KEY ALLIANCE

# ANNUAL REPORT 2015

# Key Alliance Group Berhad
## Annual Report 2015

## Content

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Gen (R ) Tan Sri Abdul Rahman Bin Abdul Hamid**
(Independent Non-Executive Chairman)

**Kamarudin Bin Ngah**
(Independent Non-Executive Director)

**Yee Yit Yang**
(Independent Non-Executive Director)

**Dato' Goh Kian Seng**
(Managing Director)

**Roy Ho Yew Kee**
(Executive Director)

## AUDIT COMMITTEE

**Kamarudin Bin Ngah - Chairman**

**Gen (R ) Tan Sri Abdul Rahman Bin Abdul Hamid**

**Yee Yit Yang**

## REMUNERATION COMMITTEE

**Kamarudin Bin Ngah - Chairman**

**Yee Yit Yang**

**Dato' Goh Kian Seng**

## NOMINATING COMMITTEE

**Kamarudin Bin Ngah - Chairman**

**Yee Yit Yang**

## SHARE ISSUANCE SCHEME COMMITTEE

**Dato' Goh Kian Seng – Chairman**

**Roy Ho Yew Kee**

**Kamarudin Bin Ngah**

**Yee Yit Yang**

## COMPANY SECRETARY

**Pang Kah Man (MIA 18831)**

## AUDITOR

**Kreston John & Gan**
**Chartered Accountants**
**(Firm No. AF 0113)**

## REGISTERED OFFICE

3-2, 3rd Mile Square, No. 151, Jalan Kelang Lama
Batu 3½, 58100 Kuala Lumpur
Tel: 603-7987 5300 Fax: 603-7987 5200

## SHARE REGISTRAR

**Tricor Investor & Issuing House Services Sdn. Bhd**
Unit 32-01 Level 32, Tower A,
Vertical Business Suite,Avenue 3, Bangsar South,
No. 8 Jalan Kerinchi, 59200 Kuala Lumpur
Tel: 603-2783 9299 Fax:603-2783 9222

## BUSINESS ADDRESS

Lot 11.3, 11th Floor Menara Lien Hoe
No. 8 Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya, Selangor Darul Ehsan
Tel: 603-7805 3868 Fax: 603-7805 3863
Website: www.kag.com.my
Email: corp@dvm.com.my

## PRINCIPAL BANKERS

Malayan Banking Berhad
CIMB Bank Berhad
United Overseas Bank (Malaysia) Bhd
Public Bank Berhad

## STOCK EXCHANGE LISTING

ACE Market of the Bursa Malaysia Securities Berhad
("BMSB")

## STOCK SHORT NAME

KGROUP

## STOCK CODE

0036

# CORPORATE STRUCTURE

KEY ALLIANCE

**Key Alliance Group Berhad**

- 100% DVM Innovate Sdn Bhd
- 100% Corporate One Training Academy Sdn Bhd
- 100% Design DEPT Sdn Bhd
- 100% Pacifica KAG Sdn Bhd
- 100% Key Alliance Sdn Bhd
- 100% GE Green Sdn Bhd
- 100% Precious Essence Sdn Bhd
- 60% Mobile Video International Ltd
- 51% Digital Paper Solutions Sdn Bhd
- 50% Leblanc KAG Sdn Bhd
- 33.34% Fatfish Capital Ltd
- 30% DVM Allsportz Asia Sdn Bhd
- 20% Connecxus Sdn Bhd
- 20% DVM Mobipay Sdn Bhd

# BOARD OF DIRECTORS' PROFILE

## Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
## Independent Non-Executive Chairman

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid, aged 78, a Malaysian was appointed as the Chairman of KAG on 4 November 2003. He is also the member of the Audit Committee. He is a graduate of the Royal Military College, Malaysia and Army Staff College in Camberley, United Kingdom. Tan Sri was the Chief of the Malaysian Army and Defence Force between 1992 and 1994 and was the Acting Governor of Penang in 1994. From 1958 to 1994, he served in various capacities and appointments in the Malaysian Armed Forces. Tan Sri Abdul Rahman Bin Abdul Hamid is also the Chairman for Jaya Tiasa Holdings Berhad, Halex Holdings Berhad and AXA Affin Life Insurance Berhad, a joint venture company of Lembaga Tabung Angkatan Tentera. He is also the Chairman and Director of a few other multinational and private companies established in Malaysia.

## Dato' Goh Kian Seng
## Managing Director

Dato' Goh Kian Seng, aged 54, a Malaysian was appointed the Managing Director of KAG on 8 August 2003. He is also a member of the Remuneration Committee. Dato' Goh obtained his degree in Chemical Engineering from University of Malaya, Master and Doctorate of Business Administration from Southern Cross University, Australia. He is principally responsible for the overall management, marketing and strategic direction of the KAG Group. He has been in the computing, data and telecommunication industry since 1985. He has been offered an appointment as an Adjunct Professor in the City University College of Science and Technology commencing on January 2011 to December 2014.

## Roy Ho Yew Kee
## Executive Director

Roy Ho Yew Kee, aged 41, a Malaysian was appointed the Executive Director of KAG on 30 December 2011 and redesignated as Non-Independent and Non-Executive Director on 23 May 2014 and redesignated as Executive Director on 27 November 2015. He obtained his Bachelor of Commerce from the Griffith University, Brisbane, Australia. He has extensive experience with retail broking and cross border finance companies involving with sales trading, deal origination and institutional broking. He is responsible for corporate strategy, corporate advisory and structuring within the Group's subsidiaries. He is an independent and non-executive director of CN Asia Corporation Berhad.

## Kamarudin Bin Ngah
## Independent Non-Executive Director

Kamarudin Bin Ngah, aged 68, a Malaysian was appointed to the Board on 4 November 2003. He is also the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee. He obtained his Diploma in Civil Engineering from the Johore Technical Institute in 1970. He is presently the Managing Director of a private company involved in spiral waste storage and handling systems.

## Yee Yit Yang
## Independent Non-Executive Director

Yee Yit Yang, aged 49, a Malaysian was appointed to the Board on 07 October 2011. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee. He began his career with an international accounting firm and then moved on to an investment bank in which he was involved with various corporate restructuring exercises. Currently, he is attached with a private consultancy firm. He holds a Bachelor of Economics and is a member of the Malaysian Institute of Accountants. He is an independent and non-executive director of Eka Noodles Berhad, Mlabs Systems Berhad, and Oriental Media Group Bhd.

### Notes:

*All the Directors do not have any family relationship with any Director and/or substantial shareholders of KAG.*

*None of the directors have been convicted of any offences other than traffic offences within the past ten (10) years.*

*None of the Directors have any conflict of interest with the Company.*

*Details of Directors' attendances at the Board meetings are set out in the Statement of Corporate Governance.*

# CHAIRMAN'S STATEMENT

### Dear Valued Shareholders

On behalf of the Board of Directors of Key Alliance Group Bhd, I am pleased to present you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2015.

### Financial Performance

For the current financial year under review, the Group recorded lower revenue of RM 38.37 million, which represents a decrease of 33% from RM 57.44 million recorded in the last financial year. The Group recorded a net loss after tax of RM 7.93 million as compared to a net loss after tax of RM 3.95 million recorded in the previous financial year. The loss after tax for the current financial year was arrived at after taking into account the impairment of goodwill, impairment on other investment, and impairment on inventory

After the acquisition of Digital Paper Solutions Sdn Bhd and GE Green Sdn Bhd in previous financial year, the Group has two reportable segments. The Information Communication Technology ("ICT") Services segment, the primary component of the business, has recorded revenue of RM 29.33 million, a decrease of 46% on the previous year with revenue of RM 54,01 million. ICT segment recorded loss after taxation of RM 6.60 million compared to RM 2.74 million in previous year.

The Kitchen Appliances Services segment recorded revenue of RM 8.30 million for the financial year as compared to RM 2.92 million in the previous financial year. However, the results of the Kitchen Appliances Services segment was consolidated to the Group since 1st November 2015, the completion of the acquisition of GE Green Sdn Bhd. This segment has recorded loss after taxation of RM 2.36 million as compared to RM 0.11 million in the previous year. Weakening of Ringgit Malaysia ("RM") against USD Dollar has increased the cost of the purchase of the segment.

### Corporate Development

2015 has been a challenging year for the Group. In the midst of several macro economic changes within our scope of businesses, the Group has spent the year reconfiguring its businesses to cope with the uncertainty of the economic environment ahead.

The deterioration of the RM versus the USD Dollar, implementation of Goods and Service Tax ("GST") and political uncertainty contributed to a difficult year for the Group.

1) Our acquisition of Digital Paper Solutions contributed positively the the Group's revenue and profit, in line with expectations. We continue to foresee stability in earnings and gradual organic growth in this industry.

2) Our acquisition of the Kitchen Appliances business suffered a setback due to a number of factors:-

   i) The removal and exit of one of our key brands, Beko resulted in a significant drop in sales volume.

   ii) The rising USD dollar impacted our core profitability, as we were unable to pass on the cost of the currency to our clients in a price sensitive market. Our profit margins eroded significantly.

   iii) The implementation of GST meant we enjoyed a good first quarter, after which sales dipped significantly in reflection of the general economy.

   iv) Several condominium projects we tendered for were placed on hold due to the uncertain environment, resulting in lower project sales.

3) The macro economic environment, rising USD dollar and governmental issues have caused major IT projects to be shelved and retendered for a later date, resulting in the Group's slowing of the ICT business for the year 2015.

## Future Prospects for 2016

In light of the continuing difficult macro economic environment, the Group is focused on improving quality of earnings by exploring higher margin business.

The key target point is the adoption and introduction of new brands to replace Beko, within our Kitchen Appliance business. We envisage 2016 to be a consolidation year for the Kitchen Appliance business, as we bed down the acquisitions, trim costs and implement new markets.

ICT industry remains opaque, and we are still actively exploring several projects that have been reignited this year, and we remain cautious due to the inflated costs impacted by GST and the USD.

Digital Paper remains a constant, providing stability in recurring revenue and profit, and the Group will look forward to similar performances for 2016.

## Acknowledgement and Appreciation

On behalf of the Board, I wish to express sincere thanks and appreciation to our employees of KAG, customers, shareholders, business partners, technology partners and financiers who have given us their continuing strong support and encouragement and we look towards improved relationships as we strive for greater development in our business. I also wish to record my gratitude and appreciation to my fellow colleagues on the Board for their active participation and contribution to the Board and I look forward to their continuous support in the coming years.

**The Management Team of Key Alliance Group Berhad**

# STATEMENT ON CORPORATE GOVERNANCE ("CG")

The Board of Directors ("the Board") of Key Alliance Group Berhad ("the Company"or "KAG") recognises and is committed to ensure the importance of good CG is being practiced by the Company and the subsidiaries ("Group" or "KAG Group") in order to safeguard stakeholders' interests as well as enhancing shareholders' value.

The Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), the relevant chapters of the ACE Market Listing Requirements ("Listing Requirements") on CG and all applicable laws and regulations throughout the financial year ended ("FYE") 31 December 2015.

**PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT**

**1. Role and Responsibilities of the Board**

The Board is responsible for the overall performance of the Group by maintaining full and effective control over the management of the Group. These includes:

- Reviewing and adopting the strategic plans and direction of the Group;
- Overseeing and evaluating the conduct of the Group's businesses;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risk;
- Reviewing the adequacy and integrity of the internal control systems and management information systems which include sound system of reporting and in ensuring regulatory compliance with applicable laws, regulations, rules, directive and guidelines.

The Managing Director and Executive Director are primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group's operation as well as coordinating the development and the implementation of business and corporate strategies. The role of the Independent Non-Executive Directors are to provide objective and independent judgement to the decision making of the Board and as such, provide an effective check and balance to the Board's decision making process.

In order to ensure the effective discharge of its function and responsibilities, the Board has established a Board Charter for the Group where specific powers of the Board are delegated to the relevant Board Committees. The Board Committees comprise Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC") and Share Issuance Scheme ("SIS") Committee ("SISC") as set out herein. Each Board Committee operates within the defined terms of reference ("ToR") which has been approved by the Board. All these Board Committees shall report to the Board on all matters considered and their recommendations.

**2. Strategies promoting sustainability**

The Board is mindful of the importance of building a sustainable business to ensure that the Group's strategies continue to promote sustainability, with attention given to environmental, social and governance aspects of the Group's business. The Board understands that balancing environmental, social and governance aspects with the interests of various stakeholders is essential to enhancing investor perception and public trust. The details of the sustainability efforts are set out in the Corporate Social Responsibility of this Annual Report.

**3. Board Charter and Code of Ethics**

The Board recognises the importance of establishing a single source of reference for Board activities through a Board Charter as recommended by the MCCG 2012. As such, the Board has formalised such a Board Charter to clearly delineate the roles of the Board, Board Committees and Management in order to provide a structured guidance for Directors and Management regarding their responsibilities of the Board, its Board Committees and Management, including the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Group as well as boardroom activities. The Board will review its Charter regularly, to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives.

The Company's Code of Ethics, requires all officers and employees to observe high standards of business and personal ethics in carrying out duties and responsibilities. As employers and representatives of KAG, or any of its subsidiaries, they must practice honesty and integrity in fulfilling their duties and responsibilities, and comply with all applicable laws and regulations. It is thus the responsibility of all officers and employees to comply with the Code of Ethics and to report violations or suspected violations thereto.

The salient features of the Board Charter and Code of Ethics are available for reference at the Company's corporate website www.kag.com.my.

# STATEMENT ON CORPORATE GOVERNANCE ("CG")

**PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT (CONT'D)**

**4. Access to Information and Advice**

The Board has full access to relevant and timely information in the form and quality required pertaining to the Group's business affairs to assist in discharging of their duties and responsibilities. Prior to the Board meetings, the agenda for each meeting together with a full set of the board papers containing the information relevant to the business of the meetings are circulated to the Directors. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspects of the Company's operations or business concerns from them.

The Board is supported by suitably qualified and competent company secretary who is member of a professional body. The Directors have individual and independent access to the advice of the Company Secretary in ensuring the effective functioning of the Board. The Board may also seek advice from the senior management staff in the Group on issues under their respective purview. In addition, the Board may obtain independent professional advice, where necessary, both inside and outside the Company, at the Company's expense on specific issues to enable the Board to discharge its duties in relation to matters being deliberated.

**5. Qualified and Competent Company Secretary**

The Company Secretary of KAG is competent and suitably qualified to act as company secretary under Section 139A of the Companies Act, 1965 ("the Act"). The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of her functions. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.

The Company Secretary supports the Board by ensuring that all Board meetings are properly conducted and deliberations at the Board and Board Committee meetings are well captured and recorded. The Company Secretary also keeps the Board updated on changes in the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.

The Company Secretary constantly keeps herself abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training. The removal of the Company Secretary is a matter for the Board, as a whole to decide.

**PRINCIPLE 2 : STRENGTHEN COMPOSITION**

**1. NC**

NC is established and maintained to ensure that there is a formal and transparent procedure for the appointment of new Directors to the Board and to assess the effectiveness of individual Director the Board and Committees. In arriving at these recommendations, due consideration is given to the competencies, required mix of skills, knowledge, expertise, experience, professionalism, integrity and other qualities, including core competencies in the composition of the Board.

The NC comprises the following members:

Chairman : Kamarudin Bin Ngah (Independent Non-Executive Director)
Member : Yee Yit Yang (Independent Non-Executive Director)

The NC of the Company assumes the following core responsibilities:

- formulating the nomination, selection and succession policies for members of the Board;
- review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- consider the election criteria and develop procedures for the sourcing and election of candidates to stand for election by KAG's shareholders ("Shareholders") or to fill casual vacancies of Directors, if any;
- identify and nominate candidates to the Board for it to recommend to the Shareholders for election as Directors;
- undertake an assessment of its Independent Directors annually;
- review the training needs for the Directors regularly; and

**PRINCIPLE 2 : STRENGTHEN COMPOSITION (CONT'D)**

1. **NC (CONT'D)**

The NC of the Company assumes the following core responsibilities: (cont'd)

- establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole.

Details of the ToR for NC are available at the Company's corporate website.

The Board acknowledges the importance of gender diversity as part of good governance practices and to enhance the efficient functioning of the Board. The Board believes the appointment of new members is guided by the skills, experience, competency and knowledge of the individual candidate and it shall review any potential candidate wherever reasonably possible. In line with this, gender quota and target will be considered when vacancies arise and suitable candidates are identified.

2. **RC**

RC is principally responsible for assessing and reviewing the remuneration for the Executive Directors and subsequently furnishes their recommendations to the Board for adoption. The current members of the RC are as follows:

Chairman : Kamarudin Bin Ngah (Independent Non-Executive Director)
Member : Dato' Goh Kian Seng (Managing Director)
Member : Yee Yit Yang (Independent Non-Executive Director)

The Company's remuneration policy for Directors is formulated to attract and retain individuals of the necessary caliber needed to run the business of the Group successfully. The remuneration is structured to link experience, expertise and level of responsibility undertaken by the Directors. The Directors play no part in deciding their own remuneration and shall abstain from discussing or voting on their own remuneration.

The current remuneration policy of the Group is summarised as follows:

a) The salary for Executive Director is set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.

b) Directors' Fees are based on a standard fixed fee and are subject to approval by the Shareholders at the AGM.

c) Only Executive Director is entitled to benefits-in-kind provided by the Group.

d) The RC may obtain independent professional advice in formulating the remuneration package of its Directors.

Details of the ToR for RC are available at the Company's corporate website.

The details of the Directors' remuneration comprising remuneration received/receivable from the Company and its subsidiaries during the FYE 2015 are as follows:

| | **Aggregate remuneration paid/ payable (RM)** | | |
|---|---|---|---|
| | **Executive Director** | **Non- Executive Directors** | **Total** |
| **Directors fees** | **60,000** | **96,000** | **156,000** |
| **Directors emoluments:**<br>**-salaries & allowances**<br>**-contribution by EPF** | <br>**235,000**<br>**28,200** | <br>**84,000**<br>**10,080** | <br>**319,000**<br>**38,280** |
| **Total** | **323,200** | **190,080** | **513,280** |

**PRINCIPLE 2 : STRENGTHEN COMPOSITION (CONT'D)**

2. **RC (CONT'D)**

The number of Directors who held office during the financial year under review whose total remunerations fall within the following bands are as follows:

| Remuneration band (in RM for the financial year) | Executive Director | Non-Executive Directors |
|---|---|---|
| Below 100,000 | | 2 |
| 100,001-150,000 | 1 | 1 |
| 150,001 – 200,000 | 1 | |

Details of the remuneration of each Director are not disclosed as the Board is of the view that the transparency and accountability aspects of CG on disclosure of Directors' remuneration are appropriately served by the above disclosure.

3. **SIS Committee**

The SIS Committee is responsible for administering the scheme in accordance with the objectives and regulations thereof and to determine participation eligibility, option offers and share allocations and to attend to such other matters as may be required. The SIS shall be expired on 6 May 2020 and may be extended or renewed at the discretion of the Board upon the recommendation of SIS Committee, subject always to the SIS By-laws and provisions of the Listing Requirements.The current members of the SIS Committee are as follows:

Chairman : Dato' Goh Kian Seng (Managing Director)
Member : Roy Ho Yew Kee (Executive Director)
Member : Kamarudin Bin Ngah (Independent Non-Executive Director)
Member : Yee Yit Yang (Independent Non-Executive Director)

On 15 June 2015, the Company had offered and granted a total of 174,240,000 share options to eligible employees and Directors of the Group pursuant to the criteria as set out in the Company's SIS By-laws. As at to-date, no option is being exercised.

**PRINCIPLE 3 : REINFORCE INDEPENDENCE**

1. **Annual Assessment of Independence**

The NC plays an important role to assist the Board in assessing the independence of Non-Executive Directors of the Company on annual basis. The NC develops the criteria as prescribed in the Listing Requirements and Guidance Note 9 to assess independence of Independent Directors, include but not limited to directors' background, family relationships, interest of shareholdings in the Company and related party transactions with the Group (if any).

Based on the assessment conducted by the NC, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors of the Company and their ability to act in the best interest of the Company. The NC was also satisfied that the Independent Directors are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. Additionally, each of the Independent Directors has provided an annual confirmation of their independence to the NC and the Board.

2. **Tenure of Independent Director**

In line with Recommendation 3.2 of the MCCG 2012, the Board has adopted a nine (9) years policy for Independent Directors. The Board will justify and seek the Shareholders' approval in the event it retains an Independent Director who has served in that capacity for more than nine (9) years.

Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid were appointed as Independent Director since 4 November 2003 and 4 November 2003 respectively as Independent Director and Chairman of the Company. Pursuant to Recommendation 3.2 of the MCCG 2012, Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid will have served as Independent Directors for a period of more than nine (9) years by 3 June 2016 the scheduled date for the 2016 AGM.

**PRINCIPLE 3 : REINFORCE INDEPENDENCE (CONT'D)**

**2. Tenure of Independent Director (Cont'd)**

Pursuant to Recommendation 3.3 of the MCCG 2012 and notwithstanding their long tenure in office; the Board is unanimous in its opinion that Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid's independence has not been compromised or impaired in any way after having noted the following considerations during the review and assessment of their independence made by the NC:

- They continue to fulfill the criteria and definition of an Independent Director as set out under Rule 1.01 of Listing Requirements;
- During their tenure in office, they have not developed, established or maintained any significant relationship which would impair his independence as an Independent Director with the Executive Director and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out their duties as Independent Non-Executive Director and Chairman or member of the Board Committees;
- During their tenure in office, they have never transacted or entered into any transactions with, nor provided any services to the Company and any of its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 9 of Listing Requirements;
- They are currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group; and
- During their tenure in office as Independent Non-Executive Director and Chairman of the Company, other than Directors' fees and allowances paid in accordance with which has been an industry norm and within acceptable market rates, duly disclosed in this Annual Report, no other incentives or benefits of whatsoever nature had been paid to them by the Company.

Accordingly the Board strongly recommends retaining Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Independent Non-Executive Director and Chairman and will be tabling Ordinary Resolutions to shareholders at the 2016 AGM for the said purpose.

**3. Separation of Roles of Non-Executive Chairman and Managing Director**

The Company practices a division of responsibilities between the Non-Executive Chairman and the Managing Director. Their roles are separated and clearly defined to ensure a balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The Non-Executive Chairman is not related to the Managing Director. He is responsible for the Board's effectiveness and conduct, implementing the Group's policies, business plans and executive decision making and is assisted by the Executive Director.

The Non-Executive Chairman also promotes an open environment for debate and ensures effective contributions from Non-Executive Directors. He also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. At a general meeting, the Non-Executive Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.

**4. Composition of the Board**

The Board comprises of five (5) members, of whom one (1) is Managing Director, one (1) is Executive Director and three (3) are Independent Non-Executive Directors. In this respect, KAG complies with the requirement of the Listing Requirements for Independent Non-Executive Directors to make up at least one-third (1/3) of the Board membership.

The Board views the present number of its Independent Directors as ideal to provide the necessary check and balance to the Board's decision-making process. There is a good mix of skills and core competencies in the current Board membership. The Board is of the opinion that the existing three (3) Independent Non-Executive Directors, with their extensive knowledge and experience would be able to represent the investment of the public and the minority shareholders. The profile of each of the Director is set out on pages 4 of this Annual Report.

The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Board is of the opinion that given the strong independent element of the Board, any concern regarding the Group may be conveyed by shareholders or investors to any of the Independent Directors at the following address and such concerns will be reviewed and addressed by the Board accordingly:

**Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid/ En. Kamarudin Bin Ngah/ Mr Yee Yit Yang**

**Key Alliance Group Berhad**

**Lot 11.3, 11th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, 47410 Petaling Jaya, Selangor**

# STATEMENT ON CORPORATE GOVERNANCE ("CG")

## PRINCIPLE 4 : FOSTER COMMITMENT OF DIRECTORS

### 1. Time Commitment

The Board ordinarily has four (4) scheduled meetings annually with additional meetings convened as and when necessary. The Agenda and Board papers for each meeting are circulated in advance before each meeting to the Board members. All deliberations by the Board, including issues discussed and decisions made are recorded by the Company Secretary in the minutes of meetings which are properly kept and produced for inspection, if required.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of KAG. This is evidenced by the attendance record of the Directors and Board Committee meetings during the year under review as set out as follows:

| Directors Meeting Attendance | Attendance Board | AC | NC | RC | SIS |
|---|---|---|---|---|---|
| Gen ( R ) Tan Sri Abdul Rahman Bin Abdul Hamid | ^4/4 | 4/4 | - | 1/1 | - |
| Dato' Goh Kian Seng | 3/4 | - | - | - | ^1/1 |
| Kamarudin Bin Ngah | 4/4 | ^4/4 | ^1/1 | ^1/1 | 1/1 |
| Yee Yit Yang | 4/4 | 4/4 | 1/1 | 1/1 | 1/1 |
| Roy Ho Yew Kee | 4/4 | - | - | - | 1/1 |

^ Chairman of the Board or Board Committees

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

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Listing Requirements, a Director of KAG must not hold directorships of more than five (5) Public Listed Companies and must be able to commit sufficient time to the Company.

The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held and for notification to the Companies Commission of Malaysia ("CCM") accordingly.

### 2. Continuing Training Programmes

The Company recognizes the importance of continuous professional development and training of its Directors. The Directors are mindful of the need for continuous training to keep abreast of new developments and are encouraged to attend forums, seminars, workshops, and conferences facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

All Directors of the Company had completed the Mandatory Accreditation Programme as prescribed by Bursa Securities for Directors of Public Listed Companies.

Directors have attended various training programmes during the financial year under review as follows:

- Technical Briefing on Computation of Percentage Ratios
- Practical Derivatives Course for Accounting Professionals
- Nominating Committee Programme 2: Effective Board Evaluations
- 11th TRICOR Tax & Corporate Seminar
- The Malaysian Economy: Prospect and Challenges

In addition, the Directors continuously receive briefing and updates on the Group's businesses and operations, risk management activities, corporate governance, finance, new developments in the business environment, new regulations and statutory requirements. The Board will continue to evaluate and determine the training needs of its Directors to enhance their skills and knowledge.

# STATEMENT ON CORPORATE GOVERNANCE ("CG")

## PRINCIPLE 5 : UHOLD INTEGRITY IN FINANCIAL REPORTING

### 1. Compliance with Applicable Financial Reporting Standards

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each financial year, primarily through annual financial statements, announcement of results to the Shareholders as well as the Chairman's Statement in the annual report. Details of the Directors' responsibility in the preparation of the Group's financial statements are disclosed in page 22 of this Annual Report.

The Board is assisted by the AC in overseeing the Group's financial reporting processes and the quality of its financial reporting. The AC Chairman, En Kamarudin Bin Ngah, together with all AC members review the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgment in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions in the presence of both external auditors and internal auditors (or "independent assurance provider"), prior to recommending them for the Board's approval and issuance to stakeholders.

As part of the governance process in reviewing the quarterly and annual financial statements by the AC, the Managing and Executive Director provided assurance to the AC on a quarterly basis that adequate processes and controls were in place for an effective and efficient financial statement close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group.

In addition to the above, the Head of each department also undertook an independent assessment of the system of internal control on an annually basis and assured the AC that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

As such, the Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Group's position and prospects in the Directors' Report and the annual audited financial statements set out in this Annual Report.

### 2. Assessment of suitability and independence of external auditors

The external auditors fill an essential role by enhancing the reliability of the Company's annual audited financial statements and giving assurance to stakeholders of the reliability of the annual audited financial statements. The external auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of the Management, and if necessary, to the AC and the Board.

The AC had obtained written assurance from its external auditors, Messrs. Kreston John & Gan, confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

After having satisfied with the performance and technical competency of Messrs. Kreston John & Gan and its audit independence, the AC recommended their re-appointment to the Board for the approval of the Shareholders at 13th AGM.

## PRINCIPLE 6 : RECOGNISE AND MANAGE RISKS

### 1. Sound Framework to Manage Risks

The Board acknowledges its responsibilities for setting up and maintaining an effective system in ensuring a proper risk management environment. In achieving this, the Board has ensured the system of internal control has taken into account the process of identifying key risks, the likelihood of occurrence and materiality. The Board believes that the internal control systems and procedures provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either detected or minimised to prevent recurrence.

### 2. Internal Audit Function

The Group has engaged the services of an independent assurance provider to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. The internal auditors report directly to the AC on its activities based on the approved annual internal audit plans. The principal role of the internal auditors is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

The Statement on Risk Management and Internal Control set out on pages 18 to 19 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

# STATEMENT ON CORPORATE GOVERNANCE ("CG")

**PRINCIPLE 7 : ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

1. **Corporate disclosure policy**

   The Board is mindful on the importance of maintaining proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

   The Company has put in place an internal control policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information. The Company has also conducts internal training and briefing to the employees (those with access to the confidential information) from time to time to enhance the awareness of employees on corporate disclosure requirements and to keep them abreast on the updates of the same.

2. **Leverage on information technology for effective dissemination of information**

   The Group recognises the importance of prompt and timely dissemination of information to shareholders and investors, in order for these stakeholders to be able to make informed investment decisions. KAG's website incorporates an Investor Relations ("IR") section which provides all relevant information on the Group and is accessible by the public. This section enhances the IR function by including share price information, all announcements made by the Company, annual reports, Board Charter and the corporate and governance structure of the Company.

   The Company will enhance the disclosures on its website for broader and effective dissemination of information to its stakeholders from time to time. The announcement of the quarterly financial results is also made via Bursa LINK in a timely manner as required under the Listing Requirements in ensuring equal and fair access to information by the investing public.

**PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHODLERS**

1. **Encourage shareholders participation at general meetings**

   The Company dispatches its notice of AGM to the Shareholders at least twenty-one (21) days before the AGM, in advance of the notice period as required under the Act and the Listing Requirements. This would allow the Shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney together with the Notice of AGM, which provides information to shareholders with regard to, among others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy.

   The Company allows a member to appoint a proxy who may be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the CCM. The Company has also removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The Articles further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company.

   To in line with Rule 7.21A(2) of the Listing Requirements for further promoting participation of members through proxies, the Chairman will brief the Shareholders, corporate representatives and proxies present of their right to speak and vote on the resolutions set out in the Notice of the 13th AGM dated 29 April 2016.

2. **Encourage poll voting**

   At the commencement of all general meetings, the Chairman will inform the Shareholders of their rights to a poll voting. All the resolutions set out in the Notice of the 13th AGM will be put to vote by show of hands. The Board is of the view that with the current level of Shareholders' attendance at the annual general meeting, voting by way of a show of hands continues to be efficient. Where voting by poll is implemented, the Chairman will announce the detailed results showing the number of votes casted for and against each resolution accordingly.

   At the 12th AGM of the Company held on 18 June 2015, no substantive resolutions were put forth for approval, thus, the resolutions were voted on by a show of hands. The outcome of the 12th AGM was announced to Bursa Securities on the same meeting day.

**PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHODLERS (CONT"D)**

**3. Effective communication and proactive engagement**

The proceedings of the 13th AGM include the Company's operating and financial performance for 2015. The Non-Executive Chairman will also invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote. The Directors, Management and external auditors will be in attendance to respond to the shareholders' queries. The Board will also share with the shareholders the Company's responses to questions submitted in advance of the 13th AGM by the Minority Shareholder Watchdog Group, if any.

In addition to the above, the Company will look into allocation of time during AGM for dialogue with the Shareholders, if necessary to address the issues concerning the Group and to make arrangement for Officers of the Company to present and handle other face-to-face enquiries from the Shareholders.

## COMPLIANCE STATEMENT

Having reviewed the governance structure and practices of the Group, the Board considers that the Company has complied with the principles and recommendations as set out in the MCCG 2012 (save and except for the appointment of a Senior Independent Non-Executive Director), the relevant chapters of the Listing Requirements on CG and all applicable laws and regulations throughout FY2015.

This Statement was approved by the Board on 19 April 2016.

# AUDIT COMMITTEE (“AC”) REPORT

**Composition and attendance**

The AC of Key Alliance Group Berhad (“the Company” or “KAG”) comprises three members, all of whom are Independent Non-Executive Directors. This meets the requirements of Rule 15.09(1)(b) of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad. The AC members and their attendance records are outlined in the Statement on Corporate Governance (“CG”).

The Board of Directors (or “The Board”) will review annually the terms of office of the AC members and assesses the performance of the AC through an annual Board Committee effectiveness evaluation. The Board is satisfied that during the financial year under review, the AC has been able to discharge its functions, duties and responsibilities in accordance with its Terms of Reference (“ToR”) which are set out at its corporate website, thereby supporting the Board in ensuring appropriate CG standards within the Company and the subsidiaries (“Group” or “KAG Group”).

**Summary of Activities**

The AC’s activities during the financial year under review encompassed the following:

<u>Activities with regards to external audit:</u>

- review with the external auditors the scope of work, audit plan and fees for the statutory audit and thereafter recommend to the Board for approval;
- review of external audit results, audit reports, management letter and the response from the Management;
- review and evaluation of factors relating to the independence of the external auditors by working closely with the external auditors to establish procedures in assessing the suitability and independence of the external auditors, in confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants and
- review of the performance and effectiveness of the external auditors in the provision of statutory audit services and recommendation to the Board for approval on the re-appointment of external auditors.

<u>Activities with regards to internal audit and risk management:</u>

- review of internal audit’s resource requirements, scope, adequacy and function;
- review of internal audit’s plan and programs;
- suggestion on additional improvement opportunities in the areas of internal control, systems and efficiency improvement;
- review of the whistle-blowing policy for adoption by the Board;
- review of the internal control and governance systems from time to time and any significant proposed changes to risk management policies and strategies for adoption by the Board; and
- assess the actual and potential impact of any failure or weakness of the internal controls in place.

<u>Activities with regards to financial statements:</u>

- review of annual report and the annual audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 1965 (“the Act”) and the applicable approved accounting standards as per the Malaysian Accounting Standards Board (“MASB”);
- review of the Group’s compliance with the Listing Requirements, MASB and other relevant legal and regulatory requirements with regards to the quarterly financial statements and annual audited financial statements; and
- review of the unaudited financial results announcements before recommending them for Board’s approval, focusing particularly on:
    - o any change in accounting policies and practices;
    - o significant adjustments arising from the audit;
    - o the going concern assumption; and
    - o compliance with applicable financial reporting standards and other legal requirements.

**Summary of Activities (Cont'd)**

<u>Other activities:</u>

- review of its ToR periodically and recommendation to the Board on revision, if necessary;
- review of related party transactions, if any;
- review of application of CG principles and the extent of the Group's compliance with the best practices set out under with the Malaysian Code for Corporate Governance 2012;
- review of the Statement on CG, AC Report and the Statement on Risk Management and Internal Control for adoption by the Board; and
- review of and verification on the allocation of share options made in accordance with the Share Issuance Scheme ("SIS").

**Statement on SIS**

The AC confirms that the share options offered to the eligible employees and Directors of the Company and its subsidiaries pursuant to the SIS during the financial year under review are in compliance with the criterial of allocation pursuant to the By-Laws of the SIS.

**Internal Audit Function**

The Board of Directors acknowledged their responsibilities for maintaining the internal audit function system of the Group and the Company as to ensure effectiveness and efficiency of the operations and compliance of the rules and regulations. The internal audit function is designed to meet the needs of respective business units and to manage the risks which they are exposed. The Board recognises that such risks cannot be fully avoided as there is no absolute assurance against material misstatement or loss to counter fraud and error.

To achieve this objective, the Company has outsourced the internal audit activities to an independent consulting firm, who reports directly to the AC of their findings and aimed to minimise and manage the identified risks. The results of the audits provided in the internal audit reports were reviewed by the AC. The relevant Head of the respective departments of the specific audit subject was made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframe. Internal auditors also conducted follow-up audits to ensure that Management's corrective actions were implemented appropriately. In this respect, the internal auditors have added value by improving the control processes within the Group.

The professional fee is based on the understanding of the work, degree of responsibility, skill involved and the necessary time taken up by the internal auditors. The Group paid a total fee of RM16,000 for services rendered in respect of the internal audit activities for the financial year ended 31 December 2015.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors ('the Board") of Key Alliance Group Berhad ("the Company" or "KAG") is pleased to include the Statement on Risk Management and Internal Control ("Statement") which outlines the governance policies, key elements, nature and scope of risk management and internal control of the Company and the subsidiaries ("Group" or "KAG Group") during the financial year under review.

**Board Responsibility**

The Board affirms its overall responsibilities for maintaining a sound system of internal control and risk management practices in all aspects of the Group's business and for reviewing the adequacy, integrity and effectiveness of these systems to safeguard shareholders' investment and the Group's assets. It covers not only financial controls but operational and compliance controls and risk management.

Due to the inherent limitations in any system of internal control and risk management, such system put in place by the Management is only designed to manage rather than eliminate risks of failure to achieve business objectives. Therefore, such system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

**Risk Management**

The Board acknowledges that all areas of the Group's activities involve some degree of risk and recognises that effective risk management is part of good business management practice for the successful achievement of the Group's business objectives.

The Board, through the respective senior management of the Company and the subsidiaries determine the level of risk tolerance, applicability of risk monitoring and reporting procedure for identifying, evaluating and managing the significant risks that could potentially impact the Group.

The Board has formalised and adopted the risk management policies and procedures with the purpose of providing guidance on systematic approach to assess and manage risk. The respective directors of subsidiaries and key operational management staff are responsible for managing the risks of their department and periodical management meetings are held to address significant issues to ensure such risks are under control any significant risks are closely monitored and addressed and highlighted to the Audit Committee ("AC"). This process is regularly reviewed by the AC and reported to the Board. The responsibility for day-to-day risk management however, resides with the Management of each subsidiary and they are accountable for the risks identified and assessed.

The Board has received assurance from the Managing Director that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, during the financial year under review.

**Key Elements of Risk Management and Internal Control**

- The Board have established delegation of responsibilities to Board Committees, namely Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Share Issuance Scheme ("SIS") Committee ("SISC").
- An organisation structure with well-defined delegation of authority, segregation of duties and lines of responsibilities.
- The Group has documented policies, procedures and standards in place to further strengthen the internal control system. These documents will be kept updated in accordance with changes in the operating environment.
- Presentation to the Board of timely information on performance of the Group through quarterly Board papers as well as reports from subsidiaries.
- Key management personnel, including Managing Director and/or Executive Director, meet regularly to address key business risk and operational issues.
- Regular training and development programmes are being attended by employees with the objective of enhancing their knowledge and skill competency.
- The Group has appointed an external professional firm to conduct the internal audit activities of the Group independently reviews the control processes implemented by the Management.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Internal Audit**

The Group's internal audit function is outsourced to an independent assurance provider to provide the AC and the Board with the independent assessment of the effectiveness, adequacy and integrity of the Group's internal control systems.

The duties of internal auditors are performed with independence, proficiency and with due professional care. Thus, they provide the AC and the Board with reasonable assurance on the adequacy, integrity and reliability of the internal control systems.

The internal auditors perform regular reviews on the internal control procedures, surveillance and audit of business process to assess the effectiveness of internal control systems and monitor compliance with procedures. It assesses the integrity of financial information provided, the efficiency of operations, safeguarding of assets and compliance with laws and regulations. Any significant operation risks, non-compliance and control procedures weaknesses impacting the Group are highlighted with recommendations for improvement or mitigations.

During the financial year under review, there were no material losses incurred as a result of weaknesses found in the internal control systems that would require disclosure in this Annual Report.

**Review of this Statement**

Pursuant to Rule 15.23 of the ACE Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in this Annual Report, 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 risk management and internal control systems.

Internal auditors have reviewed this Statement and reported to the AC that, while it has addressed individual lapses in internal control during the course of its internal audit assignments for the financial year under review, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's risk management and internal control systems.

**Conclusion**

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

Nevertheless, the Board recognises that the system must continuously be improved to meet the changing business environment. The Board and the management will continue to take necessary measures to strengthen and improve its internal control environment and processes.

This Statement was approved by the Board on 19 April 2016

# CORPORATE SOCIAL RESPONSIBILITY

KAG being the new signatory of the UN Global Compact initiative signifies the Group's support for the Global Compact's principles in the areas of human rights, labour, the environment and anti-corruption.

KAG actively pursues the development of a continuous learning and to become a knowledge-based organisation. The Group constantly provides opportunities for employees to enhance job knowledge and develop professional skills, by encouraging employees to undertake various types of training programs sponsored by the company. The Group believes employees well-equipped with confidence are motivated to carry out their duties and responsibilities, subsequently create a sense of mutual accomplishments.

The Group also participates in the initiatives taken by the Government to increase the employment of prospective new graduates by accepting trainees from local colleges and universities for industrial, subsequently considering them for permanent employment.

The Group steps forward and serves the community in which it operates and strives to make positive contribution to the community particular in helping the underprivileged and the less fortunate.

KAG aims for sustainable growth in increasing societal value while reducing environmental footprint. The Group promotes awareness in sustainable resource usage by encouraging employees to recycle used papers. The Group has also implemented the e-leave system to reduce the use of paper-based leave application form. These approaches not only help in reducing company expenditure but also respond to environment concern with a paperless environment.

# ADDITIONAL COMPLIANCE INFORMATION

1. **Share Buyback**
   The Company does not have a scheme to buy back its shares.

2. **Options, Warrants or Convertible Securities**
   During the financial year under review, 290,400,000 warrants issued on 8 July 2013 pursuant to the Rights Issue with Warrants remained unexercised.

   On 7 May 2015, the Company established and implemented a Share Issuance Scheme ("SIS") which will be expired on 6 May 2020. On 15 June 2015, the Company offered and granted a total of 174,240,000 share options to the eligible employees and Directors of the Group pursuant to the criteria as set out in the Company's SIS By-laws. No share option was exercised during the financial year under review.

   The Company did not issue any convertible securities during the financial year under review.

3. **Depository Receipt Programme**
   The Company did not sponsor any depository receipt programme during the financial period under review.

4. **Imposition of Sanctions and/or Penalties**
   There were no material sanctions and/or penalties imposed on the company and its subsidiaries, directors or management by the regulatory bodies during the financial year under review.

5. **Non-Audit Fees**
   Non-audit fees amounting to RM8,500 were paid to the external auditors of the Company during the financial year under review.

6. **Deviation in Results**
   There were no significant variances noted between the reported results and the unaudited results announced during the financial year under review.

7. **Profit Guarantee**
   The Company did not give any profit guarantee during the financial year under review.

8. **Revaluation Policy**
   The revaluation policy on investment properties of the Company is disclosed in the Audited Financial Statements.

9. **Profit Estimate, Forecast or Projection**
   The Company did not release any profit estimate, forecast or projection during the financial year under review.

10. **Material Contracts**
    There were no material contracts of the Company and its subsidiaries involving the directors and substantial shareholders' interests during the financial year under review.

11. **Status of Utilisation Proceeds From The Right Issue**
    As at 31 December 2015, the breakdown on the utilisation of proceeds raised from the Rights Issue with Warrants ("Proposals") which was completed on 8 July 2013 is summarised as follows:

| | **Proposed Utilisation RM'000** | **Actual Utilisation RM'000** | **Un-utilised RM'000** |
|---|---|---|---|
| Working capital expendture | | | |
| (a) Day-to-day working capital expenses | 26,620 | 25,179 | 1,441 |
| (b) Setting up of startup accelerator | 3,900 | 3,015 | 885 |
| Repayment of bank borrowings | 7,800 | 7,800 | - |
| Defrayment of expenses relating to the Proposals | 400 | 400 | - |
| **Total** | **38,720** | **36,394** | **2,326** |

# STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Directors are required under the Companies Act, 1965 to prepare the financial statements for each financial year. These financial statements are to be drawn up in accordance with applicable approved accounting standards other than private entities as issued by Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the year then ended.

In preparing these financial statements, the Directors have considered that:

- The Group and the Company have used appropriate accounting policies, and are consistently applied;
- Reasonable and prudent judgments and estimates were made;
- The applicable approved accounting standards in Malaysia have been applied; and
- The preparation of the financial statements is on a going concern basis.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

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

This Statement was approved by the Board of Directors' on 19 April 2016.

# DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31st December 2015.

## Principal activities

The Company is principally engaged in investment and property holding,whilst the principal activities of the subsidiary companies are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities.

## Results

| | Group RM | Company RM |
|---|---|---|
| Loss after taxation attributable to : - | | |
| Equity holders of the Company | (9,203,003) | (16,933,382) |
| Non-controlling interests | 1,270,553 | - |
| Loss for the financial year | (7,932,450) | (16,933,382) |

## Dividend

No dividend has been paid, declared or proposed since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

## Reserves and Provisions

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

## Warrants 2013/2018

The salient features of the warrants are : -

(i) The warrants are offered at no cost to the entitled shareholders of the Company pursuant to the Rights Issue of Shares with warrants in the financial year ended 31st December 2013,

(ii) Four (4) Right Shares together with three (3) Warrants for every two (2) existing ordinary shares,

(iii) Subsequent to the allotment and issuance of the Rights Shares and warrants, the warrants were immediately detached and are traded on Bursa Malaysia,

(iv) The warrants may be exercised at any time within the exercise period expiring on 2ndJuly 2018.Warrants not exercised during the exercise period will thereafter lapse and become null and void,

(v) The warrants are tradeable in board lots of 100 units carrying rights to subscribe for 100 new ordinary shares of the Company at anytime during the exercise period or such other number of units as maybe prescribed by Bursa Securities,

(vi) Subject to the provision of the Deed Poll, each warrant will entitle its registered holder to subscribe for one (1) new ordinary share in the Company at the exercise price at any time during the exercise period,

(vii) The Exercise Price of the warrant is RM0.10 each. The exercise price and the number of outstanding warrants shall however be subject to the adjustment in accordance with the terms and provisions of the Deed Poll during the exercise period,

(viii) The new ordinary shares in the Company issued upon exercise of the warrants shall, upon allotment and issue, rank paripassu in all respects with the existing issued and paid-up ordinary shares in the Company,

(ix) The registered holder of the warrant shall pay cash for the aggregate exercise price when exercising the warrants and subscribing for the new ordinary shares in the Company, and

## Warrants 2013/2018 (Cont'd)

The salient features of the warrants are : (Cont'd)

(x) Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme of arrangement between the Company and its shareholders and/or creditors, then : -

(a) if such winding-up or scheme of arrangement is one in which the warrant holders, or some person designated by them for such purpose by Special Resolution, are to be a party, the terms of such winding-up or scheme of arrangement are binding on all the warrant holders ; and

(b) in a voluntary winding up or compromise or arrangement in any other case, every warrant holder is entitled upon and subject to the terms and conditions of the Deed Poll at any time, within six (6) weeks after the passing of such resolution for a members voluntary winding-up of the Company or within six (6) weeks from the last approval being granted for the compromise or arrangement, by irrevocable surrender of his warrants to the Company by submitting the Exercise Form(s) duly completed, authorising the debiting of his warrants, together with payment of the relevant Exercise Price to elect, be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the Exercise Rights represented by such warrants to the extent specified in the Exercise Form(s) and had on such date been the holder of the shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company or the Company, as the case may be, must give effect to such election accordingly and all Exercise Rights, which have not been exercised within the above six (6) weeks, will lapse and the warrants will cease to be valid for any purpose.

As at 31st December 2015, the total outstanding warrants are 290,400,000 and none have been exercised during the financial year.

Details of warrants issued to directors are disclosed in the section on directors' interest in this report.

## Options granted over unissued shares

No options were granted to any parties to take up unissued shares of the Company during the financial year apart from the issuance of options pursuant to the Share Issuance Scheme ("SIS").

At an extraordinary general meeting held on 10th April 2015, the Company's shareholders approved the establishment of SIS of not more than 30% of the issued share capital of the Company or 174,240,000 new ordinary shares, whichever is higher, to eligible Directors and employees of the Group.

The salient features of the SIS are, inter alia, as follows : -

i) Eligible executive are those executive (including full-time executive directors) of the Group (excluding dormant subsidiaries) who have been confirmed in service on the date of the offer. The maximum allowable allotments for the full-time executive directors have been approved by the shareholders of the Company in a general meeting.

ii) The aggregate number of shares to be issued under the SIS shall not be more than 30% of the issued share capital of the Company or 174,240,000 new ordinary shares, whichever is higher.

iii) The Scheme shall be in force for a period of five (5) years from the first grant date.

iv) The option price for each ordinary share shall be at a discount of not more than ten per centum (10%) of the 5-day weighted average market price of the shares, as quoted on Bursa Malaysia Securities Berhad („"Bursa") immediately preceding the date of offer, or such lower or higher limit in accordance with any prevailing guideline issued by Bursa or any other relevant authority as amended from time to time or at par value of the shares of the Company, whichever is higher.

v) The persons to whom the options have been granted shall not carry any rights to vote at any general meeting of the Company. The grantee shall not in any event be entitled to any dividends rights or other entitlements on his unexercised options.

| | | Number of Share Issuance Scheme Options | | | |
|---|---|---|---|---|---|
| Date of offer | Exercise price | As at 1/1/2015 | Granted | Exercised | As at 31/12/2015 |
| 15th June 2015 | RM0.05 | - | 174,240,000 | - | 174,240,000 |

## Bad and doubtful debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the end of this report, the directors of the Group and of the Company are not aware of any circumstances, which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group or in the Company inadequate to any substantial extent.

## Current assets

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

## Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## Contingent and other liabilities

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

(i) any change on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

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

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

## Change of circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

## Items of an unusual nature

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or of the Company for the current financial year.

# DIRECTORS' REPORT (CONT'D)

## Directors of the Company

The directors who served since the date of the last report are : -

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
Dato' Goh Kian Seng
Roy Ho Yew Kee
Kamarudin Bin Ngah
Yee Yit Yang

In accordance with Article 81 of the Company's Articles of Association, Yee Yit Yang retires at the forthcoming Annual General Meeting and being eligible offerhimself for re-election.

In accordance with Article 129(6) of the Company's Articles of Association, Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid retires at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

## Directors' interests

The interests and deemed interest in the ordinary shares, warrants 2013/2018 and Share Issuance Scheme Options of the Company of those who are Directors at year end (including the interests of the spouses or children of the Directors) as recorded in the Register of Directors' Shareholdings are as follows :-

| | Number of ordinary shares of RM0.05 each | | | |
|---|---|---|---|---|
| | **As at 1.1.2015** | **Bought** | **Sold** | **As at 31.12.2015** |
| **Direct interests** | | | | |
| Dato' Goh Kian Seng | 4,000,000 | - | - | 4,000,000 |
| **Indirect interest** | | | | |
| Dato' Goh Kian Seng | 89,912,500 | - | - | 89,912,500 |

| | Number of warrants 2013/2018 | | | |
|---|---|---|---|---|
| | **As at 1.1.2015** | **Bought** | **Sold** | **As at 31.12.2015** |
| **Direct interests** | | | | |
| Dato' Goh Kian Seng | 75 | - | - | 75 |

| | Number of Share Issuance Scheme Options | | | |
|---|---|---|---|---|
| | **As at 1.1.2015** | **Granted** | **Exercised** | **As at 31.12.2015** |
| **Direct interests** | | | | |
| Dato' Goh Kian Seng | - | 56,087,500 | - | 56,087,500 |
| Yee Yit Yang | - | 5,000,000 | - | 5,000,000 |
| Roy Ho Yew Kee | - | 5,000,000 | - | 5,000,000 |

Save and except as disclosed above, none of the other directors holding office at the end of the financial year held any shares, warrants and Share Issuance Scheme Options in the Company or in any related corporations during the financial year ended 31st December 2015.

By virtue of Dato' Goh Kian Seng interests in the shares of the Company, he is deemed to has an interest in the shares of the subsidiary companies during the financial year to the extent that the Key Alliance Group Berhad has an interest.

## Directors' benefits

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 43 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiaries companies is a party, which had the object of enabling the 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 issue of the Share Issuance Scheme Options.

## Significant events

Details of significant events are disclosed in Note 45 to the financial statements.

## Auditors

The auditors, Kreston John &Gan, Chartered Accountants, have expressed their willingness to continue in office.

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

**Dato' Goh Kian Seng**

**Roy Ho Yew Kee**

Petaling Jaya,
Date: 19 April 2016

# INDEPENDENT AUDITORS' REPORT

to members of Key Alliance Group Berhad

## Report on the Financial Statements

We have audited the financial statements of Key Alliance Group Berhad, which comprise the statements of financial position as at 31st December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on notes 1 to 46.

### *Directors' Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company'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 Company'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 a true and fair view of the financial position of the Group and of the Company as of 31st December 2015 and of their financial performance and cash flows for the year then ended in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the financial statements and the auditors' reports of a subsidiary 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 explanations 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.

**Other Reporting Responsibilities**

The supplementary information set out in Note 47 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**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 contents of this report.

**Kreston John & Gan**
Chartered Accountants
( AF 0113 )

**Lim Chiam Kay**
Approval No: 1285/03/17(J)
Chartered Accountant

Kuala Lumpur,
Date : 19 April 2016

# STATEMENT BY DIRECTORS
## Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Goh Kian Seng and Roy Ho Yew Kee, being two of the directors of Key Alliance Group Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 32 to 123 are drawn up in accordance with applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31st December 2015 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 47 on page 124 to the financial statements have been prepared in accordance with the 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.

Signed on behalf of the Board in accordance with a resolution of the directors

**Dato' Goh Kian Seng**

**Roy Ho Yew Kee**

Petaling Jaya,
Date: 19 April 2016

# STATUTORY DECLARATION

## Pursuant to Section 169(16) of the Companies Act, 1965

I, Dato' Goh Kian Seng, being the director primarily responsible for the financial management of Key Alliance Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 32 to 123, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared at Kuala Lumpur on 19 April 2016.

**Dato' Goh Kian Seng**

Before me,
Commissioner of Oaths

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## 31st DECEMBER 2015

| | Note | 2015 RM | 2014 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current Assets** | | | |
| Plant and equipment | 4 | **7,238,762** | 8,071,719 |
| Investment properties | 5 | **14,028,966** | 11,704,600 |
| Intangible assets | 6 | **8,375,221** | 9,203,029 |
| Investment in associated companies | 8 | **1** | 46,127 |
| Other investments | 9 | **2,427,001** | 1,516,000 |
| | | **32,069,951** | 30,541,475 |
| **Current Assets** | | | |
| Inventories | 10 | **6,773,008** | 10,028,491 |
| Trade receivables | 11 | **13,705,491** | 12,318,278 |
| Other receivables, deposits and prepayments | 12 | **3,895,214** | 6,776,973 |
| Amount due from an associated company | 14 | **-** | - |
| Current tax assets | | **186,270** | 35,450 |
| Deposits with licensed banks | 15 | **5,668,315** | 4,420,392 |
| Cash and bank balances | | **2,507,684** | 10,840,324 |
| | | **32,735,982** | 44,419,908 |
| **Total Assets** | | **64,805,933** | 74,961,383 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners** | | | |
| Share capital | 16 | **29,040,000** | 58,080,000 |
| Reserves | 17 | **3,932,410** | (16,769,662) |
| | | **32,972,410** | 41,310,338 |
| **Non-controlling interests** | 18 | **1,321,673** | 51,120 |
| **Total Equity** | | **34,294,083** | 41,361,458 |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | 19 | **1,615,317** | 1,674,187 |
| Borrowings | 20 | **6,302,162** | 6,157,302 |
| | | **7,917,479** | 7,831,489 |
| **Current Liabilities** | | | |
| Trade payables | 24 | **6,884,330** | 8,388,690 |
| Other payables and accruals | 25 | **12,207,636** | 14,008,848 |
| Borrowings | 20 | **3,502,405** | 3,050,050 |
| Income tax payable | | **-** | 320,848 |
| | | **22,594,371** | 25,768,436 |
| **Total Liabilities** | | **30,511,850** | 33,599,925 |
| **Total Equity and Liabilities** | | **64,805,933** | 74,961,383 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
## for the year ended 31st December 2015

| | Note | 2015<br>RM | 2014<br>RM |
|---|---|---|---|
| Revenue | 26 | **38,370,180** | 57,437,025 |
| Cost of sales | | **(32,640,292)** | (52,985,248) |
| Gross profit | | **5,729,888** | 4,451,777 |
| Other income | 27 | **5,424,789** | 1,716,226 |
| Selling and distribution costs | | **(53,304)** | (91,888) |
| Administrative expenses | | **(8,757,305)** | (4,858,738) |
| Other expenses | | **(9,492,473)** | (4,443,203) |
| Loss from operations | | **(7,148,405)** | (3,225,826) |
| Finance costs | | **(512,108)** | (132,286) |
| Share of results of associated companies | | **(46,127)** | (92,015) |
| Loss before taxation | 28 | **(7,706,640)** | (3,450,127) |
| Income tax expense | 31 | **(225,810)** | (502,312) |
| Loss for the year, representing total comprehensive loss for the year | | **(7,932,450)** | (3,952,439) |
| **Total comprehensive loss for the year attributable to : -** | | | |
| Equity holders of the Company | | **(9,203,003)** | (4,282,485) |
| Non-controlling interests | | **1,270,553** | 330,046 |
| | | **(7,932,450)** | (3,952,439) |
| Basic loss per share (sen) | 32 | **(1.60)** | (0.80) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the year ended 31st December 2015

| | <----- Attributable to equity holders of the company | | | | ----> | | | |
|---|---|---|---|---|---|---|---|---|
| | <----- Non-Distributable | | | ----> | | | | |
| | Share capital RM | Share premium RM | Share option reserve RM | Warrants reserve RM | Accumulated losses RM | Total RM | Non-controlling interests RM | Total equity RM |
| Balance at 1st January 2014 | 58,080,000 | 10,275,362 | - | 3,775,200 | (26,537,739) | 45,592,823 | (1,105,382) | 44,487,441 |
| *Transaction with owners :* | | | | | | | | |
| Non-controlling interests arising on business combination | - | - | - | - | - | - | 826,456 | 826,456 |
| Total comprehensive loss | - | - | - | - | (4,282,485) | (4,282,485) | 330,046 | (3,952,439) |
| Balance at 31st December 2014 | 58,080,000 | 10,275,362 | - | 3,775,200 | (30,820,224) | 41,310,338 | 51,120 | 41,361,458 |
| *Transaction with owners :* | | | | | | | | |
| Par value reduction | (29,040,000) | - | - | - | 29,040,000 | - | - | - |
| Share-based payment transactions | - | - | 1,053,280 | - | - | 1,053,280 | - | 1,053,280 |
| Share issuance and related expenses | - | (188,205) | - | - | - | (188,205) | - | (188,205) |
| Total transactions with owners | (29,040,000) | (188,205) | 1,053,280 | - | 29,040,000 | 865,075 | - | 865,075 |
| Total comprehensive loss | - | - | - | - | (9,203,003) | (9,203,003) | 1,270,553 | (7,932,450) |
| Balance at 31st December 2015 | 29,040,000 | 10,087,157 | 1,053,280 | 3,775,200 | (10,983,227) | 32,972,410 | 1,321,673 | 34,294,083 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the year ended 31st December 2015

| | Note | 2015 RM | 2014 RM |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before taxation | | **(7,706,640)** | (3,450,127) |
| Adjustments for : - | | | |
| Amortisation of development expenditure | | **-** | 437,137 |
| Bad debts written off | | **24,190** | 300,002 |
| Depreciation of plant and equipment | | **2,399,853** | 2,069,556 |
| Fair value adjustment, net | | **-** | (34,502) |
| Fair value adjustment on investment property | | **(500,000)** | (500,000) |
| Gain on disposal of subsidiary company | | **(2,005,993)** | (20,200) |
| Impairment losses on : - | | | |
| - Amount due from an associated company | | **162,764** | - |
| - Goodwill on consolidation | | **650,000** | 500,000 |
| - Investment in associated companies | | **-** | 2,005 |
| - Inventories | | **572,990** | - |
| - Other investments | | **359,999** | 300,000 |
| - Other receivables | | **3,987,171** | - |
| - Trade receivables | | **397,586** | 285,000 |
| Interest expense | | **512,108** | 132,286 |
| Interest income | | **(249,295)** | (373,116) |
| Plant and equipment written off | | **29** | 4 |
| Loss on disposal of plant and equipment | | **1,081** | - |
| Unrealised gain on foreign exchange | | **(11,251)** | - |
| Unrealised loss on foreign exchange | | **41,922** | - |
| Share-based payments | 33 | **1,053,280** | - |
| Share of results of associated companies | | **46,127** | 92,015 |
| Waiver of debts | | **(2,316,981)** | - |
| Operating loss before working capital changes | | **(2,581,060)** | (259,940) |
| (Increase) /Decrease in inventories | | **2,682,493** | (2,181,316) |
| (Increase) /Decrease in trade receivables | | **(1,792,076)** | 4,859,436 |
| Increase in other receivables, deposits and prepayments | | **(1,101,461)** | (4,681,854) |
| Increase /(Decrease) in trade payables | | **1,083,751** | (3,775,424) |
| Increase in other payables and accruals | | **71,451** | 2,840,981 |
| Cash used in operations | | **(1,636,902)** | (3,198,117) |
| Interest paid | | **(512,108)** | (132,286) |
| Tax paid | | **(768,800)** | (406,897) |
| Tax refund | | **12,452** | 23,302 |
| Net cash used in operating activities | | **(2,905,358)** | (3,713,998) |

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

## for the year ended 31st December 2015

| | Note | 2015<br>RM | 2014<br>RM |
|---|---|---|---|
| Balance brought forward | | **(2,905,358)** | (3,713,998) |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiary companies | | **-** | (7,465,294) |
| Acquisition of an associated company | | **(1)** | (298) |
| Proceeds from disposal of plant and equipment | | **3,000** | - |
| Proceeds from disposal of subsidiary company, net of cash and cash equivalent | 34 | **(5,924)** | - |
| Purchase of plant and equipment | 35 | **(467,404)** | (5,281,108) |
| Purchase of investment properties | 36 | **(1,824,366)** | - |
| Investment in corporate membership | | **-** | (860,000) |
| Investment in unquoted shares | | **(1,271,000)** | (956,000) |
| Interest received | | **249,295** | 373,116 |
| Pledged of deposits with licensed banks | | **(1,397,923)** | (3,203,097) |
| Advance to an associated company | | **(162,764)** | (2,005) |
| Net cash used in investing activities | | **(4,877,087)** | (17,394,686) |
| | | **(7,782,445)** | (21,108,684) |
| **Cash flows from financing activities** | | | |
| Drawdown of term loan | | **-** | 5,000,000 |
| Proceeds from /(Repayment of) bill payables | | **344,928** | (54,155) |
| Share issuance and related expenses | | **(188,205)** | - |
| Repayment of term loan | | **(377,559)** | (599,559) |
| Repayment of finance lease liabilities | | **(463,425)** | (84,149) |
| Net cash from /(used in) financing activities | | **(684,261)** | 4,262,137 |
| Net decrease in cash and cash equivalents | | **(8,466,706)** | (16,846,547) |
| Cash and cash equivalents at the beginning of the year | | **9,010,992** | 25,857,539 |
| Cash and cash equivalents at the end of the year | 37 | **544,286** | 9,010,992 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

# STATEMENT OF FINANCIAL POSITION
## 31st DECEMBER 2015

| | Note | 2015 RM | 2014 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current Assets** | | | |
| Plant and equipment | 4 | **17,239** | 11,283 |
| Investment properties | 5 | **9,000,000** | 8,500,000 |
| Investment in subsidiary companies | 7 | **10,571,042** | 21,661,880 |
| Investment in associated companies | 8 | **1** | 46,127 |
| Other investments | 9 | **2,077,001** | 956,000 |
| | | **21,665,283** | 31,175,290 |
| **Current Assets** | | | |
| Other receivables, deposits and prepayments | 12 | **171,054** | 326,246 |
| Amount due from subsidiary companies | 13 | **8,393,836** | 13,651,395 |
| Amount due from an associated company | 14 | **-** | - |
| Current tax assets | | **22,000** | 10,450 |
| Deposits with a licensed bank | 15 | **4,366,934** | 3,007,767 |
| Cash and bank balances | | **654,572** | 3,103,089 |
| | | **13,608,396** | 20,098,947 |
| **Total Assets** | | **35,273,679** | 51,274,237 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners** | | | |
| Share capital | 16 | **29,040,000** | 58,080,000 |
| Reserves | 17 | **(1,357,305)** | (14,328,998) |
| | | **27,682,695** | 43,751,002 |
| **Non-current Liability** | | | |
| Deferred tax liabilities | 19 | **1,194,000** | 1,069,600 |
| **Current Liabilities** | | | |
| Other payables and accruals | 25 | **5,243,658** | 5,202,852 |
| Amount due to a subsidiary company | 13 | **1,153,326** | 1,250,783 |
| | | **6,396,984** | 6,453,635 |
| **Total Liabilities** | | **7,590,984** | 7,523,235 |
| **Total Equity and Liabilities** | | **35,273,679** | 51,274,237 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

# STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
## for the year ended 31st December 2015

| | Note | 2015<br>RM | 2014<br>RM |
|---|---|---|---|
| Revenue | 26 | **-** | - |
| Other income | 27 | **1,546,429** | 1,678,442 |
| Administrative expenses | | **(2,738,917)** | (1,755,866) |
| Other expenses | | **(15,613,946)** | (6,146,131) |
| Loss from operations | | **(16,806,434)** | (6,223,555) |
| Finance costs | | **-** | - |
| Loss before taxation | 28 | **(16,806,434)** | (6,223,555) |
| Income tax expense | 31 | **(126,948)** | (149,135) |
| Loss for the year, representing total comprehensive loss for the year | | **(16,933,382)** | (6,372,690) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

# STATEMENT OF CHANGES IN EQUITY
## for the year ended 31st December 2015

| | <-------- Reserves | | | | | -------> |
|---|---|---|---|---|---|---|
| | <-------- Non-distributable | | | -------> | | |
| | Share capital RM | Share premium RM | Share option reserve RM | Warrant reserve RM | Accumulated losses RM | Total RM |
| Balance at 1st January 2014 | 58,080,000 | 10,275,362 | - | 3,775,200 | (22,006,870) | 50,123,692 |
| Total comprehensive loss for the year | - | - | - | - | (6,372,690) | (6,372,690) |
| Balance at 31st December 2014 | 58,080,000 | 10,275,362 | - | 3,775,200 | (28,379,560) | 43,751,002 |
| *Transactions with owners : -* | | | | | | |
| Par value reduction | (29,040,000) | - | - | - | 29,040,000 | - |
| Share-based payment transactions | - | - | 1,053,280 | - | - | 1,053,280 |
| Share issuance and related expenses | - | (188,205) | - | - | - | (188,205) |
| Total transactions with owners | (29,040,000) | (188,205) | 1,053,280 | - | 29,040,000 | 865,075 |
| Total comprehensive loss for the year | - | - | - | - | (16,933,382) | (16,933,382) |
| Balance at 31st December 2015 | 29,040,000 | 10,087,157 | 1,053,280 | 3,775,200 | (16,272,942) | 27,682,695 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

# STATEMENT OF CASH FLOWS
## for the year ended 31st December 2015

| | Note | 2015<br>RM | 2014<br>RM |
|---|---|---|---|
| **Cash flows from operating activity** | | | |
| Loss before taxation | | **(16,806,434)** | (6,223,555) |
| Adjustments for : - | | | |
| Depreciation of plant and equipment | | **6,006** | 15,013 |
| Fair value adjustment on investment property | | **(500,000)** | (500,000) |
| Impairment losses on : - | | | |
| - Amount due from an associated company | | **18** | 2,005 |
| - Amount due from subsidiary company | | **3,164,544** | 4,655,256 |
| - Investment in associated companies | | **46,127** | 92,015 |
| - Investment in subsidiary companies | | **12,090,839** | 1,328,000 |
| - Other investments | | **149,999** | - |
| - Other receivables | | **47,413** | - |
| Interest income | | **(342,049)** | (364,698) |
| Plant and equipment written off | | **21** | - |
| Reversal of impairment loss on amount due from subsidiary companies | | **(519,316)** | - |
| Share-based payments | 33 | **1,053,280** | - |
| Operating loss before working capital changes | | **(1,609,552)** | (995,964) |
| Decrease in other receivables, deposits and prepayments | | **107,779** | 4,288 |
| Increase in other payables and accruals | | **40,806** | 4,954,153 |
| Cash generated from /(used in) operations | | **(1,460,967)** | 3,962,477 |
| Tax paid | | **(26,550)** | (28,485) |
| Tax refund | | **12,452** | - |
| Net cash from /(used in) operating activity | | **(1,475,065)** | 3,933,992 |
| **Cash flows from investing activities** | | | |
| Acquisition of an subsidiary company | | **(2)** | (14,840,307) |
| Acquisition of an associated company | | **(1)** | (298) |
| Additional investment in subsidiary company | | **(1,000,000)** | - |
| (Advance to) /Repayment from subsidiary companies | | **2,612,331** | (8,232,495) |
| Advance to an associated company | | **(18)** | (2,005) |
| Interest received | | **342,049** | 364,698 |
| Placement of deposits with licensed banks | | **(1,359,167)** | (3,007,767) |
| Proceeds from disposal of subsidiary company | | **1** | - |
| Purchase of other investments | | **(1,271,000)** | (956,000) |
| Purchase of plant and equipment | 35 | **(11,983)** | (9,519) |
| Net cash used in investing activities | | **(687,790)** | (26,683,693) |
| Balance carried forward | | **(2,162,855)** | (22,749,701) |

# STATEMENT OF CASH FLOWS (CONT'D)
## for the year ended 31st December 2015

| | Note | 2015 RM | 2014 RM |
|---|---|---|---|
| Balance brought forward | | **(2,162,855)** | (22,749,701) |
| **Cash flows from financing activities** | | | |
| Advance from /(Repayment to) subsidiary companies | | **(97,457)** | 1,250,783 |
| Share issuance expenses | | **(188,205)** | - |
| Net cash from financing activities | | **(285,662)** | 1,250,783 |
| Net decrease in cash and cash equivalents | | **(2,448,517)** | (21,498,918) |
| Cash and cash equivalents at the beginning of the year | | **3,103,089** | 24,602,007 |
| Cash and cash equivalents at the end of the year | 37 | **654,572** | 3,103,089 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information

Key Alliance Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:-

| | | |
|---|---|---|
| Principal place of business | : | Lot 11.3, 11th Floor, Menara Lien Hoe<br>No. 8, Persiaran Tropicana,<br>Tropicana Golf & Country Resort<br>47410 Petaling Jaya, Selangor Darul Ehsan |
| Registered office | : | 3-2, 3rd Mile Square, No. 151, Jalan Kelang Lama<br>Batu 3 ½, 58100 Kuala Lumpur |

The consolidated financial statements of the Company as at and for the financial year ended 31st December 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in associated companies. The financial statements of the Company as at and for the year ended 31st December 2015 do not include other entities.

The Company is principally engaged in investment and property holding, whilst the principal activities of the subsidiary companies are set out in Note 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 19 April 2016.

## 2. Basis of preparation of financial statements

(a) Statement of compliance

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 Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company.

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers

## 2. Basis of preparation of financial statements (Cont'd.)

(a) Statement of compliance (Cont'd.)

**MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:-

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are applicable to the Group and Company and effective for annual periods beginning on or after 1 January 2016; and

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are applicable to the Group and Company and effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below : -

**MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities and on hedge accounting.

**MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Arrangements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services.

Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associated and Joint Ventures – Investment Entities: Applying the Consolidation Exception.

The amendments to MFRS 10, MFRS 12 and MFRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempted from preparing consolidated financial statements and n non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9, MFRS 15 and amendments to MFRS 10, MFRS 12 and MFRS 128.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note3.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes : -

## 2. Basis of preparation of financial statements (Cont'd.)

(d) Use of estimates and judgments (Cont'd.)

i) Classification between investments property and property, plant and equipment

The Group has developed certain criteria based on MRFS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

ii) Depreciation of plant and equipment

Plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated the useful life of these assets to be 5 years. Changes in the expected level of usage and technological developments could impact economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

iii) Fair value of investment property

The fair value of investment property is determined by the directors based on valuations by an independent valuer, who holds a recognised qualification and has relevant experience, by reference to market evidence of transaction prices of similar properties or comparable available market data.

iv) Income tax expense

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

v) Impairment losses for receivables

The Group and the Company make impairment losses based on an assessment of the recoverability of receivables. Impairment loss is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical default rate, and changes in customer payment terms when making a judgments to evaluate the adequacy of the impairment losses of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

vi) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses and unabsorbed capital allowances can be utilised. Significant management judgment 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 amount of unrecognised deferred tax assets arising from unabsorbed tax losses and capital allowances was approximately RM2,054,000 (2014 – RM4,063,000).

vii) Impairment of investments in subsidiaries and amounts due from subsidiaries

The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment and assess the impairment of receivables on the amounts due from subsidiaries when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and amounts due from subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set assumptions to reflect their income and cash flows. Judgment had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the businesses of the subsidiaries.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as: -
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## 3. Significant accounting policies (Cont'd.)

(a) Basis of consolidation (Cont'd.)

v) Associates

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

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

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

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

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

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interest and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

vii) Transactions eliminated on consolidation

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

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

## 3. Significant accounting policies (Cont'd.)

(b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to from part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before1stJanuary 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

i) Initial recognition and measurement

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

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

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

## 3. Significant accounting policies (Cont'd.)

(c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:-

*Financial assets*

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

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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

b) *Held-to-maturity investments*

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.
Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) *Loans and receivables*

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

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

d) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

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. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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

## 3. Significant accounting policies (Cont'd.)

(c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

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

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

iii) 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.

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

iv) Regular way purchase or sale of financial assets

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

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

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

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

v) Derecognition

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

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

## 3. Significant accounting policies (Cont'd.)

(d) Plant and equipment

i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

ii) Subsequent costs

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

iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Plant and equipment under construction are not depreciated until the assets are ready for their intended use. The principal annual rates of depreciation for the plant and equipment are as follows:-

| | Rate<br>% |
|---|---|
| Computer software and equipment | 20 |
| Furniture and fittings, office equipment and renovation | 20 |
| Motor vehicles | 20 |
| Rental equipment | 20 |

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

## 3. Significant accounting policies (Cont'd.)

(e) Leased assets

i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

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

(f) Intangible assets

i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates.

ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

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

iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

## 3. Significant accounting policies (Cont'd.)

(f) Intangible assets (cont'd)

iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

v) Amortisation

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

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

Other intangible assets are amortised from the date that they are available for use.

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

The principal annual rate of amortisation for software development expenditureis as follow: -

| | Rate % |
|---|---|
| Software development expenditure | 20 |

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

(g) Investment property

i) Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

ii) Reclassification to /from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## 3. Significant accounting policies (Cont'd.)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of finished goods (determined on the first-in-first-out basis) consists of the original purchase price plus the costs of bringing the stocks to their present location.

(i) Cash and cash equivalents

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

(j) Impairment

i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset"s acquisition cost (net of any principal payment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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.

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

## 3. Significant accounting policies (Cont'd.)

(j) Impairment

ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset"s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Issue expenses

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

ii) Ordinary shares

Ordinary shares are classified as equity.

## 3. Significant accounting policies (Cont'd.)

(l) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not measured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(m) Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.The fair value of the employee share options is measured using a "Trinomial" pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted.

(n) Provisions

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

## 3. Significant accounting policies (Cont'd.)

(o) Revenue and other income

i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

v) Fees

Income from consultancy and training services is recognised upon the service rendered and customer acceptance, net of discount and allowances.

vi) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(p) Borrowing costs

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

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

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

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

## 3. Significant accounting policies (Cont'd.)

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reserve, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(s) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding , adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

## 3. Significant accounting policies (Cont'd.)

(t) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(u) Contingencies

i) Contingent liabilities

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

ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arise from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financialposition but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(v) Fair value measurements

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

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

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

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

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

Level 3 : unobservable inputs for the asset or liability.

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

## 4. Plant and equipment

| Group<br>2015 | Computer software and equipment<br>RM | Furniture and fittings, office equipment and renovation<br>RM | Motor vehicles<br>RM | Rental equipment<br>RM | Total<br>RM |
|---|---|---|---|---|---|
| At cost | | | | | |
| Balance at 1/1/2015 | **21,810,258** | **1,995,469** | **3,029,224** | **2,180,617** | **29,015,568** |
| Additions | **77,402** | **390,002** | **-** | **1,109,205** | **1,576,609** |
| Disposal /Written off | **(17,008,255)** | **(191,522)** | **-** | **-** | **(17,199,777)** |
| Balance at 31/12/2015 | **4,879,405** | **2,193,949** | **3,029,224** | **3,289,822** | **13,392,400** |
| Accumulated Depreciation | | | | | |
| Balance at 1/1/2015 | **19,237,290** | **671,834** | **598,602** | **436,123** | **20,943,849** |
| Charge for the year | **929,725** | **274,886** | **566,181** | **629,061** | **2,399,853** |
| Deletion | **(16,998,561)** | **(191,503)** | **-** | **-** | **(17,190,064)** |
| Balance at 31/12/2015 | **3,168,454** | **755,217** | **1,164,783** | **1,065,184** | **6,153,638** |
| Net Book Value | **1,710,951** | **1,438,732** | **1,864,441** | **2,224,638** | **7,238,762** |
| 2014 | | | | | |
| At cost | | | | | |
| Balance at 1/1/2014 | 36,589,379 | 373,981 | 220,000 | - | 37,183,360 |
| Acquisition of subsidiaries | 12,969 | 666,795 | 435,662 | 1,384,660 | 2,500,086 |
| Additions | 424,649 | 1,245,121 | 2,373,562 | 2,897,776 | 6,941,108 |
| Disposal /Written off | (15,216,739) | (290,428) | - | (2,101,819) | (17,608,986) |
| Balance at 31/12/2014 | 21,810,258 | 1,995,469 | 3,029,224 | 2,180,617 | 29,015,568 |
| Accumulated Depreciation | | | | | |
| Balance at 1/1/2014 | 33,214,270 | 366,906 | 3,667 | - | 33,584,843 |
| Acquisition of subsidiaries | 1,701 | 497,575 | 297,337 | - | 796,613 |
| Charge for the year | 1,238,054 | 97,781 | 297,598 | 436,123 | 2,069,556 |
| Deletion | (15,216,735) | (290,428) | - | - | (15,507,163) |
| Balance at 31/12/2014 | 19,237,290 | 671,834 | 598,602 | 436,123 | 20,943,849 |
| Net Book Value | 2,572,968 | 1,323,635 | 2,430,622 | 1,744,494 | 8,071,719 |

## 4. Plant and equipment (Cont'd.)

| Company<br>**2015** | Computer software and equipment<br>RM | Furniture and fittings, office equipment and renovation<br>RM | Total<br>RM |
|---|---|---|---|
| At cost | | | |
| Balance at 1/1/2015 | **66,624** | **205,471** | **272,095** |
| Additions | **11,983** | **-** | **11,983** |
| Disposal /Written off | **(39,432)** | **(24,078)** | **(63,510)** |
| Balance at 31/12/2015 | **39,175** | **181,393** | **220,568** |
| Accumulated Depreciation | | | |
| Balance at 1/1/2015 | **60,232** | **200,580** | **260,812** |
| Charge for the year | **4,871** | **1,135** | **6,006** |
| Deletion | **(39,420)** | **(24,069)** | **(63,489)** |
| Balance at 31/12/2015 | **25,683** | **177,646** | **203,329** |
| Net Book Value | **13,492** | **3,747** | **17,239** |

| 2014 | Computer software and equipment<br>RM | Furniture and fittings, office equipment and renovation<br>RM | Total<br>RM |
|---|---|---|---|
| At cost | | | |
| Balance at 1/1/2014 | 62,634 | 199,942 | 262,576 |
| Additions | 3,990 | 5,529 | 9,519 |
| Balance at 31/12/2014 | 66,624 | 205,471 | 272,095 |
| Accumulated Depreciation | | | |
| Balance at 1/1/2014 | 52,532 | 193,267 | 245,799 |
| Charge for the year | 7,700 | 7,313 | 15,013 |
| Balance at 31/12/2014 | 60,232 | 200,580 | 260,812 |
| Net Book Value | 6,392 | 4,891 | 11,283 |

## 4. Plant and equipment (Cont'd.)

i) The gross carrying amounts of fully depreciated plant and equipment of the Group and of the Company are as follow : -

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Computer software and equipment | **159,961** | 15,249,951 | **23,202** | 35,715 |
| Motor Vehicle | **253,948** | 142,696 | **-** | - |
| Furniture and fittings, office equipment and renovation | **491,129** | 416,243 | **175,865** | 199,028 |
| | **905,038** | 15,808,890 | **199,067** | 234,743 |

ii) The assets held by the Group which earn rental income under operating leases are as follow : -

| Group | Office equipment | Rental equipment | Total |
|---|---|---|---|
| **2015** | RM | RM | RM |
| At cost | **1,059,940** | **3,289,822** | **4,349,762** |
| Less : Accumulated depreciation | **(264,235)** | **(1,065,184)** | **(1,329,419)** |
| Net Book Value | **795,705** | **2,224,638** | **3,020,343** |
| 2014 | | | |
| At cost | 1,059,940 | 2,180,617 | 3,240,557 |
| Less : Accumulated depreciation | (52,847) | (436,123) | (488,970) |
| Net Book Value | 1,007,093 | 1,744,494 | 2,751,587 |

iii) The net carrying amount of leased plant and equipment at the reporting date is as follows : -

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Motor vehicles | **1,742,581** | 2,072,516 |

## 5 . Investment properties

| Group<br>**2015** | Freehold office building<br>RM | Buildings in progress<br>RM | Total<br>RM |
|---|---|---|---|
| At fair value /At cost | | | |
| Balance at 1/1/2015 | **8,500,000** | **3,204,600** | **11,704,600** |
| Addition | **-** | **1,824,366** | **1,824,366** |
| Fair value adjustment | **500,000** | **-** | **500,000** |
| Balance at 31/12/2015 | **9,000,000** | **5,028,966** | **14,028,966** |
| 2014 | | | |
| At fair value /At cost | | | |
| Balance at 1/1/2014 | 8,000,000 | - | 8,000,000 |
| Addition | - | 3,204,600 | 3,204,600 |
| Fair value adjustment | 500,000 | - | 500,000 |
| Balance at 31/12/2014 | 8,500,000 | 3,204,600 | 11,704,600 |

| Company<br>**2015** | | | |
|---|---|---|---|
| At Fair Value | | | |
| Balance at 1/1/2015 | **8,500,000** | **-** | **8,500,000** |
| Fair value adjustment | **500,000** | **-** | **500,000** |
| Balance at 31/12/2015 | **9,000,000** | **-** | **9,000,000** |
| 2014 | | | |
| At Fair Value | | | |
| Balance at 1/1/2014 | 8,000,000 | - | 8,000,000 |
| Fair value adjustment | 500,000 | - | 500,000 |
| Balance at 31/12/2014 | 8,500,000 | - | 8,500,000 |

Freehold office building represents commercial property that can be leased to a third party.

The fair value of the freehold office building of the Group at 31st December 2015 is determined by a valuation carried out by Nagalingam T., a Registered Valuer of Messrs Azmi& Co (Shah Alam) Sdn. Bhd., based on theopen market value basis.

Rental income earned by the Group and the Company amounted to Nil (2014 – RM627,068) is recognised in profit or loss in respect of the freehold office building.

The strata title of the freehold office building has yet to be issued by the authority.

The investment propertieswere charged to licensed banks as security for bank facilities granted to the subsidiary companies.

## 5 . Investment properties (Cont'd.)

**Fair value information**

The fair value of investment properties of the Group and the Company is categorised as follows : -

| Group and Company | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|---|---|---|---|---|
| **2015** | | | | |
| Investment property | **-** | **9,000,000** | **-** | **9,000,000** |
| 2014 | | | | |
| Investment property | - | 8,500,000 | - | 8,500,000 |

The freehold office building is stated at fair value based on valuation performed by independent professional valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of investment properties valued.The building in progress is currently under construction and the fair value of the building in progress is not determined yet as there are uncertainties in estimating its fair value. The building in progress has started its construction since year 2014. The estimated fair value is likely to be similar to that of the cost incurred to date until its fair value becomes reliably determinable or construction is completed, whichever is earlier.Accordingly,the fair value of the investment properties as at 31st December 2015 was RM9,000,000.

**Level 2 fair value**

Level 2 fair value building has been generally derived using the open market value approach.Market value is meant the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## 6 . Intangible assets

| Group | Goodwill RM | Development expenditure RM | Total RM |
|---|---|---|---|
| **2015** | | | |
| At cost | | | |
| Balance at 1/1/2015 | **9,525,221** | **5,374,787** | **14,900,008** |
| Addition | **-** | **-** | **-** |
| Disposal | **-** | **(5,374,787)** | **(5,374,787)** |
| Balance at 31/12/2015 | **9,525,221** | **-** | **9,525,221** |
| Accumulated amortisation | | | |
| Balance at 1/1/2015 | **-** | **5,196,979** | **5,196,979** |
| Amortisation for the year | **-** | **-** | **-** |
| Deletion | **-** | **(5,196,979)** | **(5,196,979)** |
| Balance at 31/12/2015 | **-** | **-** | **-** |
| Accumulated impairment | | | |
| Balance at 1/1/2015 | **500,000** | **-** | **500,000** |
| Impairment for the year | **650,000** | **-** | **650,000** |
| Balance at 31/12/2015 | **1,150,000** | **-** | **1,150,000** |
| Net Book Value | **8,375,221** | **-** | **8,375,221** |
| 2014 | | | |
| At cost | | | |
| Balance at 1/1/2014 | - | 5,374,787 | 5,374,787 |
| Addition | 9,525,221 | - | 9,525,221 |
| Balance at 31/12/2014 | 9,525,221 | 5,374,787 | 14,900,008 |
| Accumulated amortisation | | | |
| Balance at 1/1/2014 | - | 4,759,842 | 4,759,842 |
| Amortisation for the year | - | 437,137 | 437,137 |
| Balance at 31/12/2014 | - | 5,196,979 | 5,196,979 |
| Accumulated impairment | | | |
| Balance at 1/1/2014 | - | - | - |
| Impairment for the year | 500,000 | - | 500,000 |
| Balance at 31/12/2014 | 500,000 | - | 500,000 |
| Net Book Value | 9,025,221 | 177,808 | 9,203,029 |

## 6 . Intangible assets (Cont'd.)

**Goodwill on consolidation**

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units ("CGUs") identified according to the particular business segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows : -

| | Group | |
|---|---|---|
| | 2015 **RM** | 2014 **RM** |
| Information communication technology (ICT) and related activities | 4,404,848 | 4,404,848 |
| Kitchen appliances | 3,641,592 | 4,291,592 |
| Others | 328,781 | 328,781 |
| | 8,375,221 | 9,025,221 |

The recoverable amount of a CGU is determined based on value-in-use calculations applying a discounted future cash flow model based on financial projections approved by management covering a business plan. The forecasted growth rate used to extrapolate cash flow beyond the 5-year period are as follows : -

| | Growth rate % |
|---|---|
| Information communication technology (ICT) and related activities | 3 |
| Kitchen appliances services | 2 |
| Others | * |

* Growth rate is not presented as the financial impact to the Group is insignificant.

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions : -

- Cash flows were projected based on past experience, actual operating results and management‟s expectations of market development.
- The revenue used to calculate the cash flows from operations was determined after taking into consideration performance trends of the industries in which the CGUs are exposed to.Value assigned are consistent with the external sources of information.
- The pre-tax discount rate of 8% was applied in determining the recoverable amount of the CGUs. The discount rate was estimated based on the CGUs' weighted average cost of capital.

The above estimates are particularly sensitive in the following areas : -

- An increase of 1 percentage point in the discount rate used would have reduced the value-in- use by : -

| | **RM'000** |
|---|---|
| Information communication technology (ICT) and related activities | 6,033 |
| Kitchen appliances services | 3,584 |

- A 1% decrease in future planned revenues would have reduced the value-in-use by : -

| | **RM'000** |
|---|---|
| Information communication technology (ICT) and related activities | 5,092 |
| Kitchen appliances services | 3,112 |

## 7 . Investment in subsidiary companies

| | Company 2015 RM | Company 2014 RM |
|---|---|---|
| Unquoted shares, at cost | **30,950,290** | 35,450,288 |
| Accumulated impairment losses | | |
| Balance at beginning of the year | **13,788,408** | 12,460,408 |
| Impairment losses recognised | **12,090,839** | 1,328,000 |
| Reversal of impairment losses | **(5,499,999)** | - |
| Balance at end of the year | **20,379,248** | 13,788,408 |
| | **10,571,042** | 21,661,880 |

The principal activities of the subsidiaries in the Group,and the interest of Key Alliance Group Berhad are as follows : -

| Name of companies | Place of incorporation | Principal activities | Effective ownership interest 2015 % | Effective ownership interest 2014 % |
|---|---|---|---|---|
| DVM Innovate Sdn. Bhd. (5) | Malaysia | Provision of communications systems integration and solutions, data network, data communications solutions, business and operational support systems. | 100 | 100 |
| NGC Systems Sdn. Bhd. (1) | Malaysia | Development of software applications and provision of communication solutions. | - | 100 |
| Key Alliance Sdn. Bhd. (5) | Malaysia | Distribution and provision of information technology in relation to computer parts, software and accessories. | 100 | 100 |
| Design DeptSdn. Bhd. (5) | Malaysia | To carry on the business of architectural and 3D interior design and image consultants. | 100 | 100 |
| Corporate One Training Academy Sdn. Bhd. (2) | Malaysia | Provision of business and operational support systems and services, software development and business process outsourcing. | 100 | 100 |
| Precious Essence Sdn. Bhd. (5) | Malaysia | Property investment. | 100 | 100 |

## 7 . Investment in subsidiary companies (Cont'd.)

| Name of companies | Place of incorporation | Principal activities | Effective ownership interest 2015 % | 2014 % |
|---|---|---|---|---|
| GE Green Sdn. Bhd. | Malaysia | Trading of kitchen wares and related products. | 100 | 100 |
| Pacifica KAG Sdn. Bhd. | Malaysia | Dormant. | 100 | - |
| MobileVideo International Limited (5) | Cayman Island | Dormant. | 60 | 60 |
| Digital Paper Solutions Sdn. Bhd. (3) | Malaysia | Trading and rental of office equipment. | 51 | 51 |
| DVM Allsportz Asia Sdn. Bhd. (4) | Malaysia | Streaming of audio and video on sports news. | - | - |

1) This subsidiary company was disposed of during the financial year.

2) In the previous financial year, DVM Innovate Sdn. Bhd. disposed of the entire equity interest in Corporate One Training Academy Sdn. Bhd. to Key Alliance Group Berhad and accordingly, Corporate One Training Academy Sdn. Bhd. became the direct subsidiary of Key Alliance Group Berhad.

3) Audited by a firm other than Kreston John & Gan.

4) In the previous financial year, the equity interest in DVM Allsportz Asia Sdn. Bhd. has been diluted from 100% to 30% in the enlarged issued and fully paid up share capital in DVM Allsportz Asia Sdn. Bhd. and accordingly, DVM Allsportz Asia Sdn. Bhd. became an associated company of the Company.

5) The auditor's reports contained emphasis of matters relating to substantial operating losses.

## 7 . Investment in subsidiary companies (Cont'd.)

*Non-controlling interest in subsidiaries*

The Group's subsidiary companies that have material non-controlling interest ("NCI") are as follows : -

| **2015** | **Digital Paper Solutions Sdn. Bhd.** | **MobileVideo International Limited** | **Total** |
|---|---|---|---|
| NCI percentage of ownership interest and voting interest | **49%** | **40%** | |
| Carrying amount of NCI (RM) | **1,530,653** | **(208,980)** | **1,321,673** |
| Profit allocated to NCI (RM) | **368,877** | **901,676** | **1,270,553** |

Summaarised financial information before intra-group elimination : -

| | **RM** | **RM** |
|---|---|---|
| As at 31st December | | |
| Non-current assets | **2,245,535** | **-** |
| Current assets | **9,479,620** | **-** |
| Non-current liabilities | **(1,474,670)** | **-** |
| Current liabilities | **(7,126,704)** | **(1,577,465)** |
| Net assets /(liabilities) | **3,123,781** | **(1,577,465)** |
| Year ended 31st December | | |
| Revenue | **21,753,049** | **-** |
| Profit for the year, representing total comprehensive profit | **752,811** | **2,254,191** |
| Cash flows from /(used in) operating activities | **43,340** | **(2,099)** |
| Cash flows used in investing activities | **(2,280)** | **-** |
| Cash flows used in financing activities | **(218,811)** | **-** |
| Net decrease in cash and cash equivalents | **(177,751)** | **(2,099)** |
| Dividends paid to NCI | **-** | **-** |

## 7 . Investment in subsidiary companies (Cont'd.)

*Non-controlling interest in subsidiaries* (Cont'd.)

| 2014 | Digital Paper Solutions Sdn. Bhd. | MobileVideo International Limited | Total |
|---|---|---|---|
| NCI percentage of ownership interest and voting interest | 49% | 40% | |
| Carrying amount of NCI (RM) | 1,161,776 | (1,110,656) | 51,120 |
| Profit /(Loss) allocated to NCI (RM) | 335,320 | (5,274) | 330,046 |

| | RM | RM |
|---|---|---|
| As at 31st December | | |
| Non-current assets | 1,770,099 | 1 |
| Current assets | 7,123,030 | 9,399 |
| Non-current liabilities | (631,899) | - |
| Current liabilities | (5,906,243) | (3,841,056) |
| Net assets /(liabilities) | 2,354,987 | (3,831,656) |
| Year ended 31st December | | |
| Revenue | 13,752,567 | - |
| Profit /(loss) for the year, representing total comprehensive profit /(loss) | 2,676,429 | (13,185) |
| Cash flows used in operating activities | (1,563,396) | (1,337) |
| Cash flows used in investing activities | (119,329) | - |
| Cash flows from financing activities | 1,849,209 | 2,850 |
| Net increase in cash and cash equivalents | 166,484 | 1,513 |
| Dividends paid to NCI | Nil | Nil |

The Group does not has any significant restrictions on its ability to access or use the assets and settle the liabilities within the Group.

KEY ALLIANCE

## 8 . Investment in associated companies

| Group | 2015 RM | 2014 RM |
|---|---|---|
| Unquoted shares at cost | | |
| Balance at beginning of the year | **253,253** | 252,954 |
| Acquisition during the year | **1** | 300 |
| Disposal during the year | **-** | (1) |
| Balance at end of the year | **253,254** | 253,253 |
| Group's share of post acquisition profits or losses | | |
| Balance at beginning of the year | **(207,126)** | (115,111) |
| Share of losses for current year | **(46,127)** | (92,015) |
| Balance at end of the year | **(253,253)** | (207,126) |
| Investment in associated companies | **1** | 46,127 |

| Company | 2015 RM | 2014 RM |
|---|---|---|
| Unquoted shares at cost | | |
| Balance at beginning of the year | **253,253** | 252,954 |
| Acquisition during the year | **1** | 300 |
| Disposal during the year | **-** | (1) |
| Balance at end of the year | **253,254** | 253,253 |
| Accumulated impairment losses | | |
| Balance at beginning of the year | **207,126** | 115,111 |
| Impairment losses recognised | **46,127** | 92,015 |
| Balance at end of the year | **253,253** | 207,126 |
| Investment in associated companies | **1** | 46,127 |

The associated companies are as follows : -

| Name of companies | Place of incorporation | Principal activities | Effective ownership interest 2015 % | 2014 % |
|---|---|---|---|---|
| LeBlanc KAG Sdn. Bhd. | Malaysia | Dormant | 50 | - |
| Fatfish Capital Ltd. | British Virgin Island | Investment company. | 33 | 33 |
| DVM All sportz Asia Sdn. Bhd. | Malaysia | Streaming of audio and video on sports news. | 30 | 30 * |

## 8. Investment in associated companies (Cont'd.)

| Name of companies | Place of incorporation | Principal activities | Effective ownership interest 2015 % | 2014 % |
|---|---|---|---|---|
| Design Dept Sdn. Bhd. | Malaysia | To carry on the business of architectural and 3D interior design and image consultants. | - | # |

* The equity interest in DVM Allsportz Asia Sdn. Bhd. has been diluted from 100% to 30% in the enlarged issued and fully paid up share capital in DVM Allsportz Asia Sdn. Bhd. and accordingly, DVM Allsportz Asia Sdn. Bhd. became an associated company of the Company.

\# In the previous financial year, the Company increased its equity investment in Design Dept Sdn. Bhd. from 50% to 100% and accordingly, Design Dept Sdn. Bhd. became a wholly-owned subsidiary of the Company.

The following table summarises the information of the Group's associated companies and reconciles the information to the carrying amount of the Group's interest in the associated companies.

## 8 . Investment in associated companies (Cont'd.)

| Group<br>2015 | LeBlanc KAG Sdn. Bhd. | Fatfish Capital Ltd. | DVM Allsportz Asia Sdn. Bhd. | Total |
|---|---|---|---|---|
| Percentage of ownership interest and voting interest | **50%** | **33%** | **30%** | |
| Summarised financial information : - | | | | |
| | **RM** | **RM** | **RM** | **RM** |
| As at 31st December | | | | |
| Non-current assets | **-** | **58,284** | **17,123** | **75,407** |
| Current assets | **2** | **11,385** | **26,504** | **37,891** |
| Non-current liabilities | **-** | **-** | **-** | **-** |
| Current liabilities | **(5,093)** | **(605,886)** | **(305,912)** | **(916,891)** |
| Net liabilities | **(5,091)** | **(536,217)** | **(262,285)** | **(803,593)** |
| Year ended 31st December | | | | |
| Loss from continuing operations | **(5,093)** | **(343,740)** | **(184,334)** | **(533,167)** |
| Other comprehensive income | **-** | **-** | **-** | **-** |
| Total comprehensive loss | **(5,093)** | **(343,740)** | **(184,334)** | **(533,167)** |
| Included in total comprehensive income is | | | | |
| Revenue | **-** | **-** | **48,530** | **48,530** |
| Reconciliation of net assets to carrying amount : - | | | | |
| As at 31st December | | | | |
| Group's share of net assets | **1** | **-** | **-** | **1** |
| Goodwill | - | - | - | - |
| Elimination of unrealised profit | - | - | - | - |
| Carrying amount in the statement of financial position | **1** | **-** | **-** | **1** |
| Group's share of results : - | | | | |
| Year ended 31st December | | | | |
| Group's share of profit or loss from continuing operations - current year | **-** | **(46,127)** | **-** | **(46,127)** |
| Group's share of total comprehensive loss | **-** | **(46,127)** | **-** | **(46,127)** |
| Other information : - | | | | |
| Dividends received | **-** | **-** | **-** | **-** |

## 8 . Investment in associated companies (Cont'd.)

| Group<br>2014 | Fatfish Capital Ltd. | DVM Allsportz Asia Sdn. Bhd. | Total |
|---|---|---|---|
| Percentage of ownership interest and voting interest | 33% | 30% | |
| Summarised financial information : - | | | |
| As at 31st December | | | |
| Non-current assets | 133,835 | 22,194 | 156,029 |
| Current assets | 624,457 | 38,106 | 662,563 |
| Non-current liabilities | (425,829) | - | (425,829) |
| Current liabilities | (192,681) | (138,251) | (330,932) |
| Net assets /(liabilities) | 139,782 | (77,951) | 61,831 |
| Year ended 31st December | | | |
| Loss from continuing operations | (306,593) | (58,769) | (365,362) |
| Other comprehensive income | 3,844 | - | 3,844 |
| Total comprehensive loss | (302,749) | (58,769) | (361,518) |
| Included in total comprehensive income is | | | |
| Revenue | 81,674 | 110,000 | 191,674 |
| Reconciliation of net assets to carrying amount : - | | | |
| As at 31st December | | | |
| Group's share of net assets | 46,127 | - | 46,127 |
| Goodwill | - | - | - |
| Elimination of unrealised profit | - | - | - |
| Carrying amount in the statement of financial position | 46,127 | - | 46,127 |
| Group's share of results : - | | | |
| Year ended 31st December | | | |
| Group's share of profit or loss from continuing operations | | | |
| - current year | (99,907) | (300) | (100,207) |
| - under recognition in prior year | 8,192 | - | 8,192 |
| Group's share of total comprehensive loss | (91,715) | (300) | (92,015) |
| Other information : - | | | |
| Dividends received | - | - | - |

The results of associated companies are accounted for by using equity method.

The Group does not have any capital commitments or contingent liabilities in relation to its interest in the associated companies as at 31st December 2014 and 2015.

## 9 . Other investments

| Group<br>**2015** | Unquoted Shares RM | Club Membership RM | Total RM |
|---|---|---|---|
| **Non-current** | | | |
| Available-for-sale financial assets | **2,227,000** | **860,000** | **3,087,000** |
| Accumulated impairment losses | | | |
| Balance at beginning of the year | **-** | **300,000** | **300,000** |
| Impairment losses recognised | **149,999** | **210,000** | **359,999** |
| Balance at end of the year | **149,999** | **510,000** | **659,999** |
| | **2,077,001** | **350,000** | **2,427,001** |
| 2014 | | | |
| Available-for-sale financial assets | 956,000 | 860,000 | 1,816,000 |
| Accumulated impairment losses | | | |
| Balance at beginning of the year | - | - | - |
| Impairment losses recognised | - | 300,000 | 300,000 |
| Balance at end of the year | - | 300,000 | 300,000 |
| | 956,000 | 560,000 | 1,516,000 |

The investment in club membership relates to transferable contribution rights of one corporate membership of a club.

| Company<br>**2015** | Unquoted Shares RM |
|---|---|
| **Non-current** | |
| Available-for-sale financial assets | **2,227,000** |
| Accumulated impairment losses | |
| Balance at beginning of the year | **-** |
| Impairment losses recognised | **149,999** |
| Balance at end of the year | **149,999** |
| | **2,077,001** |

| Company<br>2014 | |
|---|---|
| **Non-current** | |
| Available-for-sale financial assets | 956,000 |
| Accumulated impairment losses | |
| Balance at beginning of the year | - |
| Impairment losses recognised | - |
| Balance at end of the year | - |
| | 956,000 |

## 10 . Inventories

| | Group 2015 RM | 2014 RM |
|---|---|---|
| At cost : - | | |
| Software | **500,000** | 822,990 |
| Multi function printers and related products | **3,902,828** | 4,523,304 |
| Kitchen appliances | **2,370,180** | 4,682,197 |
| | **6,773,008** | 10,028,491 |

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM7,371,601(2014 – RM16,347,016).

## 11 . Trade receivables

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Trade receivables | **16,191,068** | 14,760,603 |
| Less : Allowance account | **(2,738,557)** | (2,548,574) |
| | **13,452,511** | 12,212,029 |
| Contract work performed but not bill | **252,980** | 106,249 |
| | **13,705,491** | 12,318,278 |

The reconciliation of the allowance account is as follows : -

| | Group 2015 RM | 2014 RM |
|---|---|---|
| At beginning of the financial year | **2,548,574** | 2,263,574 |
| Impairment losses recognised | **397,586** | 350,000 |
| Amounts recovered and reversed | **(207,603)** | (65,000) |
| At the end of the financial year | **2,738,557** | 2,548,574 |

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly. Allowance account at end of the financial year represents the following : -

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Individual impairment | **2,721,557** | 2,548,574 |
| Collective impairment | **17,000** | - |
| | **2,738,557** | 2,548,574 |

Included in trade receivables is an amount of RM7,461,392 (2014 – Nil) due from a noncontrolling corporate shareholder of a subsidiary company.

The normal credit terms of trade receivables range from immediate payment to 90 days. Other terms are assessed and approved on case-by-case basis.

The foreign currency exposure of trade receivables of the Group is as follows : -

| Group | 2015 RM | 2014 RM |
|---|---|---|
| US Dollar | **116,821** | - |

## 12 . Other receivables, deposits and prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Other receivables | **10,403,849** | 8,987,078 | **5,923,993** | 5,861,397 |
| Less : Allowance account | **(10,020,041)** | (6,032,870) | **(5,900,763)** | (5,853,350) |
| | **383,808** | 2,954,208 | **23,230** | 8,047 |
| Other deposits | **2,844,349** | 2,826,077 | **31,430** | 31,430 |
| Prepayments | **667,057** | 996,688 | **116,394** | 286,769 |
| | **3,895,214** | 6,776,973 | **171,054** | 326,246 |

The reconciliation of the allowance account is as follows : -

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| At beginning of the financial year | **6,032,870** | 6,042,770 | **5,853,350** | 5,829,259 |
| Impairment losses recognised | **3,987,171** | - | **47,413** | 24,091 |
| Amount written off | **-** | (9,900) | **-** | - |
| At the end of the financial year | **10,020,041** | 6,032,870 | **5,900,763** | 5,853,350 |

Allowance account at end of the financial year represents individually assessed impairment.

Included in other deposits is an amount of RM228,000 (2014 – RM857,500) relating to cash deposits placed with a licensed-bank to secure bank guarantee issued in favour of third parties.

The foreign currency exposure of the other deposits is as follow : -

| | **2015** | 2014 |
|---|---|---|
| | **RM** | RM |
| EURO | **109,066** | - |
| US Dollar | **131,278** | - |

## 13 . Amounts due from/(to) subsidiary companies

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Amount due from subsidiry companies | | |
| - DVM Innovate Sdn. Bhd. | **2,771,833** | 7,181,947 |
| - Key Alliance Sdn. Bhd. | **4,230,428** | 4,749,744 |
| - MobileVideo International Limited | **54,930** | 54,930 |
| - Design Dept Sdn Bhd | **742,710** | 21,102 |
| - GE Green Sdn Bhd | **310,000** | 675,017 |
| - Digital Paper Solutions Sdn Bhd | **3,488,321** | 2,567,995 |
| - Precious Essence Sdn Bhd | **4,242,716** | 3,205,334 |
| - Pacifica KAG Sdn. Bhd. | **2,800** | - |
| | **15,843,738** | 18,456,069 |
| Less : Allowance for impairment | **(7,449,902)** | (4,804,674) |
| | **8,393,836** | 13,651,395 |
| Amount due to a subsidiary company | | |
| - Corporate One Training Academy Sdn. Bhd. | **(1,153,326)** | (1,250,783) |

## 13 . Amounts due from/(to) subsidiary companies (Cont'd.)

The reconciliation of the allowance account is as follows : -

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| At beginning of the financial year | **4,804,674** | 173,509 |
| Impairment losses recognised | **3,164,544** | 4,631,165 |
| Amount received and reversed | **(519,316)** | - |
| At the end of the financial year | **7,449,902** | 4,804,674 |

Allowance account at end of the financial year represents individually assessed impairment.

Non-trade balances due from /(to) subsidiary companies are in respect of advances and payments made on behalf, which are unsecured, interest free and repayable on demand.

Included in the amount due from subsidiary companies is an unsecured loan of RM3,488,321(2014 – RM2,567,995) due from a subsidiary company, which bears interest at rate of 4.95% (2014 – 4.95%) per annum and repayable on demand.

## 14 . Amount due from an associated company

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Amount due from an associated company | | |
| - DVM Allsportz Asia Sdn. Bhd. | **168,895** | 6,131 |
| Less : Allowance for impairment | **(168,895)** | (6,131) |
| | **-** | - |

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Amount due from an associated company | | |
| - DVM Allsportz Asia Sdn. Bhd. | **6,149** | 6,131 |
| Less : Allowance for impairment | **(6,149)** | (6,131) |
| | **-** | - |

The reconciliation of the allowance account is as follows : -

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| At beginning of the financial year | **6,131** | 6,131 | **6,131** | 6,131 |
| Impairment losses recognised | **162,764** | - | **18** | - |
| At the end of the financial year | **168,895** | 6,131 | **6,149** | 6,131 |

## 15 . Deposits with licensed banks

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Fixed deposits with licensed banks | **5,668,315** | 4,420,392 | **4,366,934** | 3,007,767 |

The interest rates of fixed deposits with licensed banks that were effective during the financial year range from 3.05% to 3.15% (2014 – 3.00% to 3.15%) per annum.

Included in deposits with licensed banks of the Group and Company are amounts of RM5,668,315(2014 – RM4,270,392) and RM4,366,934 (2014 – RM3,007,767) respectively which have been pledged to licensed banks as security for the credit facilities granted to the subsidiary companies.

## 16 . Deposits with licensed banks

Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | Number of shares ('000) | | **RM'000** | RM'000 |
| Authorised : | | | | |
| At beginning of the financal year | **1,000,000** | 1,000,000 | **100,000** | 100,000 |
| Par value reduction | **-** | - | **(50,000)** | - |
| At end of the financial year | **1,000,000** | 1,000,000 | **50,000** | 100,000 |
| Issued and fully paid : | | | | |
| At beginning of the financal year | **580,800** | 580,800 | **58,080** | 58,080 |
| Par value reduction | **-** | - | **(29,040)** | - |
| At end of the financial year | **580,800** | 580,800 | **29,040** | 58,080 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company reduced the par value of its shares by RM0.05 for each existing ordinary shares of RM0.10 upon obtaining the approval from the shareholders and the Court.

## 17 . Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Non-distributable | | | | |
| Share premium | **10,087,157** | 10,275,362 | **10,087,157** | 10,275,362 |
| Share option reserve | **1,053,280** | - | **1,053,280** | - |
| Warrant reserve | **3,775,200** | 3,775,200 | **3,775,200** | 3,775,200 |
| | **14,915,637** | 14,050,562 | **14,915,637** | 14,050,562 |
| Distributable | | | | |
| Accumulated losses | **(10,983,227)** | (30,820,224) | **(16,272,942)** | (28,379,560) |
| | **3,932,410** | (16,769,662) | **(1,357,305)** | (14,328,998) |

### Share premium

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

### Warrant reserve

The warrant reserve represents the fair value adjustment for the free detachable warrants issued pursuant to the rights issue on 3rd July 2013. The fair value of the warrants is measured using "Trinomial" pricing model with the following inputs and assumptions : -

| Fair value of warrants and assumptions | |
|---|---|
| Fair value of warrants at issuance date (RM) | 0.013 |
| Exercise price (RM) | 0.10 |
| Expected volatility (weighted average volatility) | 17% |
| Option life (expected weighted average life) | 5 years |
| Risk-free interest rate (based on rates of years Malaysian government bonds) | 3% |

### Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings. Share option is disclosed in note 33.

## 18 . Non-controlling interests

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Balance at the beginning of the year | **51,120** | (1,105,382) |
| Arising from acquisition of subsidiary | **-** | 826,456 |
| Transferred from profit or loss | **1,270,553** | 330,046 |
| Balance at the end of the year | **1,321,673** | 51,120 |

## 19 . Deferred tax liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Balance at the beginning of the year | **1,674,187** | 1,805,645 | **1,069,600** | 949,500 |
| Recognised in profit or loss (Note 31) | **(58,870)** | (131,458) | **124,400** | 120,100 |
| Balance at the end of the year | **1,615,317** | 1,674,187 | **1,194,000** | 1,069,600 |

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

| Group | As at 1st Jan | Recognised in profit or loss | As at 31st Dec |
|---|---|---|---|
| **2015** | RM | RM | RM |
| Deferred tax assets | | | |
| Unabsorbed tax losses | **(33,000)** | **-** | **(33,000)** |
| Unabsorbed capital allowances | **(207,000)** | **78,000** | **(129,000)** |
| | **(240,000)** | **78,000** | **(162,000)** |
| Deferred tax liabilities | | | |
| Accelerated capital allowances | **841,787** | **(260,470)** | **581,317** |
| Fair value gain on investment property | **1,072,400** | **123,600** | **1,196,000** |
| | **1,914,187** | **(136,870)** | **1,777,317** |
| 2014 | | | |
| Deferred tax assets | | | |
| Unabsorbed tax losses | (26,000) | (7,000) | (33,000) |
| Unabsorbed capital allowances | - | (207,000) | (207,000) |
| | (26,000) | (214,000) | (240,000) |
| Deferred tax liabilities | | | |
| Accelerated capital allowances | 879,345 | (37,558) | 841,787 |
| Fair value gain on investment property | 952,300 | 120,100 | 1,072,400 |
| | 1,831,645 | 82,542 | 1,914,187 |

## 19 . Deferred tax liabilities (Cont'd.)

| Company | As at 1st Jan RM | Recognised in profit or loss RM | As at 31st Dec RM |
|---|---|---|---|
| **2015** | | | |
| Deferred tax assets | | | |
| Accelerated capital allowances | **(2,800)** | **800** | **(2,000)** |
| Deferred tax liabilities | | | |
| Fair value gain on investment property | **1,072,400** | **123,600** | **1,196,000** |
| 2014 | | | |
| Deferred tax assets | | | |
| Accelerated capital allowances | (2,800) | - | (2,800) |
| Deferred tax liabilities | | | |
| Fair value gain on investment property | 952,300 | 120,100 | 1,072,400 |

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 where the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are : -

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 RM** | 2014 RM | **2015 RM** | 2014 RM |
| Deferred tax assets | **(162,000)** | (240,000) | **(2,000)** | (2,800) |
| Deferred tax liabilities | **1,777,317** | 1,914,187 | **1,196,000** | 1,072,400 |
| | **1,615,317** | 1,674,187 | **1,194,000** | 1,069,600 |

## 20 . Borrowings

| | Group 2015 RM | 2014 RM |
|---|---|---|
| *Non-current liabilities* | | |
| Secured | | |
| Term loan | **3,899,871** | 4,277,430 |
| Finance lease liabilities | **2,402,291** | 1,879,872 |
| | **6,302,162** | 6,157,302 |
| *Current liabilities* | | |
| Secured | | |
| Bank overdrafts | **1,963,398** | 1,979,332 |
| Bill payables | **344,928** | - |
| Term loan | **627,648** | 627,648 |
| Finance lease liabilities | **566,431** | 443,070 |
| | **3,502,405** | 3,050,050 |
| *Total borrowings* | | |
| Secured | | |
| Bank overdrafts (Note 21) | **1,963,398** | 1,979,332 |
| Bill payables (Note 21) | **344,928** | - |
| Term loan (Note 22) | **4,527,519** | 4,905,078 |
| Finance lease liabilities (Note 23) | **2,968,722** | 2,322,942 |
| | **9,804,567** | 9,207,352 |

Effective interest rates per annum on the borrowings of the Group and of the Company are as follows : -

| | Group 2015 % | 2014 % |
|---|---|---|
| Bank overdrafts | **7.85** | 7.85 |
| Bill payables | **7.85** | - |
| Term loan | **4.95** | 4.95 |
| Finance lease liabilities | **2.41 - 7.84** | 2.50 - 7.84 |

## 21 . Bank overdrafts and bill payables

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Secured | | |
| Bank overdraft | **1,963,398** | 1,979,332 |
| Bill payables | **344,928** | - |
| | **2,308,326** | 1,979,332 |

**Group**

The bank overdrafts and bill payables are secured by the following : -

i) Corporate guarantee by the Company;

ii) fixed deposits of the Companyof RM3,103,892 (2014 – RM3,007,767).

At the reporting date, the Group have unutilised bank overdrafts facilities of RM741,602(2014 – RM725,668).

## 22 . Term loan

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Secured | | |
| Term loan | **4,527,519** | 4,905,078 |

| | 2015 RM | 2014 RM |
|---|---|---|
| Repayable as follows : - | | |
| Non-current liabilities | | |
| - later than one year and not later than two years | **627,648** | 627,648 |
| - later than two years and not later than five years | **1,882,944** | 1,882,944 |
| - later than five years | **1,389,279** | 1,766,838 |
| | **3,899,871** | 4,277,430 |
| Current liabilities | | |
| - not later than one year | **627,648** | 627,648 |
| | **4,527,519** | 4,905,078 |

The term loan is secured by the following : -

i) corporate guarantee by the Company;

ii) fixed deposit of subsidiary company of RM157,170 together with all interest accruing from time to time in respect of the fixed deposit;

iii) legal charge over the freehold office building of the Company and assignment of rental income from the building.

The term loan is repayable by 120 equal monthly instalments of RM52,304.

## 23 . Finance lease liabilities

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Minimum lease payments : - | | |
| - not later than one year | **841,344** | 525,437 |
| - later than one year and not later than two years | **841,332** | 525,437 |
| - later than two year and not later than five years | **1,735,833** | 1,254,567 |
| - later than five years | **-** | 267,891 |
| | **3,418,509** | 2,573,332 |
| Less : Future interest charges | **(449,787)** | (250,390) |
| Present value of lease payments | **2,968,722** | 2,322,942 |

## 23 . Finance lease liabilities (Cont'd.)

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Repayable as follows : - | | |
| Non-current liabilities | | |
| - later than one year and not later than two years | **583,488** | 460,141 |
| - later than two year and not later than five years | **1,818,803** | 865,344 |
| - later than five years | **-** | 554,387 |
| | **2,402,291** | 1,879,872 |
| Current liabilities | | |
| - not later than one year | **566,431** | 443,070 |
| | **2,968,722** | 2,322,942 |

Included in the Group's finance lease liabilities are : -

i) rental of equipment under finance leases expiring for an average of 5 years.The Group has the option to purchase the equipment for a nominal amount at the end of the lease terms.The Group's obligations under finance leases are secured by the lessors' title to leased assets.

ii) purchase of motor vehicles. The remaining finance lease terms are range from 3 to 5 years as at 31st December 2015. Implicit interest rates of the finance lease are fixed at the inception of the finance lease arrangements, and the finance lease instalments are fixed throughout the finance lease period. The Group has the option to purchase the assets at the end of the agreements.There are no significant restriction clauses imposed on the finance lease arrangements.

## 24. Trade payables

Group

Included in trade payables is an amount of RM2,303,660 (2014 – Nil) due to a non-controlling corporate shareholder of a subsidiary company.

The credit terms of trade payables range from immediate payment to 60 days. However, the terms may vary upon negotiation with the trade payables.

The foreign currency exposure of trade payables of the Group is as follows : -

| | **2015** | 2014 |
|---|---|---|
| | **RM** | RM |
| US Dollar | **857,622** | 102,217 |

## 25 . Other payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Other payables | **5,308,260** | 2,097,607 | **92,845** | 160,200 |
| Accruals | **1,616,219** | 5,637,027 | **142,813** | 34,652 |
| Other deposits | **275,157** | 1,266,214 | **-** | - |
| Contingent consideration | **5,008,000** | 5,008,000 | **5,008,000** | 5,008,000 |
| | **12,207,636** | 14,008,848 | **5,243,658** | 5,202,852 |

Group

Included in other payables is an amount of RM3,845,301 (2014 – Nil) due to a non-controlling corporate shareholder of a subsidiary company.

Group and Company

Included in accruals is accrued directors' fees of RM8,000(2014 – RM8,000).

Contingent consideration

In May 2014, the Company completed a business combination in which the Company agreed to pay additional contingent consideration to the vendor of shares in Digital Paper Sdn. Bhd. (DPSB) for an amount of up to RM10,000,000 based on a formula which considers the financial performance of the acquiree, Digital Paper Solutions Sdn. Bhd. (DPSSB) for the financial year ended 31st December 2014. An amount of RM5,008,000 has been accrued and will be adjusted only upon the final payment, if any, of the contingent consideration in year 2015. Given the actual financial performance of DPSSB as at year ended 31st December 2014, the maximum amount payable is approximately RM5,008,000. (Note 45(b))

## 26 . Revenue

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Click and rental charges | **15,254,760** | 8,670,903 |
| Consultancy and training fess | **51,000** | - |
| Professional design fee | **27,766** | 73,854 |
| Renovation contracts | **756,414** | 452,307 |
| Sales of computer hardware and software | **896,346** | 32,553,003 |
| Sales of kitchen appliances | **8,257,660** | 2,954,229 |
| Sales of multi function printers | **5,513,257** | 4,002,801 |
| Sales - others | **1,104,606** | 1,085,757 |
| Service and maintenance fee | **6,627,945** | 7,685,155 |
| Sales return | **(110,365)** | (30,009) |
| Discount allowed | **(9,209)** | (10,975) |
| | **38,370,180** | 57,437,025 |

## 27 . Other income

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Bad debts recovered | **700** | - | **-** | - |
| Interest income | | | | |
| - fixed deposits | **212,149** | 58,592 | **133,000** | 15,814 |
| - subsidiary companies | **-** | - | **171,903** | 15,984 |
| - others | **37,146** | 374,778 | **37,146** | 332,900 |
| Fair value adjustment on trade and other payable | **-** | 34,502 | **-** | - |
| Fair value adjustment on investment property | **500,000** | 500,000 | **500,000** | 500,000 |
| Gain on disposal of subsidiary company | **2,005,993** | - | **-** | - |
| Rental income receivable from | | | | |
| - third party | **254,786** | 638,262 | **-** | 628,680 |
| - subsidiary companies | **-** | - | **185,064** | 185,064 |
| - associated company | **36,000** | 21,000 | **-** | - |
| Reversal of impairment loss on amount due from subsidiary companies | **-** | - | **519,316** | - |
| Sundry income | **49,783** | 89,092 | **-** | - |
| Unrealised gain on foreign exchange | **11,251** | - | **-** | - |
| Waiver of debts | **2,316,981** | - | **-** | - |
| | **5,424,789** | 1,716,226 | **1,546,429** | 1,678,442 |

## 28 . Loss before taxation

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2014 | 2015 |
| | RM | RM | RM | RM |
| Loss before tax is arrived at after charging : - | | | | |
| Auditors' remuneration | | | | |
| - Kreston John &Gan | | | | |
| - current year | 90,000 | 96,500 | 25 ,000 | 25,000 |
| - under /(over) provision in previousyear | (1,500) | (3,800) | - | 8,000 |
| - Other auditors | 30,000 | 30,000 | - | - |
| Amortisation of development expenditure | - | 437,137 | - | - |
| Bad debts written off | 24,190 | 300,002 | - | - |
| Depreciation of plant and equipment | 2,399,853 | 2,069,556 | 6,006 | 15,013 |
| Directors' remunerations | | | | |
| - The Company | 475,000 | 432 ,000 | 420,000 | 432 ,000 |
| - Subsidiary company | 200 ,000 | 224,000 | - | - |
| Employee benefits expense (Note 29 ) | 5,315,644 | 3,064,271 | 1,685,741 | 634,761 |
| Finance costs : - | | | | |
| - Bank overdrafts | 83,628 | 14,514 | - | - |
| - Bank guarantee commission | 5,774 | 12,856 | - | - |
| - Bill payables | 27,131 | 9,000 | - | - |
| - Finance lease | 145,481 | 51,919 | - | - |
| - Term loans | 250,094 | 69,079 | - | - |
| Impairment losses on : - | | | | |
| - Amount due from associated company | 162,764 | 2,005 | 18 | 2,005 |
| - Amount due from subsidiary companies | - | - | 3,164,544 | 4,631,165 |
| - Goodwill on consolidation | 650,000 | 500,000 | - | - |
| - Inventories | 572,990 | - | - | - |
| - Investment in an associated company | - | 92,015 | 46,127 | 92,015 |
| - Investment in subsidiary companies | - | - | 12,090,839 | 1,328,000 |
| - Other investment | 359,999 | 300,000 | 149,999 | - |
| - Other receivables | 3,987,171 | - | 47,413 | 24,091 |
| - Trade receivables | 397,586 | 285,000 | - | - |
| Lease rental | 3,696,151 | 2,590,695 | - | - |

## 28 . Loss before taxation (Cont'd.)

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Loss before tax is arrived at after charging : - | | | | |
| Loss on disposal of plant and equipment | 1,081 | - | - | - |
| Loss on foreign exchange : - | | | | |
| - Realised | 150,190 | 31,738 | - | - |
| - Unrealised | 41,922 | - | - | - |
| Plant and equipment written off | 29 | 4 | 21 | - |
| Rental expenses | 179,910 | 95,043 | - | - |
| Rental of equipment | 384,473 | 177,902 | 5,245 | 4,980 |
| Rental of premises | 1,558,862 | 986,444 | 215,220 | 215,220 |
| and after crediting : - | | | | |
| Bad debts recovered | 700 | - | - | - |
| Fair value adjustment | | | - | - |
| - investment property | 500,000 | 500,000 | 500,000 | 500,000 |
| - trade payables | - | 30,057 | - | - |
| - other payable and accruals | - | 4,445 | - | - |
| Gain on disposal of subsidiary company | 2,005,993 | 20,200 | - | - |
| Interest income : - | | | | |
| - Fixed deposits | 212,149 | 58,592 | 133,000 | 15,814 |
| - Subsidiary companies | - | - | 171,903 | 15,983 |
| - Others | 37,146 | 374,77 8 | 37,146 | 332,901 |
| Rental income receivable from : - | | | | |
| - Third party | 254,786 | 638,262 | - | 628,680 |
| - Subsidiary companies | - | - | 185,064 | 185,064 |
| - Associated company | 36,000 | 21,000 | - | - |
| Reversal of impairment loss on amount due from subsidiary companies | - | - | 519,316 | - |
| Unrealised gain on foreign exchange | 11,251 | - | - | - |
| Waiver of debts | 2,316,981 | - | - | - |

## 29 . Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Salaries, allowances and other emoluments | **2,810,382** | 1,712,354 | **558,227** | 553,277 |
| Employees Provident Fund | **426,626** | 257,663 | **68,276** | 65,556 |
| Social security costs | **33,354** | 11,167 | **3,842** | 3,680 |
| Other staff related expenses | **2,065,022** | 1,083,087 | **1,075,136** | 12,248 |
| | **5,335,384** | 3,064,271 | **1,705,481** | 634,761 |

Included in employee benefits expense of the Group and of the Company are directors' emoluments amounting to RM352,570(2014 – RM290,597) and RM290,420 (2014 – RM290,597) respectively as disclosed in Note 30.

## 30 . Directors' remuneration

| | Gorup | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Directors of the Company | | | | |
| Executive directors | | | | |
| - Fees | **60,000** | - | **60,000** | - |
| - Other emoluments | **235,000** | 180,000 | **180,000** | 180,000 |
| - EPF contributions | **28,750** | 21,600 | **21,600** | 21,600 |
| - Social security cost | **568** | - | **-** | - |
| Non-executive directors | | | | |
| - Fees | **96,000** | 168,000 | **96,000** | 168,000 |
| - Other emoluments | **84,000** | 84,000 | **84,000** | 84,000 |
| - EPF Contributions | **4,200** | 4,200 | **4,200** | 4,200 |
| - Social security cost | **620** | 797 | **620** | 797 |
| | **509,138** | 458,597 | **446,420** | 458,597 |
| Total excluding benefits-in-kind | **509,138** | 458,597 | **446,420** | 458,597 |
| Directors of a subsidiary company | | | | |
| Executive directors | | | | |
| - Fees | **200,000** | 224,000 | **-** | - |
| Total excluding benefits-in-kind | **200,000** | 224,000 | **-** | - |

The number of directors of the Company and the subsidiary companies whose total remuneration during the year fell within the following bands is analysedas below : -

| | Number of directors | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 2015 | 2014 | 2015 | 2014 |
| Directors of the Company | | | | |
| Executive directors : - | | | | |
| - RM100,001 - RM200,000 | 2 | 1 | 1 | 1 |
| Non - Executive directors : - | | | | |
| - Below RM50,000 | 2 | 2 | 2 | 2 |
| - RM50,001 – RM100,000 | 1 | 2 | 2 | 2 |
| Directors of a subsidiary company | | | | |
| Executive directors : - | | | | |
| - Below RM100,000 | 2 | - | - | - |
| - RM100,001 - RM200,000 | - | 2 | - | - |

## 31 . Income tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Income tax | | | | |
| - current year provision | **284,011** | 609,624 | **-** | 10,000 |
| - (Over) /underprovision in previous year | **669** | 24,146 | **2,548** | 19,035 |
| | **284,680** | 633,770 | **2,548** | 29,035 |
| Deferred taxation (Note 19) | **(58,870)** | (131,458) | **124,400** | 120,100 |
| | **225,810** | 502,312 | **126,948** | 149,135 |

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **%** | % | **%** | % |
| Applicable tax rate | **(25)** | (25) | **(25)** | (25) |
| Deferred tax assets not recognised | **11** | 7 | **-** | - |
| Depreciation on non-qualifying assets | **1** | - | **-** | - |
| Non-allowable expenses | **30** | 32 | **26** | 27 |
| Non-taxable income | **(14)** | - | **-** | - |
| Underprovision of taxation in previous year | **-** | 1 | **-** | - |
| Effective tax rate | **3** | 15 | **1** | 2 |

Unabsorbed tax losses and capital allowances of the Group which are available to set-off against future chargeable income for which the tax effects have not been recognised in the financial statements are shown below : -

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | RM | RM |
| Unabsorbed tax losses | 8,272,000 | 11,815,000 |
| Unabsorbed capital allowances | 566,000 | 5,974,000 |

The potential deferred tax benefits that have not been accounted for in the financial statements are as follows : -

| Group | Unabsorbed tax losses | Unabsorbed capital allowances | Development expenditure | Accelerated capital allowances | Total |
|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance at 1st January 2014 | 2,567 | 1,306 | (148) | (12) | 3,713 |
| Arising /(Utilised) during the year | 250 | 127 | 106 | (133) | 350 |
| Balance at 31st December 2014 | 2,817 | 1,433 | (42) | (145) | 4,063 |
| Arising /(Utilised) during the year | (832) | (1,297) | 42 | 78 | (2,009) |
| Balance at 31st December 2015 | 1,985 | 136 | - | (67) | 2,054 |

No deferred tax asset has been recognised as the Group is unable to ascertain whether it is probable that taxable profit of the subsidiary companies will be available against which the deductible temporary differences can be utilised.

## 32. Loss per share

***Basic :***

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

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Loss for the year attributable to ordinary equity holders of the Company | **(9,203,003)** | (4,282,485) |
| | Number of shares | |
| Weighted average number of ordinary shares in issue | **580,800,000** | 580,800,000 |
| Basic loss per share (sen) | **(1.60)** | (0.80) |

***Diluted :***

The diluted loss per share has not been presented as the average market price of ordinary shares of the Company is lower than the exercise price for the conversion of the warrants to ordinary shares. The effect would be anti-dilutive to the loss per share.

## 33 . Employee benefits

*Share-based payments arrangements*

On 23th October 2015, the Group granted share options to qualified key management personnel to purchase shares in the Company under the Share Issuance Scheme approved by the shareholders of the Company on 10th April 2015. The fair value of the share options is measured using "Trinomial" pricing model with following inputs and assumptions : -

Fair value of share options and assumptions

| | |
|---|---|
| Fair value at grant date (RM) | 0.0093 |
| Weighted average share price (RM) | 0.045 |
| Share price at grant date (RM) | 0.045 |
| Expected volatility (weighted average volatility) | 10% |
| Option life (expected weighted average life) | 5 years |
| Risk-free interest rate (based on Malaysian government bonds) | 4.2% |

| | Group and Company | |
|---|---|---|
| | **2015** | 2014 |
| Value of employee services received for issue of share options | **RM** | RM |
| Share options granted in 2015 | **1,053,280** | - |

Share options granted in 2015 represents total expense recognised as share-based payments.

## 34 . Disposal of subsidiary company

On 11th June 2015, the Company entered into a Shares Sale and Purchase Agreement with 2 individuals for the disposal of the entire 5,500,000 shares of RM1.00 each fully paid in NGC Systems Sdn. Bhd., a wholly-owned subsidiary company of the Company.

The effect of the disposal on the financial results of the Group during the financial year is minimal and no impact to the Group.

The effect of the disposal on the financial position of the Group is as follows : -

| | 2015 RM |
|---|---|
| Plant and equipment | 5,603 |
| Development expenditure | 177,808 |
| Cash and bank balances | 5,925 |
| Trade payables | (376,693) |
| Other payables and accruals | (105,755) |
| Amount due to related companies | (1,712,880) |
| Net assets disposed | (2,005,992) |

The effect of the disposal on the cash flows of the Group during the financial year is as follows :

| | 2015 RM |
|---|---|
| Plant and equipment | 5,603 |
| Development expenditure | 177,808 |
| Cash and bank balances | 5,925 |
| Trade payables | (376,693) |
| Other payables and accruals | (105,755) |
| Amount due to related companies | (1,712,880) |
| Net liabilities disposed | (2,005,992) |
| Gain on disposal | 2,005,993 |
| Total cash consideration from disposal | 1 |
| Less : Cash and cash equivalent of subsidiaries | (5,925) |
| Proceeds from disposal, net of cash and cash equivalent | (5,924) |

## 35 . Purchase of plant and equipment

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Purchase of plant and equipment (Note 4) | 1,576,609 | 6,941,108 | 11,983 | 9,519 |
| Financed by finance lease arrangements | (1,109,205) | (1,460,000) | - | - |
| Reclassified from other receivable | - | (200,000) | - | - |
| Cash payments on purchase of plant and equipment | 467,404 | 5,281,108 | 11,983 | 9,519 |

## 36 . Purchase of investment properties

During the financial year, the Group made the following cash payments to purchase investment properties : -

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Purchase of investment properties (buildings in progress) | **1,824,366** | - |

## 37 . Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following statements of financial position amounts : -

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Deposits with licensed banks (Note 15) | **5,668,315** | 4,420,392 | **4,366,934** | 3,007,767 |
| Less : Pledged deposits | **(5,668,315)** | (4,270,392) | **(4,366,934)** | (3,007,767) |
| | **-** | 150,000 | **-** | - |
| Cash and bank balances | **2,507,684** | 10,840,324 | **654,572** | 3,103,089 |
| Bank overdrafts (Note 20) | **(1,963,398)** | (1,979,332) | **-** | - |
| | **544,286** | 9,010,992 | **654,572** | 3,103,089 |

## 38 . Segment information

The Group has two reportable segments, as described below, which are the Group’s strategic business units. The strategic business units offer different products and services, and are managed separately because they require different corporate and marketing strategies. For each of the strategic business units, the Group’s Chief Executive Officer (the chief operating decision maker) reviews internal management reports at the least on quarterly basis.The following summary describes the operations in each of the Group‟s reportable segments : -

- Information communication technology (ICT) and related activities — Provision of comprehensive range of ICT and other information technology related services including trading of hardware and software, rental equipment and related services.
- Kitchen appliances — Provision of distributing and reselling of kitchen appliances and related services.

Other non-reportable segments comprise operations related to architectural and 3D interior design and image consultants’ services and investment holding. None of these segments met the quantitative thresholds for reporting segments in 2015.

The accounting policies of the reportable segments are the same as described in Note 3(t) to the financial statements.

There are varying levels of integration among the reportable segments. This integration includes transfers of raw materials, shared managed services and financial resources. Inter-segment pricing is determined on negotiated basis in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by Group’s Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

## 38 . Segment information (Cont'd.)

**Segment assets and liabilities**

The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director.

**Segment capital expenditure**

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

## 38 . Segment information (Cont'd.)

a) Business segment

| 2015 | Information communication technology (ICT) and related activities RM | Kitchen appliances RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers | 29,328,340 | 8,257,660 | 784,180 | | 38,370,180 |
| Inter-segment revenue | - | 41,932 | 1,138,120 | (1,180,052) | - |
| Total revenue | 29,328,340 | 8,299,592 | 1,922,300 | | 38,370,180 |
| **Results** | | | | | |
| Operating results | (6,165,567) | (2,259,696) | (15,227,712) | 16,209,148 | (7,443,827) |
| Interest income | 79,149 | - | 342,049 | (171,903) | 249,295 |
| Finance costs | (394,900) | (117,208) | - | | (512,108) |
| Profit before taxation | (6,481,318) | (2,376,904) | (14,885,663) | | (7,706,640) |
| Income tax expense | (119,362) | 20,500 | (126,948) | | (225,810) |
| Non-controlling interests | - | - | - | (1,270,553) | (1,270,553) |
| Profit for the year | (6,600,680) | (2,356,404) | (15,012,611) | | (9,203,003) |
| **Assets** | | | | | |
| Segment assets /Total assets | 27,836,753 | 4,379,432 | 40,779,688 | (8,189,940) | 64,805,933 |
| **Liabilities** | | | | | |
| Segment liabilities /Total liabilities | 27,189,965 | 3,640,222 | 15,016,890 | (15,335,227) | 30,511,850 |

## 38 . Segment information (Cont'd)

a) Business segment (Cont'd.)

| 2015 | Information communication technology (ICT) and related activities RM | Kitchen appliances RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Other information** | | | | | |
| Bad debt written off | **9,470** | **-** | **14,720** | | **24,190** |
| Depreciation of plant and equipment | **2,258,761** | **129,480** | **11,612** | | **2,399,853** |
| Plant and equipment written off | **7** | **-** | **22** | | **29** |
| Loss on disposal of plant and equipment | **-** | **-** | **1,081** | | **1,081** |
| Unrealised loss on foreign exchange | **41,922** | **-** | **-** | | **41,922** |
| Non-cash expenses | | | | | |
| Impairment losses | | | | | |
| - amount due from an associated company | **-** | **-** | **18** | **162,746** | **162,764** |
| - amount due from related companies | **162,746** | **-** | **-** | **(162,746)** | **-** |
| - amount due from subsidiary companies | **-** | **-** | **3,164,544** | **(3,164,544)** | **-** |
| - goodwill on consolidation | **-** | **-** | **-** | **650,000** | **650,000** |
| - inventories | **322,990** | **250,000** | **-** | | **572,990** |
| - investment in associated companies | **-** | **-** | **46,127** | **(46,127)** | **-** |
| - investment in subsidiaries companies | **-** | **-** | **12,090,839** | **(12,090,839)** | **-** |
| - other investments | **210,000** | **-** | **149,999** | | **359,999** |
| - other receivables | **3,939,758** | **-** | **47,413** | | **3,987,171** |
| - trade receivables | **350,000** | **47,586** | **-** | | **397,586** |

## 38 . Segment information (Cont'd.)

a) Business segment (Cont'd.)

| 2015 | Information communication technology (ICT) and related activities RM | Kitchen appliances RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Other information (Cont'd.)** | | | | | |
| Non-cash income (Cont'd.) | | | | | |
| Fair value adjustment | | | | | |
| - investment property | - | - | 500,000 | | 500,000 |
| Gain on disposal of subsidiary company | - | - | - | 2,005,993 | 2,005,993 |
| Reversal of impairment loss on amount due from subsidiary companies | - | - | 519,316 | (519,316) | - |
| Unrealised gain on foreign exchange | - | 11,251 | - | | 11,251 |
| Waiver of debts | 54,028 | - | 2,262,953 | | 2,316,981 |
| Included in the measure of segment assets are: | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 730,806 | 60,718 | 16,137,663 | 8,369,406 | 25,298,593 |

## 38 . Segment information (Cont'd)

a) Business segment (Cont'd.)

| 2014 | Information communication technology (ICT) and related activities RM | Kitchen appliances RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers | 53,990,725 | 2,920,139 | 526,161 | - | 57,437,025 |
| Inter-segment revenue | 20,000 | - | - | (20,000) | - |
| Total revenue | 54,010,725 | 2,920,139 | 526,161 | (20,000) | 57,437,025 |
| **Results** | | | | | |
| Operating results | (2,344,833) | (66,338) | (6,814,289) | 5,499,330 | (3,726,130) |
| Interest income | 80,038 | - | 369,316 | (15,983) | 433,371 |
| Finance costs | (147,239) | (26,112) | - | 15,983 | (157,368) |
| Profit before taxation | (2,412,034) | (92,450) | (6,444,973) | | (3,450,127) |
| Income tax expense | (332,831) | (20,346) | (149,135) | | (502,312) |
| Non-controlling interests | - | - | - | (330,046) | (330,046) |
| Profit for the year | (2,744,865) | (112,796) | (6,594,108) | | (4,282,485) |
| **Assets** | | | | | |
| Segment assets /Total assets | 42,997,237 | 9,776,709 | 54,558,438 | (32,870,982) | 74,461,402 |
| **Liabilities** | | | | | |
| Segment liabilities /Total liabilities | 45,872,063 | 7,681,097 | 15,027,985 | (35,101,320) | 33,479,825 |

## 38 . Segment information (Cont'd.)

a) Business segment (Cont'd.)

| 2014 | Information communication technology (ICT) and related activities RM | Kitchen appliances RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| Other information | | | | | |
| Amortisation of development expenditure | 437,137 | - | - | - | 437,137 |
| Depreciation of plant and equipment | 1,996,624 | 54,565 | 18,367 | - | 2,069,556 |
| Bad debt written off | 300,002 | - | - | - | 300,002 |
| Plant and equipment written off | 4 | - | - | - | 4 |
| Non-cash expenses | | | | | |
| Impairment losses | | | | | |
| - investment in subsidiary companies | 1,328,000 | - | - | (1,328,000) | - |
| - investment in club membership | 300,000 | - | - | - | 300,000 |
| - trade receivables | 285,000 | - | - | - | 285,000 |
| - amount due from subsidiaries | 4,655,256 | - | - | (4,655,256) | - |
| - amount due from associated companies | 2,005 | - | - | - | 2,005 |
| - amount due from related companies | 5,028 | - | - | (5,028) | - |
| Non-cash income | | | | | |
| Fair value adjustment | | | | | |
| - trade payables | 30,057 | - | - | - | 30,057 |
| - other payables | 4,445 | - | - | - | 4,445 |
| - investment property | - | - | 500,000 | - | 500,000 |
| Included in the measure of segment assets are: | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 8,975,212 | 90,311 | 9,482,312 | 9,025,221 | 27,573,056 |

## 38 . Segment information (Cont'd.)

a) Business segment (Cont'd.)

Additional to non-current assets, other than financial instruments and deferred tax assets, are as follows : -

| | Information communication technology (ICT) and related activities RM | Kitchen appliances RM | Others RM | Total RM |
|---|---|---|---|---|
| **2015** | | | | |
| Capital expenditure | **374,991** | **60,718** | **31,695** | **467,404** |
| Investment in associated company | **-** | **-** | **1** | **1** |
| Investment property | **-** | **-** | **14,028,966** | **14,028,966** |
| Other investment | **350,000** | **-** | **2,077,001** | **2,427,001** |
| Goodwill on consolidation | **4,404,848** | **3,641,592** | **328,781** | **8,375,221** |
| | **5,129,839** | **3,702,310** | **16,466,444** | **25,298,593** |
| 2014 | | | | |
| Capital expenditure | 5,164,485 | 90,311 | 26,312 | 5,281,108 |
| Investment in associated company | 46,127 | - | - | 46,127 |
| Investment property | - | - | 11,704,600 | 11,704,600 |
| Other investment | 560,000 | - | 956,000 | 1,516,000 |
| Goodwill on consolidation | 4,404,848 | 4,291,592 | 328,781 | 9,025,221 |
| | 10,175,460 | 4,381,903 | 13,015,693 | 27,573,056 |

In the previous financial year, the Group diversified into other industry which will provide another stream of revenue sources to reduce the Group's dependency on its existing business in the ICT industry.

b) Geographical segments

Segment information by geographical segment is not provided as the activities of the Group are located principally in Malaysia.

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue : -

| | Revenue | | Segment |
|---|---|---|---|
| | **2015 RM** | 2014 RM | |
| All common control companies of : - | | | |
| - Customer A | **4,063,122** | 19,925,822 | ICT |
| - Customer B | **-** | 9,554,758 | ICT |
| | **4,063,122** | 29,480,580 | |

## 39 . Financial instruments

a) Categories of financial instruments
The table below provides an analysis of financial instruments categorised as follows: -

i) Loans and receivables ("L&R");
ii) Available-for-sale financial assets ("AFS");
iii) Financial liabilities measured at amortised cost ("FL").

| Group | Carrying amount RM | L&R RM | AFS RM | FL RM |
|---|---|---|---|---|
| **2015** | | | | |
| **Financial assets** | | | | |
| Other investments | **2,427,001** | **-** | **2,427,001** | **-** |
| Trade receivables | **13,705,491** | **13,705,491** | **-** | **-** |
| Other receivables | **383,808** | **383,808** | **-** | **-** |
| Deposits with licensed banks | **5,668,315** | **5,668,315** | **-** | **-** |
| Cash and bank balances | **2,507,684** | **2,507,684** | **-** | **-** |
| | **24,692,299** | **22,265,298** | **2,427,001** | **-** |
| **Financial liabilities** | | | | |
| Trade payables | **(6,884,330)** | **-** | **-** | **(6,884,330)** |
| Other payables and accruals | **(12,207,636)** | **-** | **-** | **(12,207,636)** |
| Bank overdrafts | **(1,963,398)** | **-** | **-** | **(1,963,398)** |
| Bill payables | **(344,928)** | **-** | **-** | **(344,928)** |
| Term loan | **(4,527,519)** | **-** | **-** | **(4,527,519)** |
| Finance lease liabilities | **(2,968,722)** | **-** | **-** | **(2,968,722)** |
| | **(28,896,533)** | **-** | **-** | **(28,896,533)** |

| Group | | | | |
|---|---|---|---|---|
| 2014 | | | | |
| **Financial assets** | | | | |
| Other investment | 1,516,000 | - | 1,516,000 | - |
| Trade receivables | 12,318,278 | 12,318,278 | - | - |
| Other receivables | 2,954,208 | 2,954,208 | - | - |
| Deposits with licensed banks | 4,420,392 | 4,420,392 | - | - |
| Cash and bank balances | 10,840,324 | 10,840,324 | - | - |
| | 32,049,202 | 30,533,202 | 1,516,000 | - |
| **Financial liabilities** | | | | |
| Trade payables | (8,388,690) | - | - | (8,388,690) |
| Other payables and accruals | (14,008,848) | - | - | (14,008,848) |
| Bank overdrafts | (1,979,332) | - | - | (1,979,332) |
| Term loan | (4,905,078) | - | - | (4,905,078) |
| Finance lease liabilities | (2,322,942) | - | - | (2,322,942) |
| | (31,604,890) | - | - | (31,604,890) |

## 39. Financial instrumentsn (Cont'd.)

a) Categories of financial instruments (Cont'd.)

| | Carrying amount RM | L&R RM | AFS RM | FL RM |
|---|---|---|---|---|
| Company | | | | |
| **2015** | | | | |
| **Financial assets** | | | | |
| Other investments | **2,077,001** | **-** | **2,077,001** | **-** |
| Other receivables | **23,230** | **23,230** | **-** | **-** |
| Amount due from subsidiary companies | **8,393,836** | **8,393,836** | **-** | **-** |
| Deposits with licensed banks | **4,366,934** | **4,366,934** | **-** | **-** |
| Cash and bank balances | **654,572** | **654,572** | **-** | **-** |
| | **15,515,573** | **13,438,572** | **2,077,001** | **-** |
| **Financial liabilities** | | | | |
| Other payables and accruals | **(5,243,658)** | **-** | **-** | **(5,243,658)** |
| Amount due to a subsidiary company | **(1,153,326)** | **-** | **-** | **(1,153,326)** |
| | **(6,396,984)** | **-** | **-** | **(6,396,984)** |
| Company | | | | |
| **2014** | | | | |
| **Financial assets** | | | | |
| Other investments | 956,000 | - | 956,000 | - |
| Other receivables | 8,047 | 8,047 | - | - |
| Amount due from subsidiary companies | 13,651,395 | 13,651,395 | - | - |
| Deposits with licensed banks | 3,007,767 | 3,007,767 | - | - |
| Cash and bank balances | 3,103,089 | 3,103,089 | - | - |
| | 20,726,298 | 19,770,298 | 956,000 | - |
| **Financial liabilities** | | | | |
| Other payables and accruals | (5,202,852) | - | - | (5,202,852) |
| Amount due to a subsidiary company | (1,250,783) | - | - | (1,250,783) |
| | (6,453,635) | - | - | (6,453,635) |

b) Net gain and losses arising from financial instruments

| | Group 2015 | Group 2014 |
|---|---|---|
| Net gain on : | | |
| Financial liabilities measured at amortised cost | **-** | RM34,502 |

c) Financial risk management

The Group has exposure to the following risks from its use of financial instruments: -

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

## 39. Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantee given to banks for credit facilities granted to the Company and a subsidiary company.

Receivables

*Risk management objectives, policies and processes for managing the risk*
The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

*Exposure to credit risk, credit quality and collateral*
As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The following shows the total amount due from the top ten (10) major customers as at the reporting date, which represents more than 62% (2014 - 62%) of the total trade receivables.

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| Trade receivables | **RM8,471,193** | RM7,638,440 |

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group.The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was : -

| Group | Gross RM | Individual impairment RM | Collective impairment RM | Net RM |
|---|---|---|---|---|
| **2015** | | | | |
| Not past due | **1,207,987** | **-** | **-** | **1,207,987** |
| Past due 1-30 days | **2,731,669** | **-** | **(3,377)** | **2,728,292** |
| Past due over 30 days | **12,251,412** | **(2,721,557)** | **(13,623)** | **9,516,232** |
| | **16,191,068** | **(2,721,557)** | **(17,000)** | **13,452,511** |
| 2014 | | | | |
| Not past due | 6,756,945 | - | - | 6,756,945 |
| Past due 1-30 days | 917,300 | - | - | 917,300 |
| Past due over 30 days | 5,134,917 | (597,133) | - | 4,537,784 |
| | 12,809,162 | (597,133) | - | 12,212,029 |

## 39. Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd)

Receivables (Cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Inter–company loans and advances

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the results of the subsidiary companies regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiary companies are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

However, these advances have been overdue and being impaired. The movement in the allowances for impairment of amount due from subsidiary companies during the financial year were : -

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| At beginning of the financial year | **4,804,674** | 173,509 |
| Impairment losses recognised | **3,164,544** | 4,631,165 |
| Amount received and reversed | **(519,316)** | - |
| At the end of the financial year | **7,449,902** | 4,804,674 |

Financial guarantees

*Risk management objectives, policies and processes for managing the risk*

The Company provides financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk is RM9,517,410(2014 - RM8,862,500) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

## 39. Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

## 39. Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk (Cont'd.)

*Maturity analysis*

The table below summarises 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 : -

| Group | Carrying amount RM | Effective interest rate % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade payables | **6,884,330** | **-** | **6,884,330** | **6,884,330** | **-** | **-** | **-** |
| Other payables and accruals | **12,207,636** | **-** | **12,207,636** | **12,207,636** | **-** | **-** | **-** |
| Bank overdrafts | **1,963,398** | **7.85** | **1,963,398** | **1,963,398** | **-** | **-** | **-** |
| Bill payables | **344,928** | **7.85** | **372,005** | **372,005** | **-** | **-** | **-** |
| Term loan | **4,527,519** | **4.95** | **5,491,920** | **627,648** | **627,648** | **1,882,944** | **2,353,680** |
| Finance lease liabilities | **2,968,722** | **2.41-7.84** | **3,418,509** | **841,344** | **841,332** | **1,735,833** | **-** |
| | **28,896,533** | | **30,337,798** | **22,896,361** | **1,468,980** | **3,618,777** | **2,353,680** |
| 2014 | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade payables | 8,388,690 | - | 8,388,690 | 8,388,690 | - | - | - |
| Other payables and accruals | 14,008,848 | - | 14,008,848 | 14,008,848 | - | - | - |
| Bank overdrafts | 1,979,332 | 7.85 | 1,979,332 | 1,979,332 | - | - | - |
| Term loan | 4,905,078 | 4.95 | 6,119,568 | 627,648 | 627,648 | 1,882,944 | 2,981,328 |
| Finance lease liabilities | 2,322,942 | 2.50-7.84 | 2,573,332 | 525,437 | 525,437 | 1,254,567 | 267,891 |
| | 31,604,890 | | 33,069,770 | 25,529,955 | 1,153,085 | 3,137,511 | 3,249,219 |

## 39. Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk (Cont'd.)

Maturity analysis (Cont'd.)

| Company | Carrying amount RM | Effective interest rate % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Other payables and accruals | **5,243,658** | - | **5,243,658** | **5,243,658** | - | - | - |
| Amount due to a subsidiary company | **1,153,326** | - | **1,153,326** | **1,153,326** | - | - | - |
| | **6,396,984** | | **6,396,984** | **6,396,984** | - | - | - |
| 2014 | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Other payables and accruals | 5,202,852 | - | 5,202,852 | 5,202,852 | - | - | - |
| Amount due to a subsidiary company | 1,250,783 | - | 1,250,783 | 1,250,783 | - | - | - |
| | 6,453,635 | | 6,453,635 | 6,453,635 | - | - | - |

## 39 . Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that aredenominated in a currency other than the respective functional currency of Group entities. The currency giving rise to this risk was primarily U.S. Dollar ("USD") and EURO ("EUR").

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was : -

| Group | **2015 RM** | 2014 RM |
|---|---|---|
| Denominated in US Dollar | | |
| *Balance recognised in the statement of financial position* | | |
| Trade receivables | **116,821** | - |
| Other receivables, deposits and prepayments | **131,278** | - |
| Trade payables | **(857,622)** | (102,217) |
| | **(609,523)** | (102,217) |
| Denominated in EURO | | |
| *Balance recognised in the statement of financial position* | | |
| Other receivables, deposits and prepayments | **109,066** | - |

*Currency risk sensitivity analysis*

A 5% strengthening of RM against the following currency at the end of the reporting period would have increased / (decreased) equity and post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

| | **2015** | | 2014 | |
|---|---|---|---|---|
| Group | **Equity RM** | **Loss for the year RM** | Equity RM | Loss for the year RM |
| USD | **(30,476)** | **(30,476)** | (5,111) | (5,111) |
| EUR | **5,453** | **5,453** | - | - |
| | **(25,023)** | **(25,023)** | (5,111) | (5,111) |

A 5% of weakening of RM against the above foreign currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amount shown above, on the basis that all other variables remained constant.

## 39 . Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

iii) Market risk (Cont'd)

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rate. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short term investment such as deposits with licensed bank are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

*Exposure to interestrate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

| Group | **2015 RM** | **Effective Interest rate %** | 2014 RM | Effective Interest rate % |
|---|---|---|---|---|
| **Fixed rate instruments** | | | | |
| Deposits with licensed banks | **5,668,315** | **3.05 - 3.15** | 4,420,392 | 3.00 - 3.15 |
| Finance leases liabilities | **(2,968,722)** | **2.41 - 7.84** | (2,322,942) | 2.50 - 7.84 |
| Floating rate instruments | | | | |
| Bank overdraft | (1,963,398) | 7.85 | (1,979,332) | 7.85 |
| Bill payables | (344,928) | 7.85 | - | - |
| Term loan | (4,527,519) | 4.95 | (4,905,078) | 4.95 |
| Company | | | | |
| Fixed rate instruments | | | | |
| Deposits with a licensed bank | 4,366,934 | 3.05 - 3.15 | 3,007,767 | 3.00 - 3.15 |

*Interest rate risk sensitivity analysis : -*

Fair value sensitivity analysis for fixed rate instruments The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change on interest rates at the end of the reporting period would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM68,359 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

## 39 . Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

d) Fair value information

The carrying amounts of cash and cash equivalents, shot term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

## 39 . Financial instrumentsn (Cont'd.)

d) Fair value information (Cont'd.)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| Group | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | RM | RM |
| **2015** | | | | | | | | | | |
| **Financial asset** | | | | | | | | | | |
| Other investments | **-** | **-** | **2,427,001** | **2,427,001** | **-** | **-** | **-** | **-** | **2,427,001** | **2,427,001** |
| **Financial liabilities** | | | | | | | | | | |
| Bank overdraft | **-** | **-** | **-** | **-** | **-** | **-** | **1,687,983** | **1,687,983** | **1,687,983** | **1,963,398** |
| Bill payables | **-** | **-** | **-** | **-** | **-** | **-** | **296,543** | **296,543** | **296,543** | **344,928** |
| Term loans | **-** | **-** | **-** | **-** | **-** | **-** | **4,368,587** | **4,368,587** | **4,368,587** | **4,527,519** |
| Finance lease liabilities | **-** | **-** | **-** | **-** | **-** | **-** | **2,463,375** | **2,463,375** | **2,463,375** | **2,968,722** |
| | **-** | **-** | **-** | **-** | **-** | **-** | **8,816,488** | **8,816,488** | **8,816,488** | **9,804,567** |
| 2014 | | | | | | | | | | |
| **Financial asset** | | | | | | | | | | |
| Other investments | - | - | 1,516,000 | 1,516,000 | - | - | - | - | 1,516,000 | 1,516,000 |
| **Financial liabilities** | | | | | | | | | | |
| Trade payables | - | - | 375,712 | 375,712 | - | - | - | - | 375,712 | 375,712 |
| Other payables and accruals | - | - | 55,557 | 55,557 | - | - | - | - | 55,557 | 55,557 |
| Bank overdraft | - | - | - | - | - | - | 1,835,434 | 1,835,434 | 1,835,434 | 1,979,332 |
| Term loans | - | - | - | - | - | - | 4,760,553 | 4,760,553 | 4,760,553 | 4,905,078 |
| Finance lease liabilities | - | - | - | - | - | - | 2,212,043 | 2,212,043 | 2,212,043 | 2,322,942 |
| | - | - | 431,269 | 431,269 | - | - | 8,808,030 | 8,808,030 | 9,239,299 | 9,638,621 |

## 39 . Financial instrumentsn (Cont'd.)

d) Fair value information (Cont'd.)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| <u>Company</u> | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | RM | RM |
| **2015** | | | | | | | | | | |
| **Financial asset** | | | | | | | | | | |
| Other investments | **-** | **-** | **2,427,001** | **2,427,001** | **-** | **-** | **-** | **-** | **2,427,001** | **2,427,001** |
| 2014 | | | | | | | | | | |
| **Financial asset** | | | | | | | | | | |
| Other investments | - | - | 1,516,000 | 1,516,000 | - | - | - | - | 1,516,000 | 1,516,000 |

## 39 . Financial instrumentsn (Cont'd.)

d) Fair value information ( Cont'd.)

Level 3

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

i) Financial instruments carried at fair value

| Type | Description of valuation technique and inputs used | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Trade and other payables and accruals | The fair value is based on discounted estimated future cash flows | Interest rate (2014 – 8%) | The estimated fair value would increase (decrease) if the interest rate were (lower) higher. |

*Sensitivity analysis*

| | Profit or loss | | Other comprehensive income, net of tax | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| **2015** | RM | RM | RM | RM |
| Interest rate (1% movement) | - | - | - | - |
| 2014 | | | | |
| Interest rate (1% movement) | 4,000 | 4,000 | - | - |

ii) Financial instruments not carried at fair value

| Type | Description of valuation technique and inputs used |
|---|---|
| Bank borrowings | Discounted cash flows using a rate based on the current market rate of borrowings of the respective Group entities at the reporting date. |

Valuation process applied by the Group for Level 3 fair value

The Group has not established specific control framework in respect to the measurement of fair values of financial instruments. The fair value measurement is based on the management review and report to the board of director as and when necessary.

## 40 . Capital management

The primary objective of capital management is to ensure that an entity maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group and the Company manage its capital structure to safeguard its ability to continue as a going concern in order to maintain investors, creditors and market confidence and to sustain future business development.

The Group and the Company monitor capital using a gearing ratio, which is derived by dividing the amount of borrowings over equity. The Group's and the Company's policy is to keep the gearing ratio within manageable ratio.

The gearing ratio of the Group and the Company at the end of the reporting period is as follows : -

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Total interest bearing borrowings | **9,804,567** | 9,207,352 | **-** | - |
| Total equity attributable to owners of the Company | **32,972,410** | 41,310,338 | **27,682,695** | 43,751,002 |
| Gearing ratio | **0.30** | 0.22 | **-** | - |

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The capital management at Group level is the shareholder' funds as shown in the statement of financial position.

## 41 . Commitments

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| i) **Capital expenditure** | | |
| - Contracted but not provided for | **4,127,034** | 5,951,400 |
| ii) **Non-cancellable operating lease commitments** | | |
| Future minimum rentals payable : | | |
| - Not later than one year | **1,217,662** | 1,217,662 |
| - Later than one year but not later than five years | **465,830** | 1,683,492 |
| | **1,683,492** | 2,901,154 |

The Group leases an office lot under operating leases.The lease typically run for a period of 3 years, with option to renew the lease after that date.

Lease rental recognised as an expense during the financial year are amounted to RM1,217,662 (2014 – RM967,051).

## 42 . Contingent liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Unsecured | | | | |
| Corporate guarantees issued to banks for hire purchase facility granted to a subsidiary company | **-** | - | **1,150,000** | 1,150,000 |
| Secured | | | | |
| Bankers' guarantees issued in favour of third parties by a licensed bank secured by way of earmarking current account against issuance of Bankers' guarantee. | **86,481** | 5,000 | **-** | - |
| Bank guarantees issued in favour of third parties by a licensed bank secured by the deposits pledged to the licensed bank | **228,000** | 857,500 | **-** | - |
| Fixed deposit pledged to bank for credit facilities granted to subsidiary companies | **4,099,950** | 3,000,000 | **4,099,950** | 3,000,000 |
| Investment property pledged to a bank for bank facilities granted to a subsidiary company | **5,000,000** | 5,000,000 | **5,000,000** | 5,000,000 |
| Letter of credits issued in favour of third parties | **102,979** | - | **-** | - |
| | **9,517,410** | 8,862,500 | **9,099,950** | 8,000,000 |

The foreign currency exposures of letter of credits of the Group are as follows : -

| | 2015 | 2014 |
|---|---|---|
| Letter of credits | | |
| US Dollar | RM102,979 | - |

## 43 . Related parties

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of the senior management of the Group.

The Group has related party relationship with its subsidiary companies, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are show below. The related party balances are shown in Note11, 13, 14, 24 and 25.

a) Related party/companies transactions : -

i) Transactions with subsidiary companies : -

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Rental of premise | | |
| - Key Alliance Sdn. Bhd. | **99,996** | 99,996 |
| - DVM Innovate Sdn. Bhd. | **73,152** | 73,152 |
| - Design Dept Sdn. Bhd. | **11,916** | 11,916 |

ii) Transaction with an associated company : -

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Rental of premise | | |
| - DVM Allsportz Asia Sdn. Bhd. | **36,000** | 21,000 |

iii) Transaction with a non-controlling corporate shareholder of a subsidiary company : -

| | Group and Company | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Rental of equipment | | |
| - Digital Paper Sdn. Bhd. | **3,445** | 3,180 |

iv) Transaction with a company director : -

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Sale of kitchen appliances | | |
| - Roy Ho Yew Kee | **4,634** | - |

## 43 . Related parties (Cont'd.)

Significant related party transactions (Cont'd.)

b) Compensation of key management personnel

The remuneration paid by the Group and Company to key management personnel during the year are as follows : -

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Short-term employee benefits | **676,188** | 656,797 | **420,620** | 432,797 |
| Post-employment benefits : - | | | | |
| - Defined contribution plan | | | | |
| - EPF | **32,950** | 25,800 | **25,800** | 25,800 |
| | **709,138** | 682,597 | **446,420** | 458,597 |

Included in the total key management personnel are : -

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Directors' remuneration (Note 31) | | | | |
| - Directors of the Company | **509,138** | 458,597 | **446,420** | 458,597 |
| - Directors of the subsidiary companies | **200,000** | 224,000 | **-** | - |
| | **709,138** | 682,597 | **446,420** | 458,597 |

## 44 . Acquisition of subsidiary and non-controlling interests

i) Acquisition of non-controlling interest – Design Dept Sdn. Bhd.

On 16th January 2014, the Company acquired an additional 50% interest in Design Dept Sdn. Bhd. ("DDSB") for RM1 in cash increasing its ownership from 50% to 100%.

The effects to the result of the Group for the financial year and effects had the acquisition taken effect at the beginning of the financial year are not material.

Following the acquisition of the remaining 50% equity interest in DDSB, the subsidiary increased its issued and paid-up share capital by additional 199,998 ordinary shares which was fully subscribed by the Company at cash of RM199,998.

ii) Acquisition of subsidiary – Precious Essence Sdn. Bhd.

On 3rd April 2014, the Company entered into an agreement with two individuals to acquire 2 shares in Precious Essence Sdn. Bhd. ("PESB") which represent the entire equity interest in PESB at a total consideration of RM328,002.

## 44 . Acquisition of subsidiary and non-controlling interests (Cont'd.)

ii) Acquisition of subsidiary – Precious Essence Sdn. Bhd. (Cont'd.)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date : -

Fair value of consideration transferred

| | Group 2014 |
|---|---|
| Cash and cash equivalents | RM328,002 |

Identifiable assets acquired and liabilities assumed

| | Group 2014 RM |
|---|---|
| Cash and cash equivalents | 21 |
| Liabilities | (800) |
| Total net assets acquired | (779) |

Net cash outflow arising from acquisition of subsidiary

| | Group 2014 RM |
|---|---|
| Purchase consideration settled in cash and cash equivalents | 328,002 |
| Cash and cash equivalents | (21) |
| | 327,981 |

Goodwill was recognised as a result of the acquisition as follows : -

| | Group 2014 RM |
|---|---|
| Total consideration transferred | 328,002 |
| Fair value of identifiable net assets | 779 |
| | 328,781 |

## 44 . Acquisition of subsidiary and non-controlling interests (Cont'd.)

iii) Acquisition of subsidiary – Digital Paper Solutions Sdn. Bhd.

On 5th May 2014, the Company entered into an agreement with Digital Paper Sdn. Bhd.("DPSB") to acquire 153,000 shares in its subsidiary, Digital Paper Solutions Sdn. Bhd.("DPSSB") representing the 51% of the entire issued and paid up capital of DPSSB for a total consideration of RM257,036. DPSSB, a company incorporated in Malaysia and principally engaged in trading and rental of office equipments. In the seven months to 31st December 2014, the subsidiary contributed revenue of RM13,752,567 and profit of RM668,343. If the acquisition had occurred on 1st January 2014, management estimates that consolidated revenue would have been RM22,471,819 and consolidation profit for the financial year would have been RM1,636,844. In determining these amounts, management has assumed that the fair value adjustments, determining provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1st January 2014.

<u>Contingent consideration arrangement</u>

As part of the sale and purchase agreement with the DPSB, a portion of the purchase consideration for the DPPSB acquisition is subject to the following arrangement and considered to be a contingent consideration : -

a) contingent consideration will be satisfied, either by cash, via the issuance of KAG Shares ("Earn-Out Shares"), or a combination of both;

b) in the event KAG decides to satisfy the contingent consideration by way of cash, the following shall apply : -

   i) if the annual Net profit after tax ("NPAT") of DPSSB for financial year ending 31st December 2014 less than RM150,000 ("Earn-Out Benchmark"), no contingent consideration will be given to DPSB; or

   ii) for every RM1 of annual NPAT of DPSSB for financial year ending 31st December 2014, DPSB will be entitled to a sum equivalent to the following formula : -

   51% x 6PE x NPAT

   51% x 6PE x RM1,636,844 = RM5,008,000

c) in the event KAG decides to satisfy the contingent consideration by way of issuance of Earn-Out Shares, the following shall apply : -

   i) KAG has receipt of the approval of Bursa Securities for the listing and quotation of the Earn-Out Shares;

   ii) If the annual NPAT of DPSSB for financial year ending 31st December 2014 less than RM150,000 ("Earn-Out Benchmark"), no Earn-Out Shares will be issued to DPSB; or

   iii) For every RM1 of annual NPAT of DPSSB for financial year ending 31st December 2014, the Earn-Out Shares will be issued to DPSB based on the following formula at an issue price based on the 5 day volume weighted average price of KAG Shares or RM0.10 each, whichever is higher credited as fully paid-up and ranking paripassu in all respects with KAG Shares on the date of the issuance of the Earnout Shares : -

   51% x 6PE x NPAT

   iv) there are no participating rights or entitlement conferred on any Earn-Out Shares and DPSB will not entitled to participate with respect to any Earn-Out Shares in new issues in the capital offered to ordinary shareholders pending the issue of the Earn-Out Shares; and

   v) any Earn-Out Shares is to be credited as fully paid ordinary shares, any rights in relation to them are not transferable prior to their issue, and their issue is subject to any restriction on selling of the ordinary shares once the same has been issued.

d) in the event KAG decides to satisfy the contingent consideration by way of combination of cash and issuance of Earn-Out Shares, the terms and conditions of above shall be applicable.

e) in any event, a maximum of RM10,000,000 worth of contingent consideration will be given to DPSB. For example, if the annual NPAT is RM6,000,000 or more, DPSB will only be entitled to RM10,000,000 contingent consideration.

## 44 . Acquisition of subsidiary and non-controlling interests (Cont'd.)

iii) Acquisition of subsidiary – Digital Paper Solutions Sdn. Bhd. (Cont'd.)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date : -

Fair value of consideration transferred

| | Group 2014 RM |
|---|---|
| Cash and cash equivalents | 257,036 |
| Contingent consideration | 5,008,000 |
| | 5,265,036 |

Identifiable assets acquired and liabilities assumed

| | Group 2014 RM |
|---|---|
| Cash and cash equivalents | 40,613 |
| Intercompany | (500,000) |
| Assets | 12,697,780 |
| Liabilities | (10,551,749) |
| Total net assets acquired | 1,686,644 |
| Non-controlling interests | (826,456) |
| | 860,188 |

Net cash outflow arising from acquisition of subsidiary

| | Group 2014 RM |
|---|---|
| Purchase consideration settled in cash and cash equivalents | 257,036 |
| Cash and cash equivalents | (40,613) |
| | 216,423 |

Goodwill was recognised as a result of the acquisition as follows :

| | Group 2014 RM |
|---|---|
| Total consideration transferred | 5,265,036 |
| Fair value of identifiable net assets | (860,188) |
| | 4,404,848 |

## 44 . Acquisition of subsidiary and non-controlling interests (Cont'd.)

iv) Acquisition of subsidiary – GE Green Sdn. Bhd.

On 24th June 2014, the Company acquired all the shares in GE Green Sdn. Bhd. ("GEGSB"), a company incorporated in Malaysia for a total consideration of RM7,000,000. The subsidiary is principally engaged in sale of kitchen appliances in Malaysia. In the six months to 31st December 2014, the subsidiary contributed revenue of RM2,920,139 and loss of RM102,796. If the acquisition had occurred on 1st June 2014, management estimates that consolidated revenue would have been RM25,676 and consolidation profit for the financial year would have been RM5,965,063. In determining these amounts, management has assumed that the fair value adjustments, determining provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1st June 2014.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date : -

Fair value of consideration transferred

| | Group 2014 RM |
|---|---|
| Cash and cash equivalents | 7,000,000 |

Identifiable assets acquired and liabilities assumed

| | Group 2014 RM |
|---|---|
| Cash and cash equivalents | 79,109 |
| Assets | 8,181,869 |
| Liabilities | (6,052,570) |
| Total net assets acquired | 2,208,408 |

Net cash outflow arising from acquisition of subsidiary

| | Group 2014 RM |
|---|---|
| Purchase consideration settled in cash and cash equivalents | 7,000,000 |
| Cash and cash equivalents | (79,109) |
| | 6,920,891 |

Goodwill was recognised as a result of the acquisition as follows :

| | Group 2014 RM |
|---|---|
| Total consideration transferred | 7,000,000 |
| Fair value of identifiable net assets | (2,208,408) |
| | 4,791,592 |

## 45 . Significant events

a) On 25th February 2014, the Company announced its intention of undertaking a proposed private placement of up to 10% of the issued and paid up share capital of the company. On 22nd September 2014, Bursa Malaysia Securities Berhad granted the Company an extension of time until 19th March 2015 to complete the Private Placement. On 16th March 2015, Bursa Malaysia Securities Berhad granted the Company another extension of time until 19th September 2015 to complete the Private Placement. On 18th September 2015, Bursa Malaysia Securities Berhad granted the Company a further extension of time until 19th March 2016 to complete the Private Placement.

   On 8th January 2016, Company has fixed the issue price for the placement of 58,080,000 placement shares at RM0.05 per Placement Share.

   On 18th January 2016, 58,080,000 ordinary shares of RM0.05 each were allotted and issued pursuant to the Private Placement and listed on the Bursa Securities Malaysia Berhad.

b) On 5th May 2014, the Company entered into a Shares Sale Agreement with Digital Paper Sdn. Bhd. (“DPSB”) to acquire 153,000 ordinary shares of RM1.00 each in Digital Paper Solutions Sdn. Bhd. (“DPSSB”), representing 51% of equity interest in DPSSB, with a total purchase consideration of RM257,036. However, in the event that DPSSB satisfies the Earn-Out Incentives via issuance of Earn-Out Shares, or in a combination of cash and issuance of Earn-Out Shares, the net assets per share of the Group may have certain effects and the share capital and substantial shareholders‟ holdings would have reflected the number of new shares to be issued.

   On 25th November 2015, Company entered into a supplemental agreement with DPSB to amend and vary the calculation of Earn-Out Incentive of the Share Sale Agreement due to the change in the par value of Company’s ordinary shares from RM0.10 each to RM0.05 each.

   On 30th November 2015, Company proposed to undertake the proposed issuance of 100,174,853 new ordinary shares of RM0.05 each in Company to DPSB for the 51% equity interest in DPSSB at an issue price of RM0.05 per Earn-Out Shares as Earn-Out Incentive. The proposal is subject to the approval from the shareholders of the Company to be held on 27th April 2016.

c) On 11th February 2015, the Company proposed to reduce the issued and fully paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965 involving the cancellation of RM0.05 of the par value of the ordinary shares of RM0.10 each in the Company to RM0.05 each in the Company (“Proposed Par Value Reduction”).

   Besides, the Company also proposed amendment to the Memorandum of Association of the Companyto facilitate the Proposed Par Value Deduction (“Proposed Amendment”).

   The Proposed Par Value Reduction and the Proposed Amendment are inter-conditional upon each other.

   The Proposed Par Value Reduction and the Proposed Amendment have been approved at the Extraordinary General Meeting held on 10th April 2015. On 29th May 2015, the Proposed Par Value Reduction was affirmed and approved by the High Court.

d) On 11th February 2015, the Company proposed establishment and implementation of a share issuance scheme of up to 30% of the Company’s issued and fully paid-up share capital (excluding treasury shares, if any) at any one time during the duration of the scheme (“Proposed SIS”), for Directors and employees of the Company and its subsidiaries, the Group (excluding dormant subsidiaries) who fulfil the eligibility criteria.

   Subsequently, on 24th February 2015, the Bursa Malaysia Securities Berhad approved the listing of such number of new Company Shares, representing up to 30% of the issued and fully paid-up ordinary share capital (excluding treasury shares, if any) of the Company, to be issued pursuant to the exercise of options under the Proposed SIS.The Proposed SIS has been approved at the Extraordinary General Meeting held on 10th April 2015.

   On 7th May 2015, Company announced that the effective date for the implementation of the SIS is 7 May 2015, which is the date of full compliance of the SIS in accordance with Rule 6.44(1) of the Listing Requirements.

   On 23rd October 2015, Company revised the exercise price of Options offered from RM0.10 to RM0.05 due to the par value reduction.

(e) On 13th February 2015, the Company invested 50% equity interest in a newly incorporated company, Pacifica KAG Sdn. Bhd. for a total consideration of RM1.00. On 9th March 2015, the Company acquired the remaining 1 ordinary shares of RM1.00 each in Pacifica KAG Sdn. Bhd. (“PKSB”), representing 50% equity interest in PKSB, for a total cash consideration of RM1.00. Following the acquisition, Pacifica KAG Sdn. Bhd. became the wholly-owned subsidiary of the Company. The acquisition does not have any significant impact to the financial statements of the Group.

## 45 . Significant events (Cont'd.)

f) On 11th June 2015, the Company entered into a Shares Sale and Purchase Agreement with 2 individuals for the disposal of the entire 5,500,000 shares of RM1.00 each fully paid in NGC Systems Sdn. Bhd., a wholly-owned subsidiary company of the Company.

The effect of the disposal on the financial results of the Group during the financial year is minimal and no impact to the Group.

## 46 . Comparative figures

The following comparative figures have been reclassified to conform with the current year's presentation : -

| | As reclassified | As previously report |
|---|---|---|
| Group | RM | RM |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income : - | | |
| - Selling and distribution costs | 91,888 | 145,730 |
| - Other expenses | 4,443,203 | 4,389,361 |
| Company | | |
| Statement of Profit or Loss and Other Comprehensive Income : - | | |
| - Selling and distribution costs | - | 53,842 |
| - Other expenses | 6,146,131 | 6,092,289 |

## 47 . Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group and of the Company at 31st December, into realised and unrealised losses, pursuant to Rules 2.07 and 2.23 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements, are as follows: -

| Group | **2015 RM** | 2014 RM |
|---|---|---|
| Total accumulated losses of the Company and its subsidiaries: | | |
| - realised | **(29,180,279)** | (49,814,008) |
| - unrealised | **(599,256)** | (658,126) |
| | **(29,779,535)** | (50,472,134) |
| Total share of retained profits /(accumulated losses) of an Associate | **(253,253)** | 230,941 |
| Less : Consolidation adjustments | **19,049,561** | 19,420,969 |
| Total accumulated losses | **(10,983,227)** | (30,820,224) |

| Company | **2015 RM** | 2014 RM |
|---|---|---|
| Total accumulated losses of the Company | | |
| - realised | **(15,771,672)** | (28,002,690) |
| - unrealised | **(501,270)** | (376,870) |
| Total accumulated losses | **(16,272,942)** | (28,379,560) |

The determination of realised and unrealised profits is based on the Guidance of 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, issued by Malaysian Institute of Accountants on 20th December 2010.

# ANALYSIS OF SHAREHOLDINGS

KEY ALLIANCE

**As at 11 April 2016**

| | |
|---|---|
| Authorised Capital | RM50,000,000 |
| Issued and fully paid Capital | RM31,944,000 |
| Class of Shares | Ordinary shares of RM0.05 each |
| Voting Right | One vote per ordinary share |
| Number of Shareholders | 3,087 |

**Distribution of Shareholdings**

| Size of shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Shares |
|---|---|---|---|---|
| 1 - 99 | 5 | 0.16 | 299 | 0.00 |
| 100 - 1,000 | 373 | 12.08 | 327,368 | 0.05 |
| 1,001 - 10,000 | 936 | 30.32 | 5,475,700 | 0.86 |
| 10,001 - 100,000 | 1,237 | 40.07 | 59,940,067 | 9.38 |
| 100,001 – 31,943,999 (less than 5% of the shares ) | 534 | 17.30 | 385,584,066 | 60.35 |
| Above 31,944,000 (5% and above of issued shares) | 2 | 0.07 | 187,552,500 | 29.36 |
| **Total** | **3,087** | **100.00** | **638,880,000** | **100.00** |

**Substantial Shareholders' Shareholdings**

| Name | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| JF Apex Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH KIAN SENG (MARGIN)* | | | 93,912,500 | 14.70 |
| Cartaban Nominees (Asing) Sdn Bhd *EXEMPT AN FOR KGI ASIA LTD* | 93,640,000 | 14.66 | | |

**Directors' Shareholdings**

| Name | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Dato' Goh Kian Seng | - | - | 93,912,500 | 14.70 |
| Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid | - | - | - | - |
| Kamarudin Bin Ngah | - | - | - | - |
| Yee Yit Yang | - | - | - | - |
| Roy Ho Yew Kee | - | - | - | - |

# ANALYSIS OF SHAREHOLDINGS (CONT'D)

**Lish of Top 30 Shareholder as at 11 April 2016**

| | **Names** | **Shares** | **%** |
|---|---|---|---|
| 1 | JF Apex Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR GOH KIAN SENG (MARGIN)* | 93,912,500 | 14.70 |
| 2 | Cartaban Nominees (Asing) Sdn Bhd<br>*EXEMPT AN FOR KGI ASIA LTD* | 93,640,000 | 14.66 |
| 3 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR QUEK YONG WAH* | 22,500,000 | 3.52 |
| 4 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR ONG KIAN HUAT* | 17,700,000 | 2.77 |
| 5 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR LAI YEE VOON* | 16,398,000 | 2.57 |
| 6 | DB (Malaysia) Nominee (Asing) Sdn Bhd<br>*EXEMPT AN FOR NOMURA PB NOMINEES LTD* | 14,300,000 | 2.24 |
| 7 | UOB Kay Hian Nominees (Tempatan) Sdn Bhd<br>*EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)* | 13,500,000 | 2.11 |
| 8 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR LAI TZE JIN* | 12,920,300 | 2.02 |
| 9 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR PANG KIA FATT* | 11,700,000 | 1.83 |
| 10 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR TAI YOK YEN* | 11,200,000 | 1.75 |
| 11 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR QUEK SOON TIANG* | 11,023,800 | 1.73 |
| 12 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR PIONG YON WEE* | 10,672,100 | 1.67 |
| 13 | Affin Hwang Nominees (Asing) Sdn Bhd<br>*EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)* | 10,000,000 | 1.57 |
| 14 | UOBM Nominees (Asing) Sdn Bhd<br>*EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED* | 7,933,500 | 1.24 |
| 15 | Maybank Nominees (Tempatan) Sdn Bhd<br>*TAN WAI HENG* | 7,000,000 | 1.10 |
| 16 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR WEE KOK CHUAN* | 4,600,000 | 0.72 |
| 17 | Citigroup Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR LAU CHI CHIANG (472016)* | 4,185,000 | 0.65 |
| 18 | Macotrade Sdn Bhd | 3,810,000 | 0.60 |
| 19 | RHB Nominees (Asing) Sdn Bhd<br>*RHB SECURITIES SINGAPORE PTE LTD FOR ASIA INSIGHT HOLDINGS LIMITED (1Z/164248)* | 3,500,000 | 0.55 |
| 20 | Ahmad Komarolaili Bin Abu | 3,127,200 | 0.49 |
| 21 | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB BANK FOR LIM SOON CHAI (LANGKAP)* | 3,000,000 | 0.47 |
| 22 | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR LAI YEE LING* | 3,000,000 | 0.47 |
| 23 | RHB Capital Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR CHAN KAH FAI (CEB)* | 3,000,000 | 0.47 |

# ANALYSIS OF SHAREHOLDINGS (CONT'D)

**Lish of Top 30 Shareholder as at 11 April 2016 (Cont'd)**

| | **Names** | **Shares** | **%** |
|---|---|---|---|
| 24 | Tan Ka Lian | 3,000,000 | 0.47 |
| 25 | Zazilawati Binti Mohd Zain | 2,750,000 | 0.43 |
| 26 | Chai Kim Leong | 2,400,000 | 0.38 |
| 27 | Chin Yoke Kook | 2,200,000 | 0.34 |
| 28 | Wong Kar Chuan | 2,150,000 | 0.33 |
| 29 | JF Apex Nominees (Asing) Sdn Bhd<br>*EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)* | 2,138,400 | 0.33 |
| 30 | Soh Oon Hai | 2,060,000 | 0.32 |
| | **Total shares** | **399,320,800** | **62.50** |

# ANALYSIS OF WARRANT HOLDINGS

**As at 11 April 2016**

| | |
|---|---|
| Number of Warrants issued | 290,400,000 Warrants |
| No. of Warrants Unexercised | 290,400,000 |
| Exercise Price | RM0.10 |
| Number of Warrant Holders | 1,039 |

**Distribution of Warrant Holdings**

| Size of warrant holdings | No. of Holders | % of Holders | No. of Warrants Held | % of Warrants Held |
|---|---|---|---|---|
| 1 - 99 | 7 | 0.67 | 326 | 0.00 |
| 100 - 1,000 | 10 | 0.96 | 3,849 | 0.00 |
| 1,001 - 10,000 | 118 | 11.36 | 626,500 | 0.22 |
| 10,001 - 100,000 | 487 | 46.87 | 25,443,425 | 8.76 |
| 100,001 – 14,519,999 (less than 5% of the shares ) | 417 | 40.14 | 264,325,900 | 91.02 |
| Above 14,520,000 (5% and above of issued shares) | 0 | 0.00 | 0 | 0.00 |
| **Total** | **1,039** | **100.00** | **290,400,000** | **100.00** |

**Substantial Warrant Holders' Shareholdings**

| Name | No. of Warrants Held | % |
|---|---|---|
| - | 0 | 0.00 |

**Directors' Shareholdings**

| Name | No. of Warrants Held | % |
|---|---|---|
| Dato' Goh Kian Seng | 75 | 0.00 |
| Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid | - | - |
| Kamarudin Bin Ngah | - | - |
| Yee Yit Yang | - | - |
| Roy Ho Yew Kee | - | - |

# ANALYSIS OF WARRANT HOLDINGS (CONT'D)

**Lish of Top 30 Warrant Holders as at 11 April 2016**

| | Names | Warrants Held | % |
|---|---|---|---|
| 1 | Teo Ah Seng | 7,355,000 | 2.53 |
| 2 | Tan Hung Chew | 6,500,000 | 2.24 |
| 3 | Nalachakravarthy Odhayakumar | 6,150,000 | 2.12 |
| 4 | Cheah Lai Peng | 5,000,000 | 1.72 |
| 5 | Maybank Nominees (Tempatan) Sdn Bhd<br>*TAY SOO CHENG* | 5,000,000 | 1.72 |
| 6 | Wong Tuck Lee | 5,000,000 | 1.72 |
| 7 | Kan Choon Kiat | 4,600,000 | 1.58 |
| 8 | Wong Wan Sze | 4,350,000 | 1.50 |
| 9 | Wong Pok Seng | 4,064,000 | 1.40 |
| 10 | Lee Soon Fah | 4,001,000 | 1.38 |
| 11 | Low Jim Huan | 4,000,000 | 1.38 |
| 12 | Son Kat Pee @ Soin Kat Pee | 4,000,000 | 1.38 |
| 13 | Su An Lee | 3,966,000 | 1.36 |
| 14 | Chuan Hooi Chai | 3,218,200 | 1.11 |
| 15 | Lim Koon Leong | 3,100,000 | 1.07 |
| 16 | Maybank Nominees (Tempatan) Sdn Bhd<br>*CHEN GEOK CHOI* | 3,100,000 | 1.07 |
| 17 | RHB Capital Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR SUKESHAH BIN SUBRAMANIAM @ OSMAN* | 2,675,000 | 0.92 |
| 18 | Ong Tee Paan | 2,597,600 | 0.89 |
| 19 | Lit Khee Realty Sdn Bhd | 2,500,000 | 0.86 |
| 20 | Mat Zaid Bin Ibrahim | 2,500,000 | 0.86 |
| 21 | Ai Lan Oey | 2,480,000 | 0.85 |
| 22 | HLB Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR SINAR MAJU ENTERPRISE SDN BHD* | 2,381,200 | 0.82 |
| 23 | Shafiq Mathews Bin Abdullah | 2,200,000 | 0.76 |
| 24 | Cimsec Nominees (Tempatan) Sdn Bhd<br>*PLEDGED SECURITIES ACCOUNT FOR SELINA DANG SIEW PING (DESA JAYA - CL)* | 2,100,000 | 0.72 |
| 25 | Pong Lih Ling | 2,100,000 | 0.72 |
| 26 | Chap Kar Kar | 2,001,400 | 0.69 |
| 27 | Tan Ka Lian | 2,000,300 | 0.69 |
| 28 | Chew Soon Wai | 2,000,000 | 0.69 |
| 29 | Ong Kai Xiang | 2,000,000 | 0.69 |
| 30 | Lee Keng Chew | 1,850,000 | 0.64 |
| | **Total Warrants** | **104,789,700** | **36.08** |

# LIST OF PROPERTIES

| Location | Description/ Existing Use | Area | Tenure | Approximate Age of Property (years) | Fair Value as at 31.12.2015 (RM) | Year of Acquisition (A) and date of Valuation (V) |
|---|---|---|---|---|---|---|
| Parcel No. CS/3A/7, Storey No. Level 7, Building No. 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur | Office | 8,060 sq. ft. | Freehold | 11 | 9,000,000 | 2004 (A)<br>31.12.2015 (V) |
| Unit No. B19 Level: G (Ground Floor), Level: L1 (First Floor), Level: L2 (Second Floor), Level: L3 (Third Floor), Level: L4 (Forth Floor), Block B19 situated in Aurora Place @ Bukit Jalil, Kuala Lumpur | Office | 6,055 sq. ft. | Freehold | N/A | 4,578,000 | 2014 (A)<br>N/A (V) |
| Unit No. B20 Level: G (Ground Floor), Level: L1 (First Floor), Level: L2 (Second Floor), Level: L3 (Third Floor), Level: L4 (Forth Floor), Block B20 situated in Aurora Place @ Bukit Jalil, Kuala Lumpur | Office | 6,055 sq. ft. | Freehold | N/A | 4,578,000 | 2014 (A)<br>N/A (V) |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirteenth Annual General Meeting of KEY ALLIANCE GROUP BERHAD will be held at Dewan Tan Sri Hamzah, Royal Selangor Club, Kiara Sports Annexe, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 3 June 2016 at 11.00 a. m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of Directors and Auditors thereon (Please refer to Note A).

2. To approve the payment of Directors' fees for the financial year ended 31 December 2015. **Ordinary Resolution 1**

3. To re-elect Mr Yee Yit Yang, the Director who retires in accordance with Article 81 of the Articles of Association of the Company. **Ordinary Resolution 2**

4. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:- **Ordinary Resolution 3**

   "THAT Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid, retiring pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

5. To approve the re-appointment of retiring Auditors, Messrs Kreston John & Gan as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions with or without any modifications as resolutions:-

6. **Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** **Ordinary Resolution 5**

   "THAT, subject always to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and approval and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 132D of the Act to allot and issue new ordinary shares of RM0.05 each in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten (10) percent of the issued and paid-up share capital for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. **Proposed retention of Independent Director** **Ordinary Resolution 6**

   "THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

8. **Proposed retention of Independent Director** **Ordinary Resolution 7**

   "THAT approval be and is hereby given to Encik Kamarudin Bin Ngah, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

9. To transact any other ordinary business of which due notice shall have been given.

By order of the Board

**PANG KAH MAN (MIA 18831)**
Company Secretary

Kuala Lumpur
29 April 2016

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

(A) *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.*

1. *Only members registered in the Record of Depositors as at 26 May 2016 shall be eligible to attend the Thirteenth Annual General Meeting or appoint a proxy to attend and vote on his behalf.*

2. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on a show of hands or on a poll in his stead. There shall be no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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 Omnibus Account it holds.*

4. *To be valid, the proxy form duly completed must be deposited at the Registered Office of the Company at 3-2, 3rd Mile Square, No. 151 Jalan Kelang Lama, Batu 3½, 58100 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy, other than the particulars of the proxy have been duly completed by the member(s).*

5. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are not complied with.*

6. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*

7. *If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*

**Explanatory Notes on Special Business:**

8. ***Ordinary Resolution no. 5***
   ***Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965***

   a) *The proposed Ordinary Resolution no. 5, if passed, will empower the Directors of the Company, from the date of the forthcoming Annual General Meeting to allot and issue shares in the Company up to an amount not exceeding ten percent (10%) of the issued capital of the Company for the time being for such purposes as they may deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.*

   b) *The mandate now sought is a renewal from the previous mandate obtained at the last Annual General Meeting held on 18 June 2015 which will expire at the conclusion of the forthcoming Annual General Meeting.*

   c) *As at the date of this Notice, the Company had issued and listed a total of 58,080,000 ordinary shares of RM0.05 each representing 10% of the issued and paid-up share capital of the Company on Bursa Securities via private placement exercise implemented on 18 January 2016, pursuant to the previous mandate granted to the Directors since the date of last Annual General Meeting held on 18 June 2015.*

   d) *The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.*

9. ***Ordinary Resolutions no. 6 and 7***
***Proposed retention of Independent Directors***

*The Directors of the Company have assessed the independence of the Directors, Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid and Encik Kamarudin Bin Ngah who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-*

i) *They fulfilled the criteria under the definition of an Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), and thus, they would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.*

ii) *During their tenure in office, they have not developed, established or maintained any significant relationship which would impair their independence as Independent Directors with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out their duties as Independent Non-Executive Directors and Chairman or member of the Board Committees;*

iii) *During their tenure in office, they have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Guidance Note 9 of Listing Requirements;*

iv) *They are currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiaries; and*

v) *Other than the Director's fees and allowances paid in accordance with the industry norm and within the acceptable market rates which have been duly disclosed in the Annual Report, there are no other incentives or benefits of whatsoever nature that had been paid to them by the Company during their tenure in office as Independent Non- Executive Directors in the Company.*

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

**(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)**

### DETAILS OF INDIVIDUAL WHO IS STANDING FOR ELECTION AS DIRECTOR

No individual is seeking for election as a Director at the Thirteenth Annual General Meeting of the Company.

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**KEY ALLIANCE GROUP BERHAD (609953-K)**
(Incorporated in Malaysia under the Companies Act, 1965)

# PROXY FORM

I/We ____________________________________________________________

of ____________________________________________________________
(Full Address)

being (a) member(s) of Key Alliance Group Berhad hereby appoint(s)________________________________

____________________________________________________________

of ____________________________________________________________

or failing him/ her, ____________________________________________________________

of ____________________________________________________________

as my/our proxy to vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Dewan Tan Sri Hamzah, Royal Selangor Club, Kiara Sports Annexe, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 3 June 2016 at 11.00 a.m. and at any adjournment thereof.

| No | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1 | Approval of Directors' fees for the financial year ended 31 December 2015 | | |
| 2 | Re-election of Mr Yee Yit Yang as Director | | |
| 3 | Re-appointment of Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Director to hold office until the conclusion of the next Annual General Meeting. | | |
| 4 | Re-appointment of Messrs Kreston John & Gan as Auditors and to authorise the Directors to determine their remuneration | | |
| 5 | Renewal of authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 6 | Proposed retention of Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Independent Director | | |
| 7 | Proposed retention of Encik Kamarudin Bin Ngah as Independent Director | | |

Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/ her discretion.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies is as follows:

| | No. of Shares | Percentage |
|---|---|---|
| Proxy 1 | | |
| Proxy 2 | | |
| Total | | 100% |

| Number of Shares Held |
|---|
| |

____________________________________
Signature of Shareholder(s) or Common Seal

Dated this__________day of_____________ 2016

**Notes:-**

1. Only members registered in the Record of Depositors as at 26 May 2016 shall be eligible to attend the Thirteenth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on a show of hands or on a poll in his stead. There shall be no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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 Omnibus Account it holds.

4. To be valid, the proxy form duly completed must be deposited at the Registered Office of the Company at 3-2, 3rd Mile Square, No. 151 Jalan Kelang Lama, Batu 3½, 58100 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy, other than the particulars of the proxy have been duly completed by the member(s).

5. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are not complied with.

6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

7. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

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STAMP

Company Secretary
**KEY ALLIANCE GROUP BERHAD** (Company No.609953-K)
3-2, 3rd Mile Square
No. 151 Jalan Kelang Lama
Batu 3½, 58100 Kuala Lumpur
Malaysia

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KEY ALLIANCE