | | |
| Allowance for impairment of trade receivables (specific) | 345,712 | 165,261 |
| Allowance for impairment of trade receivables (specific) - reversed | - | (651,497) |
| Amortisation of intangible assets | 304,492 | 1,518,331 |
| Amortisation of intangible assets overstated in prior year | (444,000) | - |
| Bad debts written off | - | 100,000 |
| Depreciation of property, plant and equipment | 47,469 | 39,450 |
| Depreciation of right-to-use assets | 22,289 | - |
| Interest on advances to related companies | (1,405,647) | (1,500,664) |
| Interest on fixed deposit | (4,589) | (4,439) |
| Interest on lease liabilities | 2,940 | - |
| Gain on disposal of property, plant and equipment | (250) | - |
| Gain on foreign exchange (unrealised) | (1,537,774) | (1,411,820) |
| Operating loss before working capital changes | (1,407,853) | (2,377,511) |
| Decrease in receivables | 34,150 | 1,505,729 |
| Increase in payables | 1,593,808 | 1,074,257 |
| Cash generated from operations | 220,105 | 202,475 |
| Interest on fixed deposits | 4,589 | 4,439 |
| Interest paid | (2,940) | - |
| Tax paid | (62,038) | (96,959) |
| Tax refund | 84,000 | - |
| Net cash generated from operating activities | 243,716 | 109,955 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (31,370) | (57,040) |
| Proceeds from disposal of property, plant and equipment | 250 | - |
| Net cash used in investing activities | (31,120) | (57,040) |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | |
| Payment of lease liabilities | (20,776) | - |

The annexed notes form an integral part of these financial statements.

**3I INFOTECH SDN. BHD. 200201026164 (593827 - M)**
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**STATEMENT OF CASH FLOWS (CONT'D)**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Net increase in cash and cash equivalents | 191,820 | 52,915 |
| Cash and cash equivalents brought forward | 714,273 | 661,358 |
| Cash and cash equivalents carried forward | 906,093 | 714,273 |
| | | |
| Cash and cash equivalents comprise: | | |
| Fixed deposit with a licensed bank | - | 136,690 |
| Cash and bank balances | 906,093 | 577,583 |
| | 906,093 | 714,273 |

The annexed notes form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

## 1. GENERAL INFORMATION

The Company, 3i Infotech Sdn. Bhd., is a private company incorporated and domiciled in Malaysia.

The principal activities of the Company are that of providing information technology applications solutions and services consultancy.

There has been no change in these activities during the financial year.

The Company's registered office is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor and the principal place of business is located at Suite 2A-7-2, Level 7 Block 2A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The financial statements of the Company were authorised for issue by the Board of Directors on 21 MAY 2020.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise disclosed in the financial statements, to comply with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

The statement of cash flows is prepared by using the indirect method.

## 3. ADOPTION OF NEW AND AMENDED MALAYSIA FINANCIAL STANDARDS ("MRFS")

The Company adopted the following new and amended MFRSs relevant to current operations of the Company for the financial year ended 31 March 2020:

**MFRS and Interpretations**

Annual Improvements to MFRS Standards 2015 – 2017 Cycle

| | |
|---|---|
| MFRS 16 | Leases |
| Amendments to MFRS 9 | Financial Instruments – Prepayment Features with Negative Compensation |
| Amendments to MFRS 119 | Employee Benefits – Plan Amendment, Curtailment or Settlement |
| IC Interpretation 23 | Uncertainty Over Income Tax Treatments |

The above new and amended MFRSs and IC Interpretations did not have any significant impact on the financial statements of the Company except as discussed below:

## 3. ADOPTION OF NEW AND AMENDED MALAYSIA FINANCIAL STANDARDS ("MRFS") (CONT'D)

**MFRS 16: Leases**

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

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subject to certain exceptions, the right-of-use asset is initially measured at cost and subsequently measured at cost, less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows has also been affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Company adopted MFRS 16 using the modified retrospective approach and the Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Company has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The adoption of this standard did not have an impact on the Company's financial statements.

## 3. ADOPTION OF NEW AND AMENDED MALAYSIA FINANCIAL STANDARDS ("MRFS") (CONT'D)

The Company has not elected for early adoption of the following new and amended MFRSs relevant to current operations of the Company, which were issued but not yet effective for the financial year ended 31 March 2020.

| **MFRS and Interpretations** | | **Effective for financial periods beginning on or after** |
|---|---|---|
| Amendments to MFRS 101 and MFRS 108 | Definition of Material | 1 January 2020 |
| Amendments to References to the Conceptual Framework in MFRS Standards | | 1 January 2020 |
| Amendments to MFRS 101 | Classification of Liabilities as Current Or Non-Current | 1 January 2022 |

The new and amended MFRSs are not expected to have any significant impact on the financial statements of the Company upon their initial applications.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions when applying accounting policies that have significant effect on the amounts recognised in the financial statements. As actual results may differ, such estimates and underlying assumptions are reviewed on an on-going basis. The key assumptions made on estimation uncertainty and critical judgements that could cause material adjustments to the carrying amounts of assets and liabilities in the next financial year are as follows:

### (a) Impairment of intangible assets

The method of testing for impairment is detailed in Note 5(h)(i). This requires management to determine the recoverable amount which is the higher of an asset or cash generating units (CGU) fair value less cost to sell or its value in use.

The determination of value in use requires an estimation of the future cash flows of the respective CGU and a suitable discount rate. The determination of an asset or CGU's fair value requires an estimation of its future earnings and earnings multiple.

The carrying values of intangible assets are disclosed in Note 11 to the financial statements.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

### (b) Allowance for trade and other receivables

The Company uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation between historical observed defaults rates, forecast economic conditions and ECLs is significant estimate. The information about the ECLs on the Company's trade receivable is disclosed in Note 24 to the financial statements.

### (c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and temporary timing differences items in the statement of financial position to the extent that it is probable that taxable profit will be available against which can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying amount of recognised deferred tax assets arising from unused tax losses and taxable items in the statement of financial position of the Company was RM1,389,000 (2019: RM1,200,000).

### (d) Leases

The Company assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Company entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if any option to extend is not taken, to help them determine the lease term.

The Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective lease. The Company entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the rem, security, value or economic environment of the respective leases.

## 5. SIGNIFICANT ACCOUNTING POLICIES

### (a) REVENUE RECOGNITION

Revenue from products is recognised on delivery or installation, as the case may be, as per determined policies laid down for different software products across all geographies. Maintenance revenue in respect of products is deferred and recognised rateably over the year on the underlying maintenance agreement.

Revenue from services is recognised as follows:

(i) on time and material based contracts, as and when services are performed;
(ii) on fixed price based contracts, on percentage of completion method;
(iii) in the other circumstances based on certain measurable criteria as set out in the relevant agreements.

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### (b) EMPLOYEE BENEFITS

#### (i) Short term employee benefits

Wages, salaries and material benefits are expensed in the period in which the associated services are rendered by the employees of the Company.

#### (ii) Defined contribution plans

The Company's contribution to Employees' Provident Fund and other defined contribution plan are charged to the statement of comprehensive income in the period to which they relate.

### (c) INCOME TAX

Tax in profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the financial year, using applicable statutory tax rates, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided where considered material, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using applicable statutory tax rates.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) FOREIGN CURRENCY

#### (i) Functional and presentation currency

The financial statements of the Company is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is Ringgit Malaysia.

#### (ii) Foreign currency transaction

Transactions in currencies other than the entity's functional currency are recorded, in the functional currencies at exchange rates prevailing at the dates of the transactions or at contracted rates where applicable. Monetary assets are translated at the rates prevailing on the reporting date. All exchange differences are taken to profit or loss.

#### (iii) Closing rates

The principal closing rates used in translation of foreign currency amounts are as follows:

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Foreign currency | | |
| 1 US dollar | 4.3115 | 4.0799 |
| 1 Singapore Dollar | 3.0274 | 3.0092 |
| 1 Thai Baht | 0.1321 | 0.1293 |

### (e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any Note 5(h)(ii). Depreciation of property, plant and equipment is provided on the straight line basis calculated to write off the cost of the assets over their estimated useful lives which are:

| | |
|---|---|
| Computers | 1 year |
| Furniture and fittings, office equipment | 3 years |
| Renovations | over the period of the lease |

The useful lives of property, plant and equipment are reviewed and adjusted as appropriate, in accordance with applicable MFRS, at each reporting date.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to carrying amount of the assets when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken in profit or loss.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) LEASES

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Company as a lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**(i) Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, if any, Note 5(h)(ii) and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Condominium units are depreciated over lease term of 24 months and 26 months.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

**(ii) Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) LEASES (CONT'D)

#### (ii) Lease liabilities

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### (iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### (g) INTANGIBLE ASSETS

Intangible assets relate to computer software and represents ownership of Intellectual Property Rights (IPR) of the software being licensed to the company's customers in the usual course of business.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Costs incurred in the licensing or development of software which are not or have ceased to be commercially viable are written off.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any Note 5(h)(i). The intangible assets are amortised on a straight–line basis over 10 years to their residual value of 20%.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) IMPAIRMENT OF NON CURRENT ASSETS

#### (i) Intangible assets

The carrying values of intangible assets which have indefinite useful life, are reviewed for impairment annually or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of intangible assets, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. An asset's recoverable amount is the higher of an asset's or CGU's 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.

Where the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss on goodwill is not reversed.

Subsequent increase in the recoverable amount of an intangible asset other than goodwill is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

#### (ii) Other non current assets

The carrying values of other non current assets are reviewed for impairment when there is an indication that the assets might be impaired. An impairment loss is charged to profit or loss immediately. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) FINANCIAL INSTRUMENTS

**Financial instruments – Initial recognition and subsequent measurement**

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity investment of another entity.

**i. Financial assets**

**Initial recognition and measurement**

A financial instrument (unless it is a trade receivable without significant financing components) is recognised initially measure at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial statements. A trade receivable without significant financing components is initially measure at the transaction price.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value though OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market price (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) FINANCIAL INSTRUMENTS (CONT'D)

#### i. Financial assets (cont'd)

**Subsequent measurement**

For the purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company's only financial assets are its financial assets at amortised cost (debt instruments).

The Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified and impaired.

The Company's financial assets at amortised cost comprise solely of its trade and other receivable balances. Other than investment and cash and bank balances.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) FINANCIAL INSTRUMENTS (CONT'D)

#### i. Financial assets (cont'd)

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risk and rewards of the asset, nor transferred control of the asset, the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### ii. Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, subsequently measure at amortised cost, fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) FINANCIAL INSTRUMENTS (CONT'D)

#### ii. Financial liabilities (cont'd)

**Subsequent measurement**

After initial recognition, financial liabilities at amortised cost are subsequently measured using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The Company's financial liability comprise trade and other payables and lease liabilities which is classified as Loans and borrowings.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

#### iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is the right to consideration for goods or services transferred to the customers. If the Company performs by transferring goods or services to a customer before the customers pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

In the context of revenue recognised over time in contract services, contract asset is the excess of cumulative revenue earned over the billings to date. The contract asset will be transferred to trade receivables when the rights to consideration become unconditional.

A contract liability is the obligation to transfer goods or services to customer for which the Company has received the consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier).

In the context of revenue recognised over time in contract services, contract liability is the excess of the billings to date over the cumulative revenue earned. Contract liabilities are recognised as revenue when the Company performs under contract.

### (k) IMPAIRMENT OF FINANCIAL ASSETS AND CONTRACT ASSETS

The Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) IMPAIRMENT OF FINANCIAL ASSETS AND CONTRACT ASSETS (CONT'D)

The Company consider a financial asset in default when the contractual payments are 180 days past due. However, in certain cases, the Company may also considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### (l) CASH AND CASH EQUIVALENTS

These are short term, highly liquid assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (m) SHARE CAPITAL

Ordinary shares are classified as equity. Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings in the period in which the obligation to pay is established.

### (n) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A contingent asset is a probable asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

### (p) CURRENT VERSUS NON-CURRENT CLASSIFICATION

Assets and liabilities in the statements of the financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 6. REVENUE

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Software products and application solutions | 7,234,385 | 6,240,294 |
| Annual maintenance charges | 8,237,577 | 8,677,102 |
| IT projects and services | 1,380,502 | 1,577,910 |
| Sales of third parties products | 797,080 | 665,285 |
| | 17,649,544 | 17,160,591 |

## 7. PROFIT/(LOSS) BEFORE TAX

a) Profit/(loss) before tax is stated after charging/(crediting):

| | 2020 RM | 2019 RM |
|---|---|---|
| Allowance for impairment of trade receivables (specific) | 345,712 | 165,261 |
| Allowance for impairment of trade receivables (specific)-reversed | - | (651,497) |
| Amortisation of intangible assets | 304,492 | 1,518,331 |
| Amortisation of intangible assets overstated in prior year | (444,000) | - |
| Auditors' remuneration | 27,886 | 25,290 |
| Bad debts written off | - | 100,000 |
| Depreciation of property, plant and equipment | 47,469 | 39,450 |
| Depreciation of property, plant and equipment overstated in prior year | (425) | - |
| Depreciation of right-to-use assets | 22,289 | - |
| Directors' remuneration | 559,260 | 480,512 |
| Loss on foreign exchange (realised) - non trade | 70,702 | - |
| Loss on foreign exchange (realised) – trade | 143,451 | 982,557 |
| Loss on foreign exchange (unrealised) – trade | 617,110 | - |
| Rental | 311,346 | 331,998 |
| Sundry receivables written off | 6,206 | - |
| Interest on lease liabilities | 2,940 | - |
| Gain on disposal of property, plant and equipment | (250) | - |
| Gain on foreign exchange (unrealised)-non trade | - | (1,411,820) |
| Interest on advances to related companies | (1,405,647) | (1,500,664) |
| Interest on fixed deposit | (4,589) | (4,439) |

b) Employee benefits

| | 2020 RM | 2019 RM |
|---|---|---|
| Salaries, allowance and bonuses | 7,668,640 | 7,694,107 |
| EPF contribution and Social security contribution | 135,717 | 88,430 |
| | 7,804,357 | 7,782,537 |

## 8. INCOME TAX EXPENSE

| | 2020 RM | 2019 RM |
|---|---|---|
| In respect of current year | | |
| Deferred tax (Note 12) | (189,000) | (354,000) |
| Tax attributable for the financial year | (189,000) | (354,000) |
| | | |
| In respect of prior year | | |
| Malaysian tax | - | (187,416) |
| Tax expense for the financial year | (189,000) | (541,416) |

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

Reconciliation of effective charge is as follows:

| | 2020 RM | 2019 RM |
|---|---|---|
| Profit/(loss) before tax | 1,261,505 | (632,133) |
| | | |
| Tax at statutory tax rate of 24% | 302,761 | (151,712) |
| Expenses not deductible for tax purposes | 279,164 | 132,396 |
| Income not subject to tax | (737,443) | (699,084) |
| Amortisation of intangible assets | (33,482) | 364,400 |
| Tax attributable for the financial year | (189,000) | (354,000) |

## 9. PROPERTY, PLANT AND EQUIPMENT

| 2020 | As at 1 April 2019 RM | Additions RM | Disposals RM | As at 31 March 2020 RM |
|---|---|---|---|---|
| **COST** | | | | |
| Computer | 533,572 | 31,370 | (3,075) | 561,867 |
| Furniture & fixtures | 100,171 | - | - | 100,171 |
| Office equipment | 1,473,667 | - | - | 1,473,667 |
| Renovation | 348,935 | - | - | 348,935 |
| | 2,456,345 | 31,370 | (3,075) | 2,484,640 |

| 2020 | As at 1 April 2019 RM | Charge for the financial year RM | Disposals RM | As at 31 March 2020 RM |
|---|---|---|---|---|
| **ACCUMULATED DEPRECIATION** | | | | |
| Computer | 449,459 | 42,216 | (3,075) | 488,600 |
| Furniture & fixtures | 89,380 | 1,456 | - | 90,836 |
| Office equipment | 1,460,820 | 3,797 | - | 1,464,617 |
| Renovation | 348,935 | - | - | 348,935 |
| | 2,348,594 | 47,469 | (3,075) | 2,392,988 |

| | 2020 RM | 2019 RM |
|---|---|---|
| **NET BOOK VALUE** | | |
| Computer | 73,267 | 84,113 |
| Furniture & fixtures | 9,335 | 10,791 |
| Office equipment | 9,050 | 12,847 |
| Renovation | - | - |
| | 91,652 | 107,751 |

## 10. RIGHT-OF-USE ASSETS

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **Condominium units** | | |
| **Cost** | | |
| At 1 April 2019/2018 | - | - |
| Addition | 122,180 | - |
| At 31 March 2020/2019 | 122,180 | - |
| **Accumulated depreciation** | | |
| At 1 April 2019/2018 | - | - |
| Depreciation charge for the financial year | 22,289 | - |
| At 31 March 2020/2019 | 22,289 | - |
| **Net carrying amount** | 99,891 | - |

## 11. INTANGIBLE ASSETS

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Intellectual Property Rights in computer software (finite), at cost | 18,979,146 | 18,979,146 |
| Accumulated amortisation: | | |
| At 1 April | 15,322,825 | 13,804,494 |
| - current year | 304,492 | 1,518,331 |
| - overstated in prior year | (444,000) | - |
| At 31 March | 15,183,317 | 15,322,825 |
| At 31 March - Carrying amount KastleTM, PremiaTM & Orion™ | 3,795,829 | 3,656,321 |

## 12. OTHER RECEIVABLES

| | 2020 RM | 2019 RM |
|---|---|---|
| **Non-current assets** | | |
| Long term deposits | 159,534 | 169,335 |
| Loan to related companies [Note 24 (c)] | 26,834,362 | 24,007,691 |
| | 26,993,896 | 24,177,026 |
| **Current assets** | | |
| Prepayment | 303,578 | 193,791 |
| Sundry receivables | 294,682 | 434,462 |
| Tax recoverable | 55,038 | 77,000 |
| Due from related companies [Note 24 (c)] | 910,868 | 795,617 |
| Due from holding company [Note 24 (c)] | 7,786,896 | 7,905,150 |
| | 9,351,062 | 9,406,020 |
| | 36,344,958 | 33,583,046 |

## 13. DEFERRED TAX ASSETS

| | 2020 RM | 2019 RM |
|---|---|---|
| At 1 April 2019/2018 | 1,200,000 | 846,000 |
| Recognised in profit or loss (Note 8) | | |
| - temporary timing differences | (33,000) | (126,000) |
| - tax losses | 222,000 | 480,000 |
| | 189,000 | 354,000 |
| At 31 March 2020/2019 | 1,389,000 | 1,200,000 |

Deferred tax assets are recognised for unused tax losses of RM702,000 (2019: RM480,000) and temporary timing differences on fees received in advance of RM687,000 (2019: RM720,000) shown under payables to the extent that realisation of the related tax benefits through the future available profits is probable. The directors are of the opinion that the Company will be able to generate sufficient profit in the foreseeable future to fully utilise the deferred tax assets.

Deferred tax assets arising from temporary differences subject to income tax are calculated based on income tax rate of 24%.

The Company's unabsorbed tax losses approximately of RM1,984,000 and RM941,000 expire in years of assessment 2026 and 2027 respectively under the tax legislation in Malaysia.

## 14. TRADE RECEIVABLES

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Third parties | 2,878,216 | 3,449,112 |
| Less: Allowance for impairment | | |
| Brought forward | (343,366) | (336,136) |
| Addition (profit or loss) | (197,578) | (165,261) |
| Reversal during the financial year (profit or loss) | - | 158,031 |
| Carried forward | (540,944) | (343,366) |
| | 2,337,272 | 3,105,746 |
| Excess of revenue recognised over billings | 3,198,561 | 2,502,268 |
| Less: Allowance for impairment | | |
| Brought forward | - | (493,466) |
| Addition (profit or loss) | (148,134) | - |
| Reversal during the financial year (profit or loss) | - | 493,466 |
| Carried forward | (148,134) | - |
| | 3,050,427 | 2,502,268 |
| Total | 5,387,699 | 5,608,014 |

## 15. FIXED DEPOSIT WITH A LICENSED BANK

The fixed deposit earned interest at deposit rate of 3.35% (2019: 3.35%) per annum.

## 16. SHARE CAPITAL

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Issued and fully paid | | |
| 5,000,000 ordinary shares | 5,000,000 | 5,000,000 |

## 17. RETAINED EARNINGS

The Company is able to distribute tax exempt dividends out of its entire retained earnings. No dividend has been declared or paid since the end of the previous financial year.

## 18. LEASES LIABILITIES

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **Current** | | |
| Lease liabilities | 57,109 | - |
| **Non-current** | | |
| Lease liabilities | 44,295 | - |
| **Total lease liabilities** | 101,404 | - |

The remaining maturities of the lease liabilities are as follows:

| | | |
|---|---|---|
| On demand or within one year | 57,109 | - |
| More than 1 year and less than 2 years | 44,295 | - |
| | 101,404 | - |

The movement of lease liabilities during the financial year is as follows:

| | | |
|---|---|---|
| At 1 April 2019/2018 | - | - |
| Addition | 122,180 | - |
| Less: payment | (20,776) | - |
| At 31 January 2020/2019 | 101,404 | - |

## 19. TRADE PAYABLE

The balance due to ultimate holding company is trade in nature, unsecured, interest free and repayable on demand.

## 20. OTHER PAYABLES

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Excess of billings over revenue recognised | 2,860,320 | 2,614,712 |
| Excess of payments over billings | - | 376,944 |
| Advance from customers | 3,651 | 1,573 |
| Sundry payables and accruals | 1,604,789 | 1,549,312 |
| Due to a related company [Note 24(c)] | - | 17,164 |
| | 4,468,760 | 4,559,705 |

## 21. HOLDING COMPANY, ULTIMATE HOLDING COMPANY AND RELATED COMPANIES

The directors regard 3i Infotech Asia Pacific Pte. Ltd., a company incorporated in Singapore, as the holding company, 3i Infotech Limited, a company incorporated in India, as the ultimate holding company, 3i Infotech Services Sdn. Bhd., a company incorporated in Malaysia, 3i Infotech (Thailand) Ltd., a company incorporated in Thailand, 3i Infotech Inc., a company registered in United States of America, 3i Infotech (Middle East) FZ LLC, a company incorporated in Dubai, United Arab Emirates and 3i Infotech Saudi Arabia Limited, incorporated in Saudi Arabia, as related companies.

## 22. CONTINGENT LIABILITIES

The Company has granted a debenture to a financial institution registered in India as security for credit facilities granted by that financial institution to the ultimate holding company of the Company. The facilities total about RM825 million and RM129 million respectively.

## 23. SIGNIFICANT RELATED COMPANY TRANSACTIONS AND BALANCES

### a) Significant related company transactions

Transactions with related companies are as follows:

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **3i Infotech Limited (India)** | | |
| Administration charges | 377,713 | 730,835 |
| Other expenses | 45,859 | 130,438 |
| Royalties payable | 348,922 | 428,246 |
| Technical services and reimbursements charged | 5,339,453 | 5,998,906 |
| Travelling reimbursement | 326,426 | 479,057 |
| **3i Infotech Inc. (United State of America)** | | |
| Interest income | (556,325) | (593,930) |
| **3i Infotech (Middle East) FZ LLC (Dubai, United Arab Emirates)** | | |
| Interest income | (849,322) | (906,733) |
| Travelling reimbursement | 426 | - |
| **3i Infotech Saudi Arabia Limited** | | |
| Paid on behalf | (110,886) | - |

The directors are of the opinion that the above transactions have been entered into in the normal course of business under terms and conditions no less favourable to the Company than those arranged with independent third parties.

## 23. SIGNIFICANT RELATED COMPANY TRANSACTIONS AND BALANCES (CONT'D)

### b) Significant related companies balances

Related companies balances are disclosed in trade receivables, other receivables, trade payable and other payables (Notes 12, 19 and 20).

## 24. FINANCIAL RISK MANAGEMENT POLICIES

The Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its risks. The Company operates within clearly defined guidelines that are approved by the Board of Directors and the Company's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Company and the objectives and policies in respect of each of these are set out as follows:

### (a) FOREIGN CURRENCY EXCHANGE RISK

The Company is exposed to foreign currency risk as a result of its normal business activities, where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Company manages its foreign exchange rate risk by entering into forward foreign exchange rate contracts as and when considered necessary to limit its foreign exchange rate exposure.

The Company has not entered into any derivatives to manage foreign currency risk.

**Foreign currency exposure**

| 2020 | In Ringgit Malaysia RM | In US Dollar RM | In Singapore Dollar RM | In Thailand Baht RM | Total RM |
|---|---|---|---|---|---|
| Trade receivables | 5,387,699 | - | - | - | 5,387,699 |
| Other receivables | 812,832 | 26,949,613 | 7,786,896 | 795,617 | 36,344,958 |
| Cash and bank balances | 906,052 | 41 | - | - | 906,093 |
| Trade payable | - | 13,449,389 | - | - | 13,449,389 |
| Other payables | 4,468,760 | - | - | - | 4,468,760 |

## 24. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

### (a) FOREIGN CURRENCY EXCHANGE RISK (CONT'D)

**Foreign currency exposure (cont'd)**

| 2019 | In Ringgit Malaysia RM | In US Dollar RM | In Singapore Dollar RM | In Thailand Baht RM | Total RM |
|---|---|---|---|---|---|
| Trade receivables | 5,608,014 | - | - | - | 5,608,014 |
| Other receivables | 874,588 | 24,007,691 | 7,905,150 | 795,617 | 33,583,046 |
| Fixed deposit with a licensed bank | 136,690 | - | - | - | 136,690 |
| Cash and bank balances | 575,732 | 1,851 | - | - | 577,583 |
| Trade payable | - | 11,764,636 | - | - | 11,764,636 |
| Other payables | 4,542,541 | 17,164 | - | - | 4,559,705 |

### (b) INTEREST RATE RISK

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

The Company's interest rate risk relates to its placement of deposits with a financial institution. The Company's policy is to obtain the most favourable interest rate available.

### (c) CREDIT RISK

Credit risk arises when sales are made on credit terms. The credit risk is controlled and managed by evaluation and monitoring of customers' credit standing and outstanding balances on an on-going basis. There has been no change in the management of the credit risks since the previous year.

Trade receivables (excluded excess of revenue recognised over billings) are unsecured, interest free and the normal credit terms given to customers are 30 to 60 days. Other credit terms are assessed and approved on a case by case basis.

The credit term granted to the Company by suppliers range from 30 to 60 days.

Credit terms of sundry receivables are assessed and approved on a case by case basis.

## 24. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

### (c) CREDIT RISK (CONT'D)

Exposure of credit risk is represented by the carrying amounts in the statement of financial position given by the Company as detailed in Notes 11 and 13 to the financial statements.

**Trade receivables aging analysis**

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **Third parties** | | |
| Neither past due not impaired | 1,379,209 | 1,383,400 |
| 1 to 60 days past due not impaired | 289,720 | 543,844 |
| 61 to 120 days past due not impaired | 133,560 | 769,951 |
| More 120 days past due not impaired | 534,783 | 408,551 |
| Total past but not impaired | 958,063 | 1,722,346 |
| Past due and impaired | 540,944 | 343,366 |
| Sub total | 2,878,216 | 3,449,112 |
| **Excess of revenue recognised over billings** | | |
| Not impaired | 3,050,427 | 2,502,268 |
| Impaired | 148,134 | - |
| Sub total | 3,198,561 | 2,502,268 |
| Total | 6,076,777 | 5,951,380 |

**Receivables that are neither past due not impaired**

Trade receivables that are neither past due not impaired are creditworthy debtors with good payment records with the Company.

None of the Company's trade receivables that are neither past not impaired have been renegotiated during the financial year.

**Receivables that are past due but not impaired**

The Company has trade receivables (billed) amounting to RM958,063 (2019: RM1,772,346) that are past due at the end of the reporting period but not impaired. Although these balances are unsecured in nature, they are mostly due from creditworthy customers.

## 24. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

### (c) CREDIT RISK (CONT'D)

**Receivables that are impaired**

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 disclosed in Note 14 to the financial statements.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

**Expected credit loss**

Exposure to credit risk is represented by the carrying amounts in the statement of financial position. The Company use an allowance matrix to measure expected credit loss ("ECL") of trade receivables. Consistent with the debt recovery process, invoices which are past due 180 days will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 March 2020 which are grouped together as they are expected to have similar risk nature.

| | Gross carrying amount RM | Loss Allowance RM |
|---|---|---|
| Trade receivables | 2,878,216 | 540,944 |
| Contract assets | 3,198,561 | 148,134 |
| | 6,076,777 | 689,078 |

**Loan to related companies**

(i) Loan to 3i Infotech Inc., a company registered in the United States of America, a related company is an unsecured. The facility is at zero coupon for a maximum tenure of 2 years (subject to renewal) with "put" option and redeemable at a premium of 500 basis points over 12 months USD Libor if redeemed within first 12 months of draw down and 700 basis points over 12 months USD Libor if redeemed thereafter.

(ii) Loan to 3i Infotech (Middle East) FZ LLC, a company registered in Dubai, United Arab Emirates, a related company is an unsecured. The facility's initial tenure shall be 3 years (subject to renewal) at interest rate of 5% plus 12 month London Interbank Offered Rate "LIBOR".

Loan to related companies have no fixed term of repayments.

## 24. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

### (c) CREDIT RISK (CONT'D)

**Amount due from related, holding and ultimate holding companies**

These balances are unsecured, interest free and repayable on demands.

**Deposits with a licensed bank**

Deposit with a licensed bank is placed with reputable financial institution with high credit ratings.

### (d) LIQUIDITY AND CASH FLOW RISKS

The Company seeks to maintain a balance between certainty of funding and a flexible, cost-effective borrowing structure. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is not beyond the Company's means to repay and refinance.

**Maturity analysis**

The Company's liabilities maturity at reporting date consist of trade and other payables amounting to RM15,057,829 (2019: RM13,332,685) due within one year.

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount for which the financial instrument could be exchanged in a current transaction between knowledgeable wiling parties in an arm's length transaction, other than in a forced sale or liquidation. The categories of financial instruments and determination of fair value as follows:

### (a) Categories of financial instruments

The financial statements of the Company are categories into the following classes;

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **(i) Financial assets measured at amortised cost** | | |
| Trade and other receivables | 41,732,657 | 39,191,060 |
| Fixed deposits with a licensed bank | - | 136,417 |
| Cash and bank balances | 906,093 | 577,583 |
| | 42,638,750 | 39,905,060 |
| **(ii) Financial liabilities carried amortised cost** | | |
| Trade and other payables | 17,918,149 | 16,324,068 |
| Lease liabilities | 101,404 | - |
| | 18,019,553 | 16,324,068 |

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

### (b) Determination of fair value

#### (i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

**Receivables (included all related companies), deposits, cash and bank balances and payables (included ultimate holding company)**

The carrying amounts of the above financial assets and financial liabilities of the Company approximated their fair values at the end of reporting period due to the short term nature of these financial instruments.

**Loan to related companies**

It is not practicable to estimate the fair value principally due to the lack of fixed repayment terms and the balances being unsecure. However, the directors are of the opinion that carrying amounts approximate the fair value.

#### (ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair values

It is not practicable to estimate the fair values of the contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

## 26. CAPITAL MANAGEMENT

The Company is not subject to any externally imposed capital requirements.

The primary objectives of the Company's capital management are to ensure that it maintains an optimal capital structure to support its business and maximise shareholder value by pricing products and services commensurately with the level of risk. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares.

No changes were made in the objectives, policies or processes during the financial years ended 31 March 2020 and 31 March 2019.