KEY ALLIANCE GROUP BERHAD

(Company No.609953-K)

ANNUAL REPORT 2017

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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)

Lim Chin Long
(Executive Director) (Appointed on 22 April 2016)

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

Nomination 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)

Auditors

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 7725
Fax : 603-7805 3863
Website : www.kag.com.my
Email : kgroup@kag.com.my

Principal Bankers

Malayan Banking Berhad
CIMB 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% Pacifica KAG Sdn Bhd
- 100% Key Alliance Sdn Bhd
- 100% GE Green Sdn Bhd
- 100% Design DEPT Sdn Bhd
- 60% Mobile Video International Ltd
- 51% Digital Paper Solutions Sdn Bhd
- 22% 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 79, 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 55, 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 42, 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.

LIM CHIN LONG
Executive Director

Lim Chin Long, aged 42, a Malaysian was appointed the Executive Director of KAG on 22 April 2016. He graduated with BEng (Hons) Civil Engineering with Structural Engineering from University of Hertfordshire, UK. After graduation, he joined Suffolk Highways Engineering Consultancy (Ipswich, UK) in July 1999 and WS Atkins Consultation Limited (Chelmsford, UK) in February 2000 as Engineer in Structural and Bridge Department, carry out bridge assessment and bridge investigations. In December 2000, he joined Deenn Engineering P/L (Singapore) as Project Engineer and subsequently he was promoted as Resident Engineer to supervise and co-ordinate architectural and structural works. In December 2002, Mr Lim joined Lian Beng Construction P/L (Singapore) as Assistant Project Manager, preparing of the project quality plan and the ISO and OSHAS management on site and subsequently he was promoted as Project Manager. In February 2004, he joined SMK Metal Trading (Selangor, Malaysia) as Project Manager in charge of demolition works. In December 2005, Mr Lim joined PNSB Acmar Sdn Bhd (Developers of Acmar International Group) as Head of Operation, in charge of commercial and residential projects. Currently, Mr Lim is the Project Director of FMR Construction Sdn Bhd, overall in charge of the whole company operation include finance, contract and procurement for all the construction work. Mr Lim is the Registered Engineer with Board of Engineer Malaysia. He is also the Committee Member of Property and Construction Division of Kuala Lumpur Selangor Chinese Chamber of Commerce and Industry and SMITA (SME International Trade Association of Malaysia).

BOARD OF DIRECTORS' PROFILE
(CONT'D)

KAMARUDIN BIN NGAH
Independent Non-Executive Director

Kamarudin Bin Ngah, aged 69, 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 50, 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 Voir Holdings Berhad, Mlabs Systems Berhad, and Accsoft Technology Bhd.

Notes:-

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

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

(iii) None of the Directors have any conflict of interest with the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Company profile and business

On 29 November 2016, the Board of Directors of the Company had approved the change of financial year of the Company from 31 December to 31 March.

The principal activities of the Company is investment holding. The Group is principally involved in the provision of a comprehensive range of ICT and other information technology related services including trading of hardware and software and related services, distribution and selling of kitchen appliances and related services and property investment.

Corporate Vision

Our vision is to be a transitional group of companies in the provision of leading edge technology for total business and operational solutions.

Strategic in creating value

- To enhance customer relationship and satisfaction level
- To innovate and step forward with continuous improvement cycles through continuous training and developing competencies and skills among employees
- To be pro-active and serve in nation-building activities, developing a digital and knowledge-based economy

Financial highlights

	FPE 31 March 2017 (15 mths)	FYE 31 December 2015 (12 mths)	FYE 31 December 2014 (12 mths)	FYE 31 December 2013 (12 mths)	FYE 31 December 2012 (12 mths)
Revenue	33,878,624	38,370,180	57,437,025	22,684,221	9,060,175
Operating loss	(4,038,934)	(7,148,405)	(3,225,826)	(1,980,057)	(3,379,636)
Loss before taxation	(4,785,560)	(7,706,640)	(3,450,127)	(2,450,310)	(4,263,810)
Net loss attributable to equity holders	(5,201,795)	(9,203,003)	(4,282,485)	(2,486,254)	(4,793,332)
Total assets	63,057,267	64,805,933	74,961,383	55,965,987	26,533,822
Total borrowings	10,074,232	9,804,567	9,207,352	150,000	9,171,361
Shareholder equity	40,579,464	34,294,083	41,361,458	44,487,441	8,706,794
Basic earnings per share	(0.72)	(1.60)	(0.80)	(0.51)	(2.53)
Net assets per share	0.06	0.06	0.07	0.09	0.05

Review of Financial Results and Financial Condition

The Group revenue decreased from RM38.37 million to RM33.88 million during the financial period ended 31 March 2017 as compared to the financial year ended 31 December 2015. However, the Group has changed the financial year end from 31 December 2016 to 31 March 2017. The current financial period covers 15 months and the previous financial year end covered 12 months and thus the comparative amount are not entirely comparable. The revenue for the current financial period is mainly contributed by ICT segments about RM28.44 million.

The Group has recorded a loss after taxation of RM5.09 million for the financial period ended 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

REVIEW OF OPERATING ACTIVITIES

Corporate Development

On 13 May 2016, the Company announced that Key Alliance Sdn. Bhd.("KASB"), a wholly-owned subsidiary of the Company, has secured a Letter of Award from OCR Noble Land appointing KASB as the main contractor for the Pano Project for a total sum of RM129 million.

Subsequently the Group has, on 8 May 2017, completed rights issue with warrants following the listing and quotation of 819,054,853 rights shares and 409,527,425 warrants B as well as 14,615,906 additional warrants A arising from the rights issue with warrants on the Ace Market of Bursa Securities.

On 7 April 2017 the Group has entered into memorandum of understanding with Rapidcloud (M) Sdn Bhd ("RCM") to confirm the mutual interest in collaboration and subsequently on 22 May 2017, the Group has entered into share acquisition agreement with Rapidcloud Asia Sdn Bhd to acquire 100% equity of RCM. The transaction is the midst of completion.

On 11 April 2017 the Group has entered into memorandum of understanding with Progenet Sdn Bhd ("PGSB") to confirm the mutual interest in collaboration and subsequently on 19 May 2017, the Group has entered into share acquisition agreement with the vendors of PGSB to acquire 100% equity of PGSB. The transaction is the midst of completion.

On 7 June 2017 the Group has entered into collaboration agreement with Harvest Court Properties Sdn Bhd in collaborating in a joint venture in relation to a proposed e-commerce fulfillment hub.

ANTICIPATED OR KNOWN RISKS

Project Risk

The Group's ICT contracts with clients are generally entered into on a project basis and projects pricing is determined at the time of bidding, based on estimates. The Group may underestimate project costs in bidding for a project and the Group may incur cost overruns which will reduce the estimated profits.

The Group has taken cautious steps to control the project costing within the project cost estimation, including to get more quotations for comparison and to negotiate terms with suppliers.

Dependence on key personnel

The Group believes that its continued success will depend upon the abilities and continued effort of its existing key management and technical personnel. The loss of any key members of the Group's management and technical personnel could adversely affect the Group's continued ability to compete.

The Group actively grooms the younger members of its management team by providing the necessary guidance, experience and exposure in order to prepare them to take over from the senior management team in the future so that the Group is prepared to conduct a smooth transition.

Operational and business risks

The Group's kitchen appliances trading business is affected by the performance and inherent risk associated with the industry, including general economic downturn in the global and regional economy causing a decline in consumer demand, changes in consumer tastes and preferences, increase in operating costs, delay in obtaining certification from SIRIM, etc.

Foreign exchange risks

The Group's business is exposed to foreign exchange risks as purchase are mainly denominated in USD whilst sales are mainly denominated in RM.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

BUSINESS DIRECTION AND PROSPECTS

Moving forward, the Group will continue to focus on its core business in ICT business though the ICT industry has become increasingly competitive. To create a further niche within the ICT industry, to increase competitiveness, the Company has made several steps in its proposed acquisitions announced recently to divert its resources to a specific area, mainly cloud and storage provision services.

The Elevent Malaysia Plan ("Eleventh Plan"), 2016-2020 emphasises on driving ICT in the knowledge economy through innovation and productivity to enhance competitiveness and wealth creation. In order to achieve an 18.2% or approximately RM324.9 billion ICT contribution to GDP by the year 2020, initiatives to be undertaken during the Eleventh Plan period include the development of technology focus areas, infusion of ICT in other sectors and building the support ecosystem. It is targeted that the ICT industry registers an annual average growth rate of 10.7% and Malaysia to maintain its position as a net exporter of ICT products and services valued at RM56.8 billion in 2020.

On 22 March 2017, the Malaysian Government expressed its interest to turn the former LCCT Airport into a massive E-commerce Logistics Hub, in partnership with Alibaba and Malaysia Digital Economy Corporation ("MDEC"). This is the key ingredient that formulates the Government's formation of a Digital Free Trade Zone ("DFTZ").

E-commerce is a growing industry, and in Malaysia it is currently experiencing a substantial boom. This is reflected by our Government's focus in establishing a DFTZ, which is designed to further spur and enhance entrepreneurship to go online, in order to broaden the captive audience to international waters.

To this end, the Group's focus on cloud and storage provision service is seen to be complimentary benefit to the macro economic adjustment that Malaysian economy is experiencing. It stands to reason, with growth of E-commerce, digitization of records and increases of awareness of international trade between SMEs, there will be a following boost in the requirements of data storage.

In addition, the Group has undertaken various efforts including actively identifying opportunities to venture into other sectors with growth potential beyond the ICT industry. This includes the receipt of the LOA from OCR Land has provided a platform for the Group to spearhead into future construction, property development and/or property investment projects.

STATEMENT ON CORPORATE GOVERNANCE

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") as these would not only safeguard and enhance shareholders' interests and value but also provide some assurance that the interests of the other stakeholders are preserved..

The Group will continue to endeavour to comply with all the key principles and best practices of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") in its effort to observe high standards of transparency, accountability and integrity.

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 MCCG 2012, the relevant provisions of the ACE Market Listing Requirements ("Listing Requirements") on CG and all applicable laws and regulations throughout the financial period ended 31 March ("FPE") 2017.

1. CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT

1.1 Role and Responsibilities of the Board

The Board leads KAG and plays a strategic role in overseeing the Group's objectives, direction, goals and overall corporate governance to ensure that the strategic plans of the Group are implemented and accountability is monitored well. The following are the key matters of the Company reserved for the Board's approval:

- Reviewing and approving the financial results, strategies, business plan and policies;
- Overseeing and evaluating the conduct of the Group's businesses;
- Ensuring competent management;
- 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; and
- Acquisition and disposal of companies within the Group

The principal risk of all aspects of the business that the Group is engaged in is recognised by the Board. As business decisions require the incurrenceof risk, the Board has in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group. This is to achieve a proper balance between risks incurred and potential returns to shareholders.

The Board reserves certain powers for itself and has delegated certain matters, such as the day-to-day management of the Group to the Executive Directors. The Non-Executive Directors including the Chairman are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to Management.

The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group. In this manner, the Non-Executive Directors fulfil a crucial corporate accountability role as they provide independent and objective views, opinions and judgement on issues being deliberated and act in the best interest of the Group, its stakeholders and shareholders, including minority shareholders. There is a schedule of key matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Group are in its hands.

In discharging its fiduciary duties, the Boardhas delegated specific powers of the Board to four (4) Board Committees namely Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Share Issuance Scheme ("SIS") Committee ("SISC"). Each Board Committee operates within the defined terms of reference ("ToR") which has been approved by the Board.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

1. CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT (CONT'D)

1.1 Role and Responsibilities of the Board (Cont'd)

Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee, including key issues via reports by the Chairman and/or Chairperson of each of the Board Committees, as well as the tabling of minutes of all Board Committee meetings, to the Board at Board meetings. The Board reviews the respective Board Committees' authority and ToR from time to time to ensure their relevance and enhance its efficiency. The ultimate responsibility for the final decision on all matters, however, lies with the Board of Directors as a whole.

1.2 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.

1.3 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 quantitative and qualitative information relevant to the business of the meetings are circulated to the Directors at least seven (7) days before the meeting. 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 Directors are also notified of any corporate announcement(s) released to Bursa Securities and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly financial results.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to approval of the Chairman or the Board, depending on the quantum of the fees involved.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary also serves in that capacity in the various Board Committees. The Company Secretaryalsoservesnotice toDirectors and Principal Officers of the Company on the closed periods for trading in the Company's share accordance to Chapter 14 on Dealings in Listed Securities of the Listing Requirements.

1.4 Qualified and Competent Company Secretary

The Company Secretary of KAG, has the requisite credentials and is competent and suitably qualified to act as company secretary under Section 235(2) of the Companies Act 2016 ("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.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

1. CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT (CONT'D)

1.4 Qualified and Competent Company Secretary (Cont'd)

The Company Secretary supports the Board by ensuring that all Board meetings are properly conducted and adhered to board policies and procedures, rules, relevant laws and best practices on CG and deliberations at the Board and Board Committee meetings as well as follow-up on matters arising 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.

1.5 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 in ensuring the effective discharge of its function and responsibilities. As such, the Board has already formalised 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 reviews and updates its Charter regularly as 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. Any subsequent amendment to the Charter can only be approved by the Board.

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.

2. STRENGTHEN COMPOSITION

2.1 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:

Chairperson	:	En. Kamarudin Bin Ngah (Independent Non-Executive Director)
Member	:	Mr. Yee Yit Yang (Independent Non-Executive Director)

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

2. STRENGTHEN COMPOSITION (CONT'D)

2.1 NC (Cont'd)

The NC of the Company assumes the following core responsibilities:-

- formulate the nomination, selection and succession policies for members of the Board and key management positions;
- 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;
- establish a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee; and
- review the performance of the Board as a whole and the Board Committees, particularly the term of office and performance of the AC and each of its members and recommend to the Board the appointment of members of AC and other Board Committees established by the Board annually, if necessary.

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

The Company does not have a policy on gender diversity, ethnicity and age. 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. The age of the Directors range from 42 to 79 as the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board. As such, gender quota and target will be considered when vacancies arise and suitable candidates are identified.

2.2 RC

RC is principally responsible for recommending to the Board on the remuneration framework as well as the remuneration for the Executive Directors to ensure that rewards commensurate with their contributions to the Group's growth and profitability in order to align the interest of the Directors with those of the shareholders. The RC also ensures the level of the remuneration for Non-Executive Directors and Executive Director are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

The current members of the RC are as follows:

Chairperson	:	En. Kamarudin Bin Ngah (Independent Non-Executive Director)
Members	:	Dato' Goh Kian Seng (Managing Director)
		Mr. Yee Yit Yang (Independent Non-Executive Director)

2.3 Remuneration Policies

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.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

2. STRENGTHEN COMPOSITION (CONT'D)

2.3 Remuneration Policies (Cont'd)

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

(a) The salary for Executive Directors is set at a competitive level for similar roles within comparable markets, reflect the performance of the Directors, 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 annual general meeting (or "AGM").
(c) Only Executive Directors are 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 FPE 2017 are as follows:-

	Aggregate remuneration paid/ payable (RM)		
Company	**Executive Director**	**Non-Executive Directors**	**Total**
Fees	164,000	120,000	284,000
Directors emoluments:- - salaries & allowances - statutory contribution - benefit-in-kind	 225,000 27,000 –	 105,000 13,549 –	 330,000 40,549 –
Total	416,000	238,549	654,549

	Aggregate remuneration paid/ payable (RM)		
Group	**Executive Director**	**Non-Executive Directors**	**Total**
Fees	164,000	120,000	284,000
Directors emoluments:- - salaries & allowances - statutory contribution - benefit-in-kind	 326,000 39,189 –	 105,000 13,549 –	 431,000 52,738 –
Total	529,189	238,549	767,738

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	1	2
100,001 - 150,000	–	1
150,001 - 200,000	–	–
200,001 - 250,000	1	–
250,001 - 300,000	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.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

2. STRENGTHEN COMPOSITION (CONT'D)

2.4 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:-

Chairperson	:	Dato' Goh Kian Seng (Managing Director)
Members	:	Mr. Roy Ho Yew Kee (Executive Director)
		En. Kamarudin Bin Ngah (Independent Non-Executive Director)
		Mr. 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 ("SIS Options A") to the 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, 80,000,000 SIS Options A were being exercised.

On 26 May 2017, the Company had offered and granted a total of 315,000,000 share options ("SIS Options B") to the eligible employees pursuant to the criteria as set out in the Company's SIS By-laws. As at to-date, none of the SIS Option B is being exercised.

3. REINFORCE INDEPENDENCE

3.1 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 Board, through the NC, assesses the independence of Non-Executive Directors annually, which is in line with Recommendation 3.1 of the MCCG 2012, as one of the factors in determining their eligibility to stand for re-election/re-appointment. The NC reviewed and was satisfied that all the Directors had satisfied the criteria for an independent director as prescribed in the Listing Requirements and Guidance Note 9 of Bursa Securities, including 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 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.

3.2 Tenure of Independent Director

In line with Recommendation 3.2 of the MCCG 2012, the Board 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.

En. Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid were appointed since 4 November 2003 and 4 November 2003 respectively as Independent Director and Chairman of the Company. Both Directors will have served as Independent Directors for a period of more than nine (9) years by 25 August 2017, the scheduled date for the forthcoming annual general meeting ("2017 AGM" or "14th AGM").

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

3. REINFORCE INDEPENDENCE (CONT'D)

3.2 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 En. 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 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 Director and Chairman or Chairperson and 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 Rule 5 of Guidance 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 have 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 En. Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid to continue in office as Independent Non-Executive Director and Chairman and will table Ordinary Resolutions to Shareholders at the 2017 AGM for the said purpose.

3.3 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 Directors.

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.

3.4 Composition of the Board

The Board comprises of six (6) members, of whom one (1) is Managing Director, two (2) are Executive Directors and three (3) are Independent Non-Executive Directors including the Chairman. 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 to 5 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

3. REINFORCE INDEPENDENCE (CONT'D)

3.4 Composition of the Board (Cont'd)

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.

4. FOSTER COMMITMENT OF DIRECTORS

4.1 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 financial period under review as set out as follows:-

Meeting Attendance	Board	AC	NC	RC	SIS
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	^5/6	5/6	–	–	–
Dato' Goh Kian Seng	6/6	–	–	1/1	^1/1
Mr. Roy Ho Yew Kee	6/6	–	–		1/1
Mr. Lim Chin Long (Appointed on 22 April 2016)	4/4	–	–	–	–
En. Kamarudin Bin Ngah	6/6	^6/6	^1/1	^1/1	1/1
Mr. Yee Yit Yang	6/6	6/6	1/1	1/1	1/1

^ Chairman of the Board or Chairperson of the Board Committees

Notwithstanding that no specific quantum of time has been fixed, each member of the Board is expected to devote sufficient time and attention to the affairs of the Company. Any Director is, while holding office, at liberty to accept other Board appointment(s) in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. Each Board member is expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretary, where applicable.

Prior to the acceptance of new Board appointment(s) in other companies and/or Public Listed Companies ("PLCs"), the Directors concerned are to notify the Chairman and/or the Company Secretary in writing. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) PLCs (as prescribed in Rule 15.06 of Listing Requirements).

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.

4. FOSTER COMMITMENT OF DIRECTORS (CONT'D)

4.2 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 PLCs.

The details of trainings, in-house development programs conducted for the Directors and senior management and various external programs attended by the Directors during the financial period under review are as follows:-

Board members	Courses/Training Programmes Attended
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	(i) Driving Financial Integrity & Performance – Enhancing Financial Literacy
Mr. Lim Chin Long	(i) Best Practices in Facilities and Property Management
Mr. Yee Yit Yang	(i) Company Law 2016: Total Revamp with Huge Tax Planning Opportunities

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 external auditors also briefed the Directors on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial period under review.

The Board, through NC will continue to evaluate and determine the training needs of its Directors to enhance their skills and knowledge.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 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 audited financial statements, announcement of results to the Shareholders as well as the Management Discussion and Analysis in the annual report. Details of the Directors' responsibility in the preparation of the Group's financial statements are disclosed in page 31 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, 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 Director 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.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

5.1 Compliance with Applicable Financial Reporting Standards (Cont'd)

In addition to the above, the senior management 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.

5.2 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 external auditors are working closely with the internal auditors and tax consultants, without compromising their independence. Their liaison with the internal auditors would be in accordance with International Standards on Auditing (ISA) No. 610: "Considering the Work of Internal Auditing", with the main objective of avoiding duplication of efforts to maximise audit effectiveness and efficiency. The external auditors reviews internal audit reports and discuss findings with internal auditors where necessary.

In accordance with the principles set out in ISA No. 260 "Communicating of Audit Matters with Those Charged with Governance", the external auditors have brought to the Board's attention through the AC, all the significant accounting, auditing, taxation, internal accounting systems & process control and other related matters that arise from the audit of the financial statements of the Company. In addition, the external auditors are invited to the annual general meeting and are available to answer the Shareholders' queries on the conduct of the statutory audit.

The AC, without the presence of Executive Board member and Management also meets with the external auditors at least twice during each financial year to exchange free and honest views on issues which the external auditors may wish to discuss in relation to their audit findings.

The AC had on 27 February 2017, assessed the independence of Messrs. Kreston John & Gan as external auditors of the Company as well as reviewed the level of non-audit services rendered to the Company for FPE2017. The AC was satisfied with Messrs. Kreston John & Gan's technical competency and audit independence. In addition, the AC had also obtained written assurance from Messrs. Kreston John & Gan via their report, confirming 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 as well as received the assurance from Messrs. Kreston John & Gan as stated above, the AC unanimously recommended their re-appointment to the Board for the approval of the Shareholders at 14th AGM.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

6. RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

To in line with Principle 6 and Recommendation 6.1 of the MCCG 2012 and the increasing focus of shareholders on CG, risk management practices are inculcated and entrenched in the activities of the Group's, which requires, amongst others, establishing an Enterprise Risk Management Framework ("ERM") which is designed to provide consistency in the management of risks across the Group.

During the financial period under review, the key principal risks affecting the Group's business and operations have been identified with a risk register being established accordingly. Management Team is however, still in the midst of establishing and formalising the risk strategy, risk appetite and risk indicators as well as the process of identification, evaluation and management of key principal risks.

Having considered the requisite knowledge on the underlying principles and/or elements and relevant experience in establishing an ERM, the Board has decided to outsource it to a professional firm of which is anticipated to be completed by the next financial year.

In the absence of an ERM, the AC is tasked to assist the Board in overseeing and reviewing the risk management policies and internal control procedures formulated by Management and make relevant recommendations to the Board for approval from time to time as to ensure, as far as possible, the protection of its assets and its shareholders' investments.. Based on the feedback provided by the Management Team, the AC will advise the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the Group.

6.2 Internal Audit Function

The Board has delegated the implementation and monitoring of the internal control system to the Management and has engaged an independent professionalfirm,NGL Tricor Governance Sdn Bhd to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's governance, risk management and systems of internal control. The internal auditors report directly to the AC on its activities based on the approved annual internal audit plans.

The Statement on Risk Management and Internal Control set out on pages 25 to 27 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 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.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

7.2 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.

To promote the dissemination of the financial results of the Company to investors, shareholders and media as well as to keep the investing public and other stakeholders updated on the progress and development of the Group's business, the Board of Director intends to conduct the open briefings from time to time in ensuring constant interactions with existing and prospective investors.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHODLERS

8.1 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 of Association of the Company 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 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 14th AGM dated 25 August 2017.

Leveraging on information technology for effective meeting procedures,, the Board may adopt electronic voting as to facilitate greater shareholder participation at general meetings going forward.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHODLERS (CONT'D)

8.2 Encourage poll voting

Under Recommendation 8.2 of the MCCG 2012 and Rule 8.29A(1) of the Listing Requirements, a PLC must, among others, ensure that any resolution set out in the notice of any general meeting, is voted by poll. For this purpose, the share registrar will be appointed as the Poll Administrator and an independent scrutineer will be appointed to validate the votes cast at the 14th AGM.

At the commencement of all general meetings, the Chairman will inform the Shareholders of their rights to a poll voting. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman will declare the number of proxy votes received, both for and against each separate resolution where appropriate. The decision each resolution put to poll as well as the name of the independent scrutineer will be announced to Bursa Securities on the same day of the AGM.

At the 13th AGM of the Company held on 3 June 2016, no substantive resolutions were put forth for approval, thus, the resolutions were voted on by a show of hands. The outcome of the 13th AGM was announced to Bursa Securities on the same meeting day.

8.3 Effective communication and proactive engagement

The proceedings of the 14th AGM include the Company's operating and financial performance for FPE2017. 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 14th AGM by the Minority Shareholder Watchdog Group, if any.

In addition to the above, the Company will look into allocation of time during the AGM for dialogue with the Shareholders, if necessary to address the issues concerning the Group and to make arrangement for Principal 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 FPE2017.

Going forward, the Board intends to strengthen its roles and responsibilities by implementing a whistle blowing policy and procedure to provide employees with a mechanism to monitor compliance to the Code of Ethics.

This Statement was approved by the Board on 4 July 2017.

AUDIT COMMITTEE ("AC") REPORT

MEMBERS OF AC

Name	Designation	Directorship
Kamarudin Bin Ngah	Chairman	Independent Non-Executive Director
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	Member	Independent Non-Executive Director
Yee Yit Yang*	Member	Independent Non-Executive Director

* Member of the Malaysia Institute of Accountants ("MIA")

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.

Should there be a vacancy in the AC resulting in the non-compliance of Rules 15.09(1) and 15.10 of the Listing Requirements, the Company must fill up the vacancy within three (3) months thereof. The AC members and their attendance records are outlined in the Statement on Corporate Governance ("CG").

The Board of Directors (or "The Board"), through the Nomination Committee ("NC") 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 period 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 of external audit scope and audit plans based on the external auditors' presentation of audit strategy and plan;
- 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 MIA;
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors; 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.

AUDIT COMMITTEE ("AC") REPORT
(CONT'D)

SUMMARY OF ACTIVITIES (CONT'D)

Activities with regards to internal audit ("IA") and risk management:-

- review of IA's resource requirements, scope, adequacy and function;
- review of IA's plan and programs;
- review of IA reports, recommendations and Management's responses. Improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the internal auditors were discussed together with the Management Team in a separate forum;
- review of implementation of these recommendations through follow-up audit reports;
- suggestion on additional improvement opportunities in the areas of internal control, systems and efficiency improvement;
- facilitation of the establishment of the risk management framework and review of any significant proposed changes to risk management policies and strategies adoption by the Board;
- review and monitoring of principal risks which may affect the Group directly or indirectly, and if deemed necessary, to recommend additional course(s) of action to mitigate such risks;
- monitoring of the risk assessment results and communication to the Board with mitigating measures for consideration; and
- assessment to the actual and potential impact of any failure or weakness of the internal controls in place.

Activities with regards to financial statements:-

- 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 2016 ("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 and deliberation on the emerging financial reporting issues pursuant to the introduction of new accounting standards and additional statutory/regulatory disclosure 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.

Other activities:-

- 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 under the Share Issuance Scheme ("SIS") in compliance with criteria as stipulated in the SIS By-laws of the Company.

AUDIT COMMITTEE ("AC") REPORT
(CONT'D)

INTERNAL AUDIT FUNCTION

The Board acknowledges their responsibilities for maintaining a sound internal control 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 professionalfirm, who reports directly to the AC of their findings. This provides the Board with much of the assurance it requires regarding the adequacy and the effectiveness of the risk management processes which Management has in place to identify, manage and in controlling the proper conduct of business within the Group.

The internal audit activities were carried out based on a risk-based audit plan presented to the AC for approval. The results of the audits provided in the internal audit reports were reviewed by the AC. The relevant Senior Management 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.

To ensure that the responsibilities of internal auditors are fully discharged, the Board, via the AC reviews the adequacy of the scope, functions and resources of the internal audit function as well as the competency of the internal auditors on a yearly basis.

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 RM18,000 for services rendered in respect of the internal audit activities for the financial period ended 31 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board of Directors ('the Board") of Key Alliance Group Berhad ("the Company" or "KAG") is pleased to present 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 period under review and up to the date of this Statement.

BOARD RESPONSIBILITY

The Board is committed to the continuous improvement of internal control and risk management practices within the Group to meet its business objectives. 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, but not absolute, assurance against hindering the Group achieving its business objectives, material misstatement, loss or fraud.

RISK MANAGEMENT

The Board recognises the importance for identifying, evaluating and managing the significant risks that could potentially impact the Group. The Board is aware that risk management practices need to be embedded into the organisation's business process. Hence, risk register and risk profiles will be used as one of the business tools to highlight the risks exposures and their risks mitigation to Management and Board.

During the financial period under review, the Board has categorised the underlying principal risks into operational and business risks, foreign exchange risks and dependency on key management team with a risk register being established accordingly. Management Team is however, still in the midst of establishing and formalising the risk strategy, risk appetite and risk indicators as well as the process of identification, evaluation and management of key principal risks. Having considered the requisite knowledge on the underlying principles and/or elements and relevant experience in establishing an enterprise risk management framework ("ERM"), the Board has decided to outsource it to a professional firm of which is anticipated to be completed by the next financial year.

The risk register and risk profiles for all business units of the Group, once available will be updated as and when there are changes to the business environment or regulatory guidelines. This process will be regularly reviewed by the Audit Committee ("AC") and reported to the Board.

The key elements of the Group's risk management practices are described below:

1. The Group has established an organisation structure with clearly defined limits of authority, lines of responsibility and accountability that aligned to the Group's business objectives.
2. The Senior Management are responsible for identifying, assessing and managing the risks faced by the respective departments. The results of risk assessment activities are shared across the business units for appropriate actions to be taken.
3. Periodic operational/management meetings are held to ensure that the risks identified are monitored and appropriately addressed to the Managing Director and Executive Directors and they shall highlight those significant risks identified to the AC and the Board.
4. The Board is assisted by the AC in overseeing the efficiency and effectiveness of the Group's policies and guidelines to ensure proper management of risks to which the Group is exposed and to take appropriate and timely action to manage the risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

RISK MANAGEMENT (CONT'D)

The key elements of the Group's risk management practices are described below: (Cont'd)

5. The Board through the AC, maintains risk oversight for the Group by carrying out the following:

   i. On-going review with the Senior Management on the development and maintenance of risk management practices and internal control systems.
   ii. Review on the results of the internal audit programme, processes or investigation undertaken at least once a year and whether or not appropriate action has been taken on the recommendations made by the internal auditors.
   iii. Review with external auditors on the results of their audit, the audit report and internal control recommendations in respect of internal control weaknesses noted during the course of audit on a yearly basis.

INTERNAL CONTROL PROCESSES

The Group's internal control mechanism covers not only day-to-day operations but also on the governance of the Group at the highest level through the Board and the Board Committees. While the Board and the Board Committees are governed by their respective terms of reference ("ToR") established which will be reviewed on an annual basis, Management's conduct is being monitored and reviewed through operational performance reviews on a quarterly basis and risk position is being reviewed periodically with internal audit investigation conducted by an independent professional firm. In this respect, the internal control processes are reviewed and updated from time to time to ensure that they are relevant and effective when responding to changes in circumstances and external environment and also for further improvement by adopting the best practices, where practical.

Apart from risk management and internal audit function, the Board, through the AC has also put in place the following key elements as part of the Group's system of internal control:

- An organisational structure has defined roles and responsibilities with appropriate limits of authority. The responsibilities and functions of the Board of Directors and each Board Committee (i.e. AC, Nomination Committee, Remuneration Committee and Share Issuance Scheme Committee) are set out in the Board Charter and the respective ToR. The Board has delegated specific responsibilities to the relevant Board Committees to implement and monitor the Board's policies and controls within the Group.
- The Managing Director and Executive Directors meet monthly with Senior Management to discuss and review the financial and business performance of all operating entities, management accounts, new business initiatives, other management and corporate issues of the Group.
- The AC comprising entirely of Independent Non-Executive Members of the Board, is not restricted in any way in the conduct of its duties and has unrestricted access to the internal and external auditors of the Company and to all employees of the Group. The AC is also entitled to seek such other independent professional advice deemed necessary to the discharge of its responsibilities.

INTERNAL AUDIT

The Group's internal audit function is outsourced to an independent professionalfirm and reports independently to the AC, NGL Tricor Governance Sdn Bhd to provide the AC and the Board with the independent assessment with reasonable assurance on the effectiveness, adequacy and integrity of the Group's 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

INTERNAL AUDIT (CONT'D)

During the financial period under review, based on the assessment and feedback from the internal auditors, the AC was satisfied that there were no material losses incurred, contingencies or uncertainties occurred as a result of weaknesses noted in the internal control systems that would require separate disclosure in this Annual Report.

The internal audit activities which were carried out by the internal auditors during the financial period under review encompassed the following:

i. Formulation of agreement with the AC on the risk-based internal audit plan that was consistent with the Company's objectives and goals;
ii. Conduct of two (2) internal audit cycles in accordance with the approved internal audit plan on Goods and Service Tax Financial Authority Limit (Compliance) and Procurement Functions;
iii. Following up on internal audit recommendations to ensure adequate implementation; and

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the ACE Market Listing Requirements, the external auditors have reviewed this Statement 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 processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system.

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

CONCLUSION

The Board has received reasonable assurance from Managing Director and Executive Directors 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. The Board is of the opinion that there were no significant weakness identified during the financial period under review in the system of risk management and internal control, contingencies or uncertainties that could result in material loss and adversely affect the Company and the Group save and except for the specific shortcomings in operational related issues as highlighted by the internal audit conducted previously. These gaps will be gradually closed through the institution of the on-going corrective measures.

Nevertheless, the Board recognises that the risk management and internal control 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 4 July 2017.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises the importance of corporate social responsibility. The Group does not have a formal corporate responsibility program but is bonded together by a strong belief that its corporate philosophy is to be a caring company and has thus advocated dynamic and responsible corporate responsible initiatives and activities in the following areas:-

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.

WORKPLACE

KAG considers its people as the most valuable asset. The Group 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.

We improve our working culture and encourage collaboration by organizing festival celebrations or social gathering to strengthen the team bonding among the employees.

MARKETPLACE

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.

COMMUNITY

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.

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.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED

Save as disclosed below, there were no other proceeds raised from corporate proposal during the financial period ended 31 March ("FPE") 2017.

Private Placement

On 18 January 2016, the Company had announced the completion of issuance and allotment of 58,080,000 new ordinary shares representing 10% of the issued and paid-up share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad. The breakdown of the utilisation as at 31 March 2017 is as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000
Purchase of computer hardware	1,000	1,000
Data centre operations	1,704	–
Expenses in relation to the Private Placement	200	200

2. MATERIAL CONTRACTS

There were no material contracts including contracts relating to any loans entered into by the Company and its subsidiaries ("Group") involving Directors' or substantial shareholders' interest, either still subsisting at the end of FPE 2017 or entered into since the end of the previous financial year ended 31 December 2015.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During FPE 2017, there were:-

(a) a total of 290,400,000 warrants issued on 8 July 2013 ("Warrants") pursuant to the Rights Issue with Warrants, remained unexercised; and
(b) a total of 80,000,000 new ordinary shares were issued and allotted pursuant to the exercise of the share options ("SIS Options") granted under the Share Issuance Scheme of the Company ("SIS").

The details of the issued and paid-up capital of the Company as at 31 March 2017 are as follows:-

	No. of Shares	RM
As at 01 January 2016	580,800,000	29,040,000.00
Ordinary shares issued pursuant to the Private Placement	58,080,000	2,904,000.00
Ordinary shares issued pursuant to the issuance of earn-out shares	100,174,853	5,008,742.65
Ordinary shares issued pursuant to the SIS	80,000,000	4,000,000.00
As at 31 March 2017	819,054,853	40,952,743.65

Other than the above-mentioned, the Company did not issue any options, warrants or convertible securities during the financial period under review.

ADDITIONAL COMPLIANCE INFORMATION
(CONT'D)

4. AUDIT AND NON-AUDIT FEES

During FPE 2017, non-audit fees incurred for services rendered to the Company and/or its subsidiaries by the Company's external auditors, Messrs. Kreston John & Gan were as follows:-

	The Company RM	The Group RM
Audit fees	28,000	96,500
Non audit fees	68,000	68,000

The non-audit fees were incurred mainly for corporate exercise services rendered to the Group.

5. REVALUATION POLICY

The revaluation policy on investment properties of the Company is disclosed in Note 5 to the annual audited financial statements on pages 79 to 80 of this Annual Report.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 2016 ("the Act") 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 applied the appropriate and relevant accounting policies on a consistent basis;
- 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 and its subsidiaries maintain proper accounting records which disclose with reasonable accuracy the financial position of each Company, and which enable them to ensure that the financial statements comply with the Act.

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 4 July 2017.

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DIRECTORS' REPORT

FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2017

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial period ended 31st March 2017.

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	(5,201,795)	(899,193)
Non-controlling interests	107,556	–
Loss for the financial period	(5,094,239)	(899,193)

DIVIDENDS

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 period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period 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 2nd July 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 any time 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,

DIRECTORS' REPORT
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2017
(CONT'D)

WARRANTS 2013/2018 (CONT'D)

(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 pari passu 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

(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 March 2017, the total outstanding warrants are 290,400,000 and none have been exercised during the financial period.

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

SHARES AND DEBENTURES

During the financial period, the Company issued:-

(i) 58,080,000 new ordinary shares at RM0.05 per ordinary share via a private placement to eligible investors for a total cash consideration of RM2,904,000 for working capital purposes.

(ii) 100,174,853 new ordinary shares RM0.05 per ordinary share via a proposed issuance of Earn-Out shares as consideration shares for the acquisition of 51% equity interest in Digital Paper Solutions Sdn. Bhd.

(iii) 80,000,000 new ordinary shares at RM0.05 per ordinary share via pursuant of the Share Issuance Scheme ("SIS") for a total cash consideration of RM4,000,000.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any parties to take up unissued shares of the Company during the financial period apart from the existing 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 1/1/2016**	**Granted**	**Exercised**	**As at 31/3/2017**
15th June 2015	RM0.05	174,240,000	–	(80,000,000)	94,240,000

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.

DIRECTORS' REPORT
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2017
(CONT'D)

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 period 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 period.

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 period 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 period 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 period 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 period.

DIRECTORS OF THE COMPANY

The directors of the Company in office at any time during the period and since the end of period are:-

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
Dato' Goh Kian Seng
Roy Ho Yew Kee
Kamarudin Bin Ngah
Yee Yit Yang
Lim Chin Long - appointed on 22/4/2016

DIRECTORS' INTERESTS

The interests and deemed interest in the ordinary shares of the Company of those who are Directors at period 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			
	As at 1/1/2016	**Bought**	**Sold**	**As at 31/3/2017**
Direct interests				
Dato' Goh Kian Seng	93,912,500	–	–	93,912,500

	Number of warrants 2013/2018			
	As at 1/1/2016	**Bought**	**Sold**	**As at 31/3/2017**
Direct interests				
Dato' Goh Kian Seng	75	–	–	75

	Number of Share Issuance Scheme Options			
	As at 1/1/2016	**Granted**	**Exercised**	**As at 31/3/2017**
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 period held any shares, warrants and Share Issuance Scheme Options in the Company or in any related corporations during the financial period ended 31st March 2017.

By virtue of Section 8 of the Companies Act, 2016, 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 period to the extent that the Key Alliance Group Berhad has an interest.

DIRECTORS' REMUNERATION

The amounts of the remunerations of the directors or past directors of the Company comprising remunerations received /receivable from the Company and its subsidiaries during the financial period are as follows:-

	Group 31/3/2017 RM	**Company 31/3/2017 RM**
Fees	284,000	284,000
Other emoluments	431,000	330,000
Contribution to defined contribution plan	50,840	39,600
Social security costs	1,898	949
	767,738	654,549

DIRECTORS' REPORT
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2017
(CONT'D)

DIRECTORS' REMUNERATION (CONT'D)

None of the directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiaries during the period.

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

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

Total amount of indemnity given to or insurance premium paid for the directors, officer or auditor of the Company and its subsidiaries is as follows:-

	Group 31/3/2017 RM	**Company 31/3/2017 RM**
Directors	3,066	1,504
Officers	–	–
Auditors	–	–
	3,066	1,504

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 44 to the financial statements.

There were no arrangements during and at the end of the financial period, 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.

CHANGE OF ACCOUNTING YEAR END

The Group and the Company changed their accounting year end from 31st December to 31st March.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 46 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 47 to the financial statements.

DIRECTORS' REPORT
FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2017
(CONT'D)

AUDITORS

(a) Details of the auditors' remuneration for the Group and the Company are disclosed in Note 29 to the financial statements.

(b) The auditors, Kreston John & Gan, Chartered Accountants, are retiring and not seeking re-appointment.

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

Dato' Goh Kian Seng

Roy Ho Yew Kee

Petaling Jaya,
Date : 4 July 2017

INDEPENDENT AUDITORS' REPORT

TO MEMBERS OF KEY ALLIANCE GROUP BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Key Alliance Group Berhad, which comprise the statements of financial position as at 31st March 2017 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st March 2017, and of their financial performance and their cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

No.	Key audit matter	Our audit performed and responses thereon
1	Valuation of investment properties Valuation of investment properties is a key audit matter because significant judgement is required in determining the carrying amount of the investment properties. As at 31st March 2017, the carrying amount of investment properties is RM17,893,962. The valuation of the investment properties is inherently subjective due to, among other factors, the individual nature of each property, the location and the expected future income for that particular property.	Our audit procedures included as following:- (a) Evaluated the reasonableness of the methods and assumptions used by management to estimate the fair values and if management's methods and assumptions are reasonable ; (b) Evaluated the valuer's competencies, capabilities, and objectivity by checking the valuer' qualifications and their registration to the Board of Valuers, Appraisers and Estate Agents Malaysia website ; (c) Inquiry the valuer's scope of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

INDEPENDENT AUDITORS' REPORT
TO MEMBERS OF KEY ALLIANCE GROUP BERHAD
(CONT'D)

Key Audit Matters (Cont'd)

No.	Key audit matter	Our audit performed and responses thereon
2	Borrowings For the financial period ended 31st March 2017, the Group has total borrowings of RM10,074,232 which shown an increase of 3% as compared to previous financial year. The additional facilities obtained were for the purpose of purchase of plant and equipment in the subsidiary companies. High financial leverage may pose significant risk on the going concern of the Group in the ewvent of any default or breach of covenants.	Our audit procedures included as following:- (a) Performed assessment on the assets pledged by the Group in obtaining the borrowings, whether it would be sufficient to discharge the Group from its obligations without incurring any additional liabilities; (b) Assessed the ability of the Group to service its borrowings for a period of twelve months after the financial period ended; (c) Reviewed the loan covenants to ascertain there is no breach of covenants which may result in the borrowings facilities recalled by the financial institutions ; and (d) Checked the repayment of borrowings to ascertain there is no default in repayment.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT
TO MEMBERS OF KEY ALLIANCE GROUP BERHAD
(CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO MEMBERS OF KEY ALLIANCE GROUP BERHAD
(CONT'D)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 50 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 266 of the Companies Act, 2016 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
(AF 0113)
Chartered Accountants

Lim Chiam Kay
Approval No: 1285/03/2019(J)
Chartered Accountant

Kuala Lumpur,
Date : 4 July 2017

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

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 45 to 141 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31st March 2017 and of the results and the cash flows of the Group and of the Company for the financial period ended on that date.

The information set out in Note 50 on page 142 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.

Dato' Goh Kian Seng

Roy Ho Yew Kee

Petaling Jaya,
Date : 4 July 2017

STATUTORY DECLARATION

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

I, Dato' Goh Kian Seng, NRIC: 620715-07-5581, 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 45 to 142, 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 4 July 2017

Dato' Goh Kian Seng

Before me

Commissioner of Oaths

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31ST MARCH 2017

	Note	31/3/2017 RM	31/12/2015 RM
ASSETS			
Non-current Assets			
Plant and equipment	4	7,841,805	7,238,762
Investment properties	5	17,893,962	14,028,966
Intangible assets	6	8,047,183	8,375,221
Investment in associated companies	8	–	1
Other investments	9	2,131,001	2,427,001
		35,913,951	32,069,951
Current Assets			
Inventories	10	8,105,425	6,773,008
Trade receivables	11	4,830,999	13,705,491
Other receivables, deposits and prepayments	13	7,157,458	3,895,214
Amount due from an associated company	15	–	–
Current tax assets		521,723	186,270
Deposits with licensed banks	16	5,105,894	5,668,315
Cash and bank balances		1,421,817	2,507,684
		27,143,316	32,735,982
Total Assets		63,057,267	64,805,933
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	17	40,952,743	29,040,000
Share premium	17	10,037,634	10,087,157
Reserves	18	(11,840,142)	(6,154,747)
		39,150,235	32,972,410
Non-controlling interests	19	1,429,229	1,321,673
Total Equity		40,579,464	34,294,083
Non-current Liabilities			
Borrowings	20	6,367,071	6,302,162
Deferred tax liabilities	24	1,466,207	1,615,317
		7,833,278	7,917,479
Current Liabilities			
Trade payables	25	2,085,538	6,884,330
Other payables and accruals	26	8,546,733	12,207,636
Borrowings	20	3,707,161	3,502,405
Current tax liabilities		305,093	–
		14,644,525	22,594,371
Total Liabilities		22,477,803	30,511,850
Total Equity and Liabilities		63,057,267	64,805,933

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1ST JANUARY 2016 TO 31ST MARCH 2017

	Note	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Revenue	27	33,878,624	38,370,180
Cost of sales		(28,773,121)	(32,640,292)
Gross profit		5,105,503	5,729,888
Other income	28	3,668,302	5,424,789
Selling and distribution costs		(95,808)	(53,304)
Administrative expenses		(8,068,109)	(8,757,305)
Other expenses		(4,648,822)	(9,492,473)
Loss from operations		(4,038,934)	(7,148,405)
Finance costs		(746,626)	(512,108)
Share of results of associated companies		–	(46,127)
Loss before taxation	29	(4,785,560)	(7,706,640)
Income tax expense	32	(308,679)	(225,810)
Loss for the period /year, representing total comprehensive loss for the period /year		(5,094,239)	(7,932,450)
Total comprehensive loss for the period /year attributable to:-			
Equity holders of the Company		(5,201,795)	(9,203,003)
Non-controlling interests		107,556	1,270,553
		(5,094,239)	(7,932,450)
Basic loss per share (sen)	33	(0.72)	(1.60)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1ST JANUARY 2016 TO 31ST MARCH 2017

	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 2015	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 for the year	–	–	–	–	(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
Transaction with owners:-								
Issue of share capital	7,912,743	–	–	–	–	7,912,743	–	7,912,743
Share options exercised	4,000,000	483,600	(483,600)	–	–	4,000,000	–	4,000,000
Share issuance and related expenses	–	(533,123)	–	–	–	(533,123)	–	(533,123
Total transactions with owners	11,912,743	(49,523)	(483,600)	–	–	11,379,620	–	11,379,620
Total comprehensive loss for the period	–	–	–	–	(5,201,795)	(5,201,795)	107,556	(5,094,239)
Balance at 31st March 2017	40,952,743	10,037,634	569,680	3,775,200	(16,185,022)	39,150,235	1,429,229	40,579,464

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1ST JANUARY 2016 TO 31ST MARCH 2017

	Note	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Cash flows from operating activities			
Loss before taxation		(4,785,560)	(7,706,640)
Adjustments for:-			
Bad debts written off		46,028	24,190
Depreciation of plant and equipment		3,012,192	2,399,853
Fair value adjustment on investment property		–	(500,000)
Gain on disposal of plant and equipment		(29,716)	–
Impairment losses on:-			
- Amount due from an associated company		29,389	162,764
- Goodwill on consolidation		–	650,000
- Inventories		–	572,990
- Other investments		–	359,999
- Other receivables		–	3,987,171
- Trade receivables		–	397,586
Interest expense		746,626	512,108
Interest income		(232,195)	(249,295)
Loss on disposal of plant and equipment		2,254	1,081
Loss /(Gain) on disposal of subsidiary company		316,424	(2,005,993)
Other deposit written off		5,000	–
Plant and equipment written off		105,938	29
Reversal of impairment loss on trade receivables		(26,217)	–
Unrealised gain on foreign exchange		(597)	(11,251)
Unrealised loss on foreign exchange		–	41,922
Share-based payments	34	–	1,053,280
Share of results of associated companies		–	46,127
Waiver of debts		–	(2,316,981)
Operating loss before working capital changes		(810,434)	(2,581,060)
(Increase) /Decrease in inventories		(1,332,417)	2,682,493
(Increase) /Decrease in trade receivables		8,855,278	(1,792,076)
Increase in other receivables, deposits and prepayments		(3,267,244)	(1,101,461)
Increase /(Decrease) in trade payables		(4,798,792)	1,083,751
Increase /(Decrease) in other payables and accruals		(3,648,546)	71,451
Cash used in operations		(5,002,155)	(1,636,902)
Interest paid		(746,626)	(512,108)
Tax paid		(512,149)	(768,800)
Tax refund		24,000	12,452
Net cash used in operating activities		(6,236,930)	(2,905,358)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1ST JANUARY 2016 TO 31ST MARCH 2017

(CONT'D)

	Note	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Balance brought forward		(6,236,930)	(2,905,358)
Cash flows from investing activities			
Acquisition of an associated company		–	(1)
Additional investment in subsidiary company		(743)	–
Advance to an associated company		(29,389)	(162,764)
Interest received		232,195	249,295
Proceeds from disposal of associated company		1	–
Proceeds from disposal of plant and equipment		34,669	3,000
Proceeds from disposal of subsidiary company, net of cash and cash equivalent	35	–	(5,924)
Proceeds from redemption of redeemable preference shares		296,000	–
Purchase of plant and equipment	36	(1,410,737)	(467,404)
Purchase of investment properties	37	(3,864,996)	(1,824,366)
Purchase of redeemable preference shares		–	(1,271,000)
Withdrawal /(Placement) of pledged deposits		562,421	(1,397,923)
Net cash used in investing activities		(4,180,579)	(4,877,087)
		(10,417,509)	(7,782,445)
Cash flows from financing activities			
Proceeds from issue of share capital		11,912,743	–
Proceeds from /(Repayment of) bill payables		(344,928)	344,928
Repayment of finance lease liabilities		(1,210,451)	(463,425)
Repayment of term loan		(525,045)	(377,559)
Share issuance and related expenses		(533,123)	(188,205)
Net cash from /(used in) financing activities		9,299,196	(684,261)
Net decrease in cash and cash equivalents		(1,118,313)	(8,466,706)
Cash and cash equivalents at the beginning of the period /year		544,286	9,010,992
Cash and cash equivalents at the end of the period /year	38	(574,027)	544,286

STATEMENT OF FINANCIAL POSITION
31ST MARCH 2017

	Note	31/3/2017 RM	31/12/2015 RM
ASSETS			
Non-current Assets			
Plant and equipment	4	11,864	17,239
Investment properties	5	9,000,000	9,000,000
Investment in subsidiary companies	7	10,571,784	10,571,042
Investment in associated companies	8	–	1
Other investments	9	1,781,001	2,077,001
		21,364,649	21,665,283
Current Assets			
Other receivables, deposits and prepayments	13	719,545	4,413,770
Amount due from subsidiary companies	14	14,634,544	4,151,120
Amount due from an associated company	15	–	–
Current tax assets		3,290	22,000
Deposits with licensed banks	16	3,754,319	4,366,934
Cash and bank balances		205,147	654,572
		19,316,845	13,608,396
Total Assets		40,681,494	35,273,679
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	17	40,952,743	29,040,000
Share premium	17	10,037,634	10,087,157
Reserves	18	(12,827,255)	(11,444,462)
		38,163,122	27,682,695
Non-current Liability			
Deferred tax liabilities	24	1,194,700	1,194,000
Current Liabilities			
Other payables and accruals	26	481,075	5,243,658
Amount due to a subsidiary company	14	842,597	1,153,326
		1,323,672	6,396,984
Total Liabilities		2,518,372	7,590,984
Total Equity and Liabilities		40,681,494	35,273,679

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1ST JANUARY 2016 TO 31ST MARCH 2017

	Note	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Revenue	27	377,760	–
Other income	28	778,852	1,546,429
Administrative expenses		(1,930,888)	(2,738,917)
Other expenses		(104,217)	(15,613,946)
Loss from operations		(878,493)	(16,806,434)
Finance costs		–	–
Loss before taxation	29	(878,493)	(16,806,434)
Income tax expense	32	(20,700)	(126,948)
Loss for the period /year, representing total comprehensive loss for the period /year		(899,193)	(16,933,382)

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1ST JANUARY 2016 TO 31ST MARCH 2017

	Non-Distributable	Reserves				
	Share capital RM	Share premium RM	Share option reserve RM	Warrants reserve RM	Accumulated losses RM	Total RM
Balance at 1st January 2015	58,080,000	10,275,362	–	3,775,200	(28,379,560)	43,751,002
Transaction 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
Transaction with owners:-						
Issue of share capital	7,912,743	–	–	–	–	7,912,743
Share options exercised	4,000,000	483,600	(483,600)	–	–	4,000,000
Share issuance and related expenses	–	(533,123)	–	–	–	(533,123)
Total transactions with owners	11,912,743	(49,523)	(483,600)	–	–	11,379,620
Total comprehensive loss for the period	–	–	–	–	(899,193)	(899,193)
Balance at 31st March 2017	40,952,743	10,037,634	569,680	3,775,200	(17,172,135)	38,163,122

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1ST JANUARY 2016 TO 31ST MARCH 2017

	Note	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Cash flows from operating activities			
Loss before taxation		(878,493)	(16,806,434)
Adjustments for:-			
Depreciation of plant and equipment		5,375	6,006
Fair value adjustment on investment property		–	(500,000)
Gain on disposal of subsidiary company		(1)	–
Impairment losses on:-			
- Amount due from an associated company		35	18
- Amount due from subsidiary company		–	3,164,544
- Investment in associated companies		–	46,127
- Investment in subsidiary companies		–	12,090,839
- Other investments		–	149,999
- Other receivables		–	47,413
Interest income		(563,640)	(342,049)
Plant and equipment written off		–	21
Reversal of impairment loss on amount due from subsidiary companies		–	(519,316)
Share-based payments	34	–	1,053,280
Operating loss before working capital changes		(1,436,724)	(1,609,552)
Decrease in other receivables, deposits and prepayments		3,694,225	6,855,047
Increase /(Decrease) in other payables and accruals		(4,762,583)	40,806
Cash generated from /(used in) operations		(2,505,082)	5,286,301
Tax paid		(25,290)	(26,550)
Tax refund		24,000	12,452
Net cash from /(used in) operating activities		(2,506,372)	5,272,203
Cash flows from investing activities			
Acquisition of an associated company		–	(1)
Acquisition of an subsidiary company		–	(2)
Additional investment in subsidiary company		(743)	(1,000,000)
Advance to an associated company		(35)	(18)
Advance to subsidiary companies		(10,483,424)	(4,134,937)
Interest received		563,640	342,049
Proceeds from disposal of associated company		1	–
Proceeds from disposal of subsidiary company		2	1
Proceeds from redemption of redeemable preference shares		296,000	–
Purchase of plant and equipment	36	–	(11,983)
Purchase of redeemable preference shares		–	(1,271,000)
Withdrawal /(Placement) of pledged deposits		612,615	(1,359,167)
Net cash used in investing activities		(9,011,944)	(7,435,058)
Balance carried forward		(11,518,316)	(2,162,855)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1ST JANUARY 2016 TO 31ST MARCH 2017
(CONT'D)

	Note	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Balance brought forward		(11,518,316)	(2,162,855)
Cash flows from financing activities			
Proceeds from issuance of share capital		11,912,743	–
Repayment to subsidiary companies		(310,729)	(97,457)
Share issuance expenses		(533,123)	(188,205)
Net cash from /(used in) financing activities		11,068,891	(285,662)
Net decrease in cash and cash equivalents		(449,425)	(2,448,517)
Cash and cash equivalents at the beginning of the period /year		654,572	3,103,089
Cash and cash equivalents at the end of the period /year	38	205,147	654,572

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

NOTES TO THE FINANCIAL STATEMENTS

31ST MARCH 2017

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 No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor Darul Ehsan
Registered office	:	3-2, 3rd Mile Square, No. 151, Jalan Kelang Lama Batu 3 ½, 58100 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial period ended 31st March 2017 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 period ended 31st March 2017 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 4th July 2017.

2. BASIS OF PREPARATION

(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 (“IFRSs”) and the requirements of the Companies Act, 2016 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 2017

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014–2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Tax – Recognition of Deferred Tax Assets for Unrealised Losses

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

- Amendments to MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- MFRS 9, Financial Instruments (2014)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (Cont'd)

- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases

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 April 2017 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 2017;

- from the annual period beginning on 1 April 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; and

- from the annual period beginning on 1 April 2019 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 2019.

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 of 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.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

The amendments clarify that:-

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group and the Company.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9, MFRS 15, MFRS 16 and amendments to MFRS 10 and MFRS 128.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

(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 judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, 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.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (Cont'd)

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

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

The Group has developed certain criteria based on MFRS 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 within 4 to 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.

2. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (Cont'd)

(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 RM2,978,000 (31/12/2015 – RM2,024,000).

(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.

(viii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on annual basis. This requires an estimation of the value in use of the cash generating units ("CGU") to which the goodwill is allocated. Estimating value in use amount requires management to make an estimate of expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31st March 2017 was RM8,047,183 (31/12/2015 – RM8,375,221). Further details are disclosed in Note 6 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(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.

(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 form 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 before 1st January 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 combination or financial assets that are specifically designated into this category upon initial recognition.

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

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

(b) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(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)).

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 combination or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

(iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

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 %
Computer software and equipment	20-25
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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (Cont'd)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

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.

NOTES TO THE FINANCIAL STATEMENTS

31ST MARCH 2017

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(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.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

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.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits (Cont'd)

(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.

(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) Management fee

Management fee is recognised upon the service rendered.

(vi) Maintenance fees

Revenue from maintenance fees is recognised in the profit or loss on a time basis, by reference to the agreement entered, and when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31ST MARCH 2017

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS

31ST MARCH 2017

(CONT'D)

4. PLANT AND EQUIPMENT

Group 31/3/2017	Computer software and equipment RM	Furniture and fittings, office equipment and renovation RM	Motor vehicles RM	Rental equipment RM	Total RM
At cost					
Balance at 1/1/2016	4,879,405	2,193,949	3,029,224	3,289,822	13,392,400
Additions	21,405	1,389,332	–	2,317,643	3,728,380
Disposal /Written off	(1,012,643)	(316,973)	(167,548)	–	(1,497,164)
Balance at 31/3/2017	3,888,167	3,266,308	2,861,676	5,607,465	15,623,616
Accumulated Depreciation					
Balance at 1/1/2016	3,168,454	755,217	1,164,783	1,065,184	6,153,638
Charge for the period	906,280	324,153	693,820	1,087,939	3,012,192
Deletion	(1,010,900)	(205,571)	(167,548)	–	(1,384,019)
Balance at 31/3/2017	3,063,834	873,799	1,691,055	2,153,123	7,781,811
Net Book Value	824,333	2,392,509	1,170,621	3,454,342	7,841,805
31/12/2015					
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

4. PLANT AND EQUIPMENT (CONT'D)

Company 31/3/2017	**Computer software and equipment RM**	**Furniture and fittings, office equipment and renovation RM**	**Total RM**
At cost			
Balance at 1/1/2016	39,175	181,393	220,568
Additions	–	–	–
Balance at 31/3/2017	39,175	181,393	220,568
Accumulated Depreciation			
Balance at 1/1/2016	25,683	177,646	203,329
Charge for the period	3,993	1,382	5,375
Balance at 31/3/2017	29,676	179,028	208,704
Net Book Value	9,499	2,365	11,864
31/12/2015			
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

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

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	
	31/3/2017 RM	**31/12/2015 RM**	**31/3/2017 RM**	**31/12/2015 RM**
Computer software and equipment	323,752	159,961	23,202	23,202
Furniture and fittings, office equipment and renovation	189,416	491,129	175,865	175,865
Motor vehicles	86,400	253,948	–	–
	599,568	905,038	199,067	199,067

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

Group 31/3/2017	**Office equipment RM**	**Rental equipment RM**	**Total RM**
At cost	795,705	5,607,465	6,403,170
Less : Accumulated depreciation	(264,235)	(2,153,123)	(2,417,358)
Net Book Value	531,470	3,454,342	3,985,812
31/12/2015			
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

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

	Group	
	31/3/2017 RM	**31/12/2015 RM**
Motor vehicles	1,099,536	1,742,581

(iv) Motor vehicle of the Group at cost of RM348,000 (31/12/2015 – RM348,000) is registered in the name of a director.

(v) Motor vehicles of the Group at cost of RM86,400 (31/12/2015 – RM111,253) are registered in the name of third parties.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

5. INVESTMENT PROPERTIES

Group 31/3/2017	Freehold office building RM	Buildings in progress RM	Total RM
At fair value /At cost			
Balance at 1/1/2016	9,000,000	5,028,966	14,028,966
Additions	–	3,864,996	3,864,996
Balance at 31/3/2017	9,000,000	8,893,962	17,893,962
31/12/2015			
At fair value /At cost			
Balance at 1/1/2015	8,500,000	3,204,600	11,704,600
Additions	–	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
Company			
31/3/2017			
At Fair Value			
Balance at 1/1/2016	9,000,000	–	9,000,000
Additions	–	–	–
Balance at 31/3/2017	9,000,000	–	9,000,000
31/12/2015			
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

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 March 2017 is determined by a valuation carried out by Nagalingam T., a Registered Valuer of Messrs Azmi & Co (Shah Alam) Sdn. Bhd., based on the comparison method of valuation basis.

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

The freehold office building was charged to licensed banks as security for bank facilities granted to the subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

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
31/3/2017				
Investment property	–	9,000,000	–	9,000,000
31/12/2015				
Investment property	–	9,000,000	–	9,000,000

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 buildings in progress is currently under construction and the fair value of the buildings in progress is not determined yet as there are uncertainties in estimating its fair value. The buildings in progress have 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.

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 on consolidation RM	Development expenditure RM	Total RM
31/3/2017			
At cost			
Balance at 1/1/2016	9,525,221	–	9,525,221
Addition	743	–	743
Disposal	(328,781)	–	(328,781)
Balance at 31/3/2017	9,197,183	–	9,197,183
Accumulated impairment			
Balance at 1/1/2016	1,150,000	–	1,150,000
Impairment for the period	–	–	–
Balance at 31/3/2017	1,150,000	–	1,150,000
Net Book Value	8,047,183	–	8,047,183

6. INTANGIBLE ASSETS (CONT'D)

Group	Goodwill on consolidation RM	Development expenditure RM	Total RM
31/12/2015			
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
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

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 31/3/2017 RM	Group 31/12/2015 RM
Information communication technology (ICT) and related activities	4,405,591	4,404,848
Kitchen appliances	3,641,592	3,641,592
Others	–	328,781
	8,047,183	8,375,221

(i) The kitchen appliances unit is related to the subsidiary company, GE Green Sdn. Bhd. which is subject to disposal subsequent to the reporting period. As the consideration for the disposal is higher than the recoverable amount of the CGU, therefore no impairment testing is needed.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

6. INTANGIBLE ASSETS (CONT'D)

Goodwill on consolidation (Cont'd)

(ii) The recoverable amount of the CGU related to information communication technology (ICT) unit 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	1

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	100

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

	RM'000
Information communication technology (ICT) and related activities	974

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	31/3/2017 RM	31/12/2015 RM
Unquoted shares, at cost	30,951,032	30,950,290
Accumulated impairment losses		
Balance at beginning of the period /year	20,379,248	13,788,408
Impairment losses recognised	–	12,090,839
Reversal of impairment losses	–	(5,499,999)
Balance at end of the period /year	20,379,248	20,379,248
	10,571,784	10,571,042

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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	
			31/3/2017 %	31/12/2015 %
DVM Innovate Sdn. Bhd.	Malaysia	Provision of communications systems integration and solutions, data network, data communications solutions, business and operational support systems.	100	100
Key Alliance Sdn. Bhd.	Malaysia	Distribution and provision of information technology in relation to computer parts, software and accessories and ventured as contractor for building constructions.	100	100
Design Dept Sdn. Bhd.	Malaysia	To carry on the business of architectural and 3D interior design and image consultants.	100	100
Corporate One Training Academy Sdn. Bhd.	Malaysia	Provision of business and operational support systems and services, software development and business process outsourcing.	100	100
Precious Essence Sdn. Bhd. (1)	Malaysia	Property investment.	–	100
GE Green Sdn. Bhd.	Malaysia	Trading of kitchen wares and related products.	100	100
Pacifica KAG Sdn. Bhd.	Malaysia	Dormant.	100	100
MobileVideo International Limited	Cayman Islands	Dormant.	60	60
Digital Paper Solutions Sdn. Bhd. (2)	Malaysia	Trading and rental of office equipment.	51	51

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

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

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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:-

31/3/2017	**Digital Paper Solutions Sdn. Bhd.**	**MobileVideo International Limited**	**Total**
NCI percentage of ownership interest and voting interest	49%	40%	
Carrying amount of NCI (RM)	1,639,354	(210,125)	1,429,229
Profit /(Loss) allocated to NCI (RM)	108,701	(1,145)	107,556

Summarised financial information before intra-group elimination:-

	RM	**RM**
As at 31st March		
Non-current assets	3,486,211	–
Current assets	9,197,469	–
Non-current liabilities	(2,532,545)	–
Current liabilities	(6,805,515)	(1,580,327)
Net assets /(liabilities)	3,345,620	(1,580,327)
Period ended 31st March		
Revenue	25,734,281	–
Profit /(Loss) for the period, representing total comprehensive income /(loss) for the period	221,839	(2,862)
Cash flows from /(used in) operating activities	1,248,132	(2,862)
Cash flows used in investing activities	(22,065)	–
Cash flows from /(used in) financing activities	(1,059,419)	2,862
Net increase in cash and cash equivalents	166,648	–
Dividends paid to NCI	–	–

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Non-controlling interest in subsidiaries (Cont'd)

31/12/2015	**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

Summarised 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 income for the year	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	–	–

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

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8. INVESTMENT IN ASSOCIATED COMPANIES

Group	31/3/2017 RM	31/12/2015 RM
Unquoted shares at cost		
Balance at beginning of the period /year	253,254	253,253
Acquisition	–	1
Disposal	(1)	–
Balance at end of the period /year	253,253	253,254
Group's share of post acquisition profits or losses		
Balance at beginning of the period /year	(253,253)	(207,126)
Share of losses for current period /year	–	(46,127)
Balance at end of the period /year	(253,253)	(253,253)
Investment in associated companies	–	1

Company	31/3/2017 RM	31/12/2015 RM
Unquoted shares at cost		
Balance at beginning of the period /year	253,254	253,253
Acquisition	–	1
Disposal	(1)	–
Balance at end of the period /year	253,253	253,254
Accumulated impairment losses		
Balance at beginning of the period /year	253,253	207,126
Impairment losses recognised	–	46,127
Balance at end of the period /year	253,253	253,253
Investment in associated companies	–	1

The associated companies are as follows:-

Name of companies	Place of incorporation	Principal activities	Effective ownership interest 31/3/2017 %	Effective ownership interest 31/12/2015 %
LeBlanc KAG Sdn. Bhd. [1]	Malaysia	Dormant	–	50
Fatfish Capital Ltd. [2]	British Virgin Islands	Investment company	22	33
DVM AllSportz Asia Sdn. Bhd.	Malaysia	Streaming of audio and video on sports news	30	30

(1) This associated company was disposed of during the financial period.

(2) The effective ownership interest was diluted after the new issue of share capital in the associated company.

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8. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

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.

Group 31/3/2017	**LeBlanc KAG Sdn. Bhd.**	**Fatfish Capital Ltd.**	**DVM AllSportz Asia Sdn. Bhd.**	**Total**
Percentage of ownership interest and voting interest	–	22%	30%	
Summarised financial information:-				
	RM	**RM**	**RM**	**RM**
As at 31st March				
Non-current assets	–	1,282,757	11,093	1,293,850
Current assets	–	341,907	21,451	363,358
Non-current liabilities	–	–	–	–
Current liabilities	–	(1,024,011)	(447,921)	(1,471,932)
Net assets /(liabilities)	–	600,653	(415,377)	185,276
Period ended 31st March				
Loss from continuing operations	–	(72,031)	(153,092)	(225,123)
Other comprehensive income	–	–	–	–
Total comprehensive loss	–	(72,031)	(153,092)	(225,123)
Included in total comprehensive income is				
Revenue	–	–	96,462	96,462
Reconciliation of net assets to carrying amount:-				
As at 31st March				
Group's share of net assets	–	–	–	–
Goodwill	–	–	–	–
Elimination of unrealised profit	–	–	–	–
Carrying amount in the statement of financial position	–	–	–	–
Group's share of results:-				
Year ended 31st March				
Group's share of profit or loss from continuing operations - current year	–	–	–	–
Group's share of total comprehensive loss	–	–	–	–

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8. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

Group 31/3/2017	LeBlanc KAG Sdn. Bhd. RM	Fatfish Capital Ltd. RM	DVM AllSportz Asia Sdn. Bhd. RM	Total RM
Other information:-				
Dividends received	–	–	–	–
31/12/2015				
Percentage of ownership interest and voting interest	50%	33%	30%	
Summarised financial information:-				
	RM	RM	RM	
As at 31st December				
Non-current assets	–	817,184	17,123	834,307
Current assets	2	277,052	26,504	303,558
Non-current liabilities	–	–	–	–
Current liabilities	(5,093)	(605,886)	(305,912)	(916,891)
Net assets /(liabilities)	(5,091)	488,350	(262,285)	220,974
Summarised financial information:-				
	RM	**RM**	**RM**	
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

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8. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

Group 31/12/2015	LeBlanc KAG Sdn. Bhd. RM	Fatfish Capital Ltd. RM	DVM AllSportz Asia Sdn. Bhd. RM	Total RM
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	–	–	–	–

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 March 2017 and 31st December 2016.

9. OTHER INVESTMENTS

Group 31/3/2017	Unquoted shares Ordinary Shares RM	Unquoted shares Redeemable Preference Shares RM	Club Membership RM	Total RM
Non-current				
Available-for-sale financial assets				
Balance at 1/1/2016	270,000	1,957,000	860,000	3,087,000
Redemption	–	(296,000)	–	(296,000)
Balance at 31/3/2017	270,000	1,661,000	860,000	2,791,000
Accumulated impairment losses				
Balance at 1/1/2016	149,999	–	510,000	659,999
Impairment losses recognised	–	–	–	–
Balance at 31/3/2017	149,999	–	510,000	659,999
	120,001	1,661,000	350,000	2,131,001

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9. OTHER INVESTMENTS (CONT'D)

Group 31/12/2015	Unquoted shares Ordinary Shares RM	Unquoted shares Redeemable Preference Shares RM	Club Membership RM	Total RM
Non-current				
Available-for-sale financial assets				
Balance at 1/1/2015	270,000	686,000	860,000	1,816,000
Additions	–	1,271,000	–	1,271,000
Balance at 31/12/2015	270,000	1,957,000	860,000	3,087,000
Accumulated impairment losses				
Balance at 1/1/2015	–	–	300,000	300,000
Impairment losses recognised	149,999	–	210,000	359,999
Balance at 31/12/2015	149,999	–	510,000	659,999
	120,001	1,957,000	350,000	2,427,001

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

Company 31/3/2017	Unquoted shares Ordinary Shares RM	Unquoted shares Redeemable Preference Shares RM	Total RM
Non-current			
Available-for-sale financial assets			
Balance at 1/1/2016	270,000	1,957,000	2,227,000
Redemption	–	(296,000)	(296,000)
Balance at 31/3/2017	270,000	1,661,000	1,931,000
Accumulated impairment losses			
Balance at 1/1/2016	149,999	–	149,999
Impairment losses recognised	–	–	–
Balance at 31/3/2017	149,999	–	149,999
	120,001	1,661,000	1,781,001

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9. OTHER INVESTMENTS (CONT'D)

Company 31/12/2015	Unquoted shares Ordinary Shares RM	Unquoted shares Redeemable Preference Shares RM	Total RM
Non-current			
Available-for-sale financial assets			
Balance at 1/1/2015	270,000	686,000	956,000
Additions	–	1,271,000	1,271,000
Balance at 31/12/2015	270,000	1,957,000	2,227,000
Accumulated impairment losses			
Balance at 1/1/2015	–	–	–
Impairment losses recognised	149,999	–	149,999
Balance at 31/12/2015	149,999	–	149,999
	120,001	1,957,000	2,077,001

10. INVENTORIES

	Group 31/3/2017 RM	Group 31/12/2015 RM
At cost:-		
Software	500,000	500,000
Multi function printers and related products	4,970,943	3,902,828
Kitchen appliances	2,634,482	2,370,180
	8,105,425	6,773,008

The cost of inventories recognised as an expense during the financial period /year in the Group amounted to RM4,203,764 (31/12/2015 – RM7,371,601).

11. TRADE RECEIVABLES

	Group 31/3/2017 RM	Group 31/12/2015 RM
Trade receivables	6,330,270	16,191,068
Less : Allowance account	(2,712,340)	(2,738,557)
	3,617,930	13,452,511
Amount due from contract customer (Note 12)	962,000	–
Contract work performed but not bill	251,069	252,980
	4,830,999	13,705,491

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11. TRADE RECEIVABLES (CONT'D)

The reconciliation of the allowance account is as follows:-

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group 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 period /year represents the following:-

	Group	
	31/3/2017 RM	31/12/2015 RM
Individual impairment	2,712,340	2,721,557
Collective impairment	–	17,000
	2,712,340	2,738,557

Included in trade receivables is an amount of Nil (31/12/2015 – RM7,461,392) due from a corporate shareholder of the 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 is as follows:-

Group	31/3/2017 RM	31/12/2015 RM
EURO	8,705	–
US Dollar	1,777	116,821

12. AMOUNT DUE FROM CONTRACT CUSTOMER

	Group	
	31/3/2017 RM	31/12/2015 RM
Amount due from contract customer		
Contract costs incurred to date	962,000	–
Add : Attributable profits less losses	–	–
	962,000	–
Less : Progress billings	–	–
	962,000	–

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Other receivables	13,632,925	10,403,849	5,921,641	10,166,709
Less : Allowance account	(10,020,041)	(10,020,041)	(5,900,763)	(5,900,763)
	3,612,884	383,808	20,878	4,265,946
Other deposits	1,461,749	2,844,349	31,430	31,430
Prepayments	1,215,625	667,057	667,237	116,394
Deferred expenditure	867,200	–	–	–
	7,157,458	3,895,214	719,545	4,413,770

The reconciliation of the allowance account is as follows:-

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
At beginning of the financial period /year	10,020,041	6,032,870	5,900,763	5,853,350
Impairment losses recognised	–	3,987,171	–	47,413
At the end of the financial period /year	10,020,041	10,020,041	5,900,763	5,900,763

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

Group

Included in other deposits is an amount of Nil (31/12/2015 - RM228,000) 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:-

	31/3/2017 RM	31/12/2015 RM
Group		
EURO	3,497	109,066
US Dollar	2,952	131,278

14. AMOUNTS DUE FROM /(TO) SUBSIDIARY COMPANIES

	Company	
	31/3/2017 RM	31/12/2015 RM
Amount due from subsidiary companies		
- DVM Innovate Sdn. Bhd.	3,674,850	2,771,833
- Key Alliance Sdn. Bhd.	5,193,663	4,230,428
- MobileVideo International Limited	57,792	54,930
- Design Dept Sdn. Bhd.	1,362,979	742,710
- GE Green Sdn. Bhd.	8,371,207	310,000
- Digital Paper Solutions Sdn. Bhd.	3,421,155	3,488,321
- Pacifica KAG Sdn. Bhd.	2,800	2,800
	22,084,446	11,601,022
Less : Allowance for impairment	(7,449,902)	(7,449,902)
	14,634,544	4,151,120
Amount due to a subsidiary company		
- Corporate One Training Academy Sdn. Bhd.	(842,597)	(1,153,326)

The reconciliation of the allowance account is as follows:-

	Company	
	31/3/2017 RM	31/12/2015 RM
At beginning of the financial period /year	7,449,902	4,804,674
Impairment losses recognised	–	3,164,544
Amount received and reversed	–	(519,316)
At the end of the financial period /year	7,449,902	7,449,902

Allowance account at end of the financial period /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 are unsecured loans of RM4,674,172 (31/12/2015 – RM3,488,321) due from subsidiary companies, which bear interest at rate of 4.95% to 5.00% (31/12/2015 – 4.95%) per annum and repayable on demand.

15. AMOUNT DUE FROM AN ASSOCIATED COMPANY

	Group	
	31/3/2017 RM	31/12/2015 RM
Amount due from an associated company		
- DVM AllSportz Asia Sdn. Bhd.	198,266	168,887
Less : Allowance for impairment	(198,266)	(168,887)
	–	–

15. AMOUNT DUE FROM AN ASSOCIATED COMPANY (CONT'D)

	Company	
	31/3/2017 RM	31/12/2015 RM
Amount due from an associated company		
- DVM AllSportz Asia Sdn. Bhd.	6,166	6,131
Less : Allowance for impairment	(6,166)	(6,131)
	–	–

The reconciliation of the allowance account is as follows:-

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
At beginning of the financial period /year	168,877	6,113	6,131	6,113
Impairment losses recognised	29,389	162,764	35	18
At the end of the financial period /year	198,266	168,877	6,166	6,131

16. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Fixed deposits with licensed banks	5,105,894	5,668,315	3,754,319	4,366,934

Group

The interest rates of fixed deposits with licensed banks that were effective during the financial period /year were range from 2.95% to 3.30% (31/12/2015 – 3.05% to 3.15%) per annum.

Company

The interest rate of fixed deposits with licensed banks that was effective during the financial period /year was 2.95% (31/12/2015 – 3.05% to 3.15%) per annum.

Included in deposits with licensed banks of the Group and of the Company are amounts of RM5,105,894 (31/12/2015 – RM5,668,315) and RM3,754,319 (31/12/2015 – RM4,366,934) respectively which have been pledged to licensed banks as securities for the credit facilities granted to the subsidiary companies.

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17. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	31/3/2017	31/12/2015	31/3/2017	31/12/2015
	Number of shares		RM	RM
Authorised:-				
At beginning of the financial period /year	N/A	1,000,000,000	N/A	100,000,000
Par value reduction	N/A	–	N/A	(50,000,000)
At end of the financial period /year	N/A	1,000,000,000	N/A	50,000,000

	Group and Company			
	Number of ordinary shares			
	Share capital (Issued and fully paid)	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM
At 1st January 2015	580,800,000	58,080,000	10,275,362	68,355,362
Par value reduction	–	(29,040,000)	–	(29,040,000)
Share issuance and related expenses	–	–	(188,205)	(188,205)
At 31st December 2015	580,800,000	29,040,000	10,087,157	39,127,157
Issuance of shares:-				
- private placements	58,080,000	2,904,000	–	2,904,000
- share issue for acquisition of subsidiary	100,174,853	5,008,743	–	5,008,743
- share issuance scheme	80,000,000	4,000,000	483,600	4,483,600
Share issuance and related expenses	–	–	(533,123)	(533,123)
At 31st March 2017	819,054,853	40,952,743	10,037,634	50,990,377

The new Companies Act, 2016 ("The Act"), which come into enforcement on 31st January 2017, abolished the concept of authorised share capital and introduced "no par value shares" regime. Consequently, the amounts standing to the credit of the share premium account shall become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM10,037,634 for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

17. SHARE CAPITAL AND SHARE PREMIUM (CONT'D)

During the financial period, the Company increased its issued and paid up share capital from 580,800,000 to 819,054,853 by way of issuance of 238,254,853 new ordinary shares as follows : -

(a) 58,080,000 new ordinary shares through private placements at an issue price of RM0.05 per ordinary shares, and

(b) 100,174,853 new ordinary shares through proposed issuance of Earn-Out shares pursuant to acquisition of Digital Paper Solutions Sdn. Bhd. at an issue price of RM0.05 per ordinary shares, and

(c) 80,000,000 new ordinary shares for cash pursuant to the Share Issuance Scheme ("SIS") at exercise price of RM0.05 per ordinary shares.

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 pari passu with regard to the Company's residual assets.

18. RESERVES

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Non-distributable				
Share option reserve	1,053,280	1,053,280	1,053,280	1,053,280
- Share options exerised	(483,600)	–	(483,600)	–
	569,680	1,053,280	569,680	1,053,280
Warrant reserve	3,775,200	3,775,200	3,775,200	3,775,200
	4,344,880	4,828,480	4,344,880	4,828,480
Distributable				
Accumulated losses	(16,185,022)	(10,983,227)	(17,172,135)	(16,272,942)
	(11,840,142)	(6,154,747)	(12,827,255)	(11,444,462)

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.

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19. NON-CONTROLLING INTERESTS

	Group	
	31/3/2017 RM	31/12/2015 RM
Balance at the beginning of the period /year	1,321,673	51,120
Transferred from profit or loss	107,556	1,270,553
Balance at the end of the period /year	1,429,229	1,321,673

20. BORROWINGS

	Group	
	31/3/2017 RM	31/12/2015 RM
Non-current liabilities		
Secured		
Term loan	3,374,826	3,899,871
Finance lease liabilities	2,992,245	2,402,291
	6,367,071	6,302,162
Current liabilities		
Secured		
Bank overdrafts	1,995,844	1,963,398
Bill payables	–	344,928
Term loan	627,648	627,648
Finance lease liabilities	1,083,669	566,431
	3,707,161	3,502,405
Total borrowings		
Secured		
Bank overdrafts (Note 21)	1,995,844	1,963,398
Bill payables (Note 21)	–	344,928
Term loan (Note 22)	4,002,474	4,527,519
Finance lease liabilities (Note 23)	4,075,914	2,968,722
	10,074,232	9,804,567

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

	Group	
	31/3/2017 %	31/12/2015 %
Bank overdrafts	7.85	7.85
Bill payables	–	7.85
Term loan	4.95	4.95
Finance lease liabilities	2.41 - 7.84	2.41 - 7.84

21. BANK OVERDRAFTS AND BILL PAYABLES

	Group	
	31/3/2017 RM	31/12/2015 RM
Secured		
Bank overdraft	1,995,844	1,963,398
Bill payables	–	344,928
	1,995,844	2,308,326

<u>Group</u>

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

(i) Corporate guarantee by the Company;

(ii) fixed deposits of the Company of RM2,339,686 (31/12/2015 – RM3,103,892).

At the reporting date, the Group have unutilised bank overdrafts facilities of RM4,156 (31/12/2015 – RM741,602).

22. TERM LOAN

	Group	
	31/3/2017 RM	31/12/2015 RM
Secured		
Term loan	4,002,474	4,527,519
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	864,234	1,389,279
	3,374,826	3,899,871
Current liabilities		
- not later than one year	627,648	627,648
	4,002,474	4,527,519

The term loan is secured by the following:-

(i) corporate guarantee by the Company;

(ii) fixed deposit of subsidiary company of RM172,874 (31/12/2015 - 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.

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23. FINANCE LEASE LIABILITIES

	Group	
	31/3/2017 RM	31/12/2015 RM
Minimum lease payments:-		
- not later than one year	1,312,610	841,344
- later than one year and not later than two years	1,257,342	841,332
- later than two year and not later than five years	1,680,647	1,735,833
	4,250,599	3,418,509
Less : Future interest charges	(174,685)	(449,787)
Present value of lease payments	4,075,914	2,968,722
Repayable as follows:-		
Non-current liabilities		
- later than one year and not later than two years	1,047,417	583,488
- later than two year and not later than five years	1,944,828	1,818,803
	2,992,245	2,402,291
Current liabilities		
- not later than one year	1,083,669	566,431
	4,075,914	2,968,722

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 2 to 4 years as at 31st March 2017. 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. DEFERRED TAX LIABILITIES

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Balance at the beginning of the period /year	1,615,317	1,674,187	1,194,000	1,069,600
Recognised in profit or loss (Note 32)	(149,110)	(58,870)	700	124,400
Balance at the end of the period /year	1,466,207	1,615,317	1,194,700	1,194,000

24. DEFERRED TAX LIABILITIES (CONT'D)

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

Group 31/3/2017	As at 1st January RM	Recognised in profit or loss RM	As at 31st March/ 31st December RM
Deferred tax assets			
Unabsorbed tax losses	(33,000)	33,000	–
Unabsorbed capital allowances	(129,000)	129,000	–
	(162,000)	162,000	–
Deferred tax liabilities			
Accelerated capital allowances	581,317	(311,110)	270,207
Fair value gain on investment property	1,196,000	–	1,196,000
	1,777,317	(311,110)	1,466,207
31/12/2015			
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
Company			
31/3/2017			
Deferred tax assets			
Accelerated capital allowances	(2,000)	700	(1,300)
Deferred tax liabilities			
Fair value gain on investment property	1,196,000	–	1,196,000
31/12/2015			
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

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24. DEFERRED TAX LIABILITIES (CONT'D)

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	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Deferred tax assets	–	(162,000)	(1,300)	(2,000)
Deferred tax liabilities	1,466,207	1,777,317	1,196,000	1,196,000
	1,466,207	1,615,317	1,194,700	1,194,000

25. TRADE PAYABLES

Group

Included in trade payables is an amount of Nil (31/12/2015 – RM2,303,660) due to a corporate shareholder of the 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:-

Group	31/3/2017 RM	31/12/2015 RM
EURO	46,000	–
US Dollar	819,046	857,622

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Other payables	6,529,254	5,308,260	256,718	92,845
Accruals	647,707	1,616,219	224,357	142,813
Deferred income	731,012	–	–	–
Trade deposits	458,000	–	–	–
Other deposits	180,760	275,157	–	–
Contingent consideration	–	5,008,000	–	5,008,000
	8,546,733	12,207,636	481,075	5,243,658

26. OTHER PAYABLES AND ACCRUALS (CONT'D)

Group

Included in other payables is an amount of RM511,370 (31/12/2015 – RM3,845,301) due to a non-controlling corporate shareholder of a subsidiary company.

Group and Company

Included in accruals is accrued directors' fees of RM56,000 (31/12/2015 – 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 46(b))

27. REVENUE

	Group		Company	
	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Click and rental charges	19,575,541	15,254,760	–	–
Consultancy and training fees	20,000	51,000	–	–
Management fee	–	–	377,760	–
Professional design fees	–	27,766	–	–
Renovation contracts	728,629	756,414	–	–
Sales of computer hardware and software	161,320	896,346	–	–
Sales of kitchen appliances	4,709,915	8,257,660	–	–
Sales of multi function printers	4,409,806	5,513,257	–	–
Sales - others	1,763,011	1,104,606	–	–
Service and maintenance fees	2,524,479	6,627,945	–	–
Sales return	(3,542)	(110,365)	–	–
Discount allowed	(10,535)	(9,209)	–	–
	33,878,624	38,370,180	377,760	–

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28. OTHER INCOME

	Group		Company	
	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Bad debts recovered	–	700	–	–
Litigation settlement	3,000,000	–	–	–
Interest income				
- fixed deposits	221,381	212,149	167,395	133,000
- subsidiary companies	–	–	385,431	171,903
- others	10,814	37,146	10,814	37,146
Fair value adjustment on investment property	–	500,000	–	500,000
Gain on disposal of plant and equipment	29,716	–	–	–
Gain on disposal of subsidiary company	–	2,005,993	1	–
Rental income receivable from				
- third party	172,939	254,786	–	–
- subsidiary companies	–	–	215,211	185,064
- associated company	45,000	36,000	–	–
Reversal of impairment loss on amount due from subsidiary companies	–	–	–	519,316
Reversal of impairment loss on trade receivables	26,217	–	–	–
Sundry income	162,235	49,783	–	–
Unrealised gain on foreign exchange	–	11,251	–	–
Waiver of debts	–	2,316,981	–	–
	3,668,302	5,424,789	778,852	1,546,429

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29. LOSS BEFORE TAXATION

	Group		Company	
	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Loss before tax is arrived at after charging:-				
Auditors' remuneration				
- Kreston John & Gan				
- statutory audit	96,500	90,000	28,000	25,000
- underprovision in previous year	–	1,500	–	–
- other services	68,000	–	68,000	–
- Other auditors	30,000	30,000	–	–
Bad debts written off	46,028	24,190	–	–
Depreciation of plant and equipment	3,012,192	2,399,853	5,375	6,006
Directors' remunerations				
- The Company	715,000	475,000	614,000	420,000
- Subsidiary company	99,694	200,000	–	–
Employee benefits expense (Note 30)	5,004,878	5,315,644	842,318	1,685,741
Finance costs:-				
- Bank overdrafts	111,343	83,628	–	–
- Bank guarantee commission	289	5,774	–	–
- Bill payables	54,993	27,131	–	–
- Finance lease	313,471	145,481	–	–
- Term loan	266,530	250,094	–	–
Impairment losses on:-				
- Amount due from associated company	29,389	162,764	35	18
- Amount due from subsidiary companies	–	–	–	3,164,544
- Goodwill on consolidation	–	650,000	–	–
- Inventories	–	572,990	–	–
- Investment in an associated company	–	–	–	46,127
- Investment in subsidiary companies	–	–	–	12,090,839
- Other investment	–	359,999	–	149,999
- Other receivables	–	3,987,171	–	47,413
- Trade receivables	–	397,586	–	–
Lease rental	4,761,080	3,696,151	–	–
Loss on disposal of plant and equipment	2,254	1,081	–	–
Loss on disposal of subsidiary company	316,424	–	–	–
Loss on foreign exchange:-				
- Realised	85,000	150,190	–	–
- Unrealised	–	41,922	–	–
Plant and equipment written off	105,938	29	–	21
Other deposits written off	5,000	–	–	–
Rental expenses	201,750	179,910	–	–
Rental of equipment	476,123	384,473	5,965	5,245
Rental of premises	1,775,577	1,558,862	269,025	215,220

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

29. LOSS BEFORE TAXATION (CONT'D)

	Group		Company	
	15 months period ended 31/3/2017 RM	**12 months year ended 31/12/2015 RM**	**15 months period ended 31/3/2017 RM**	**12 months year ended 31/12/2015 RM**
and after crediting:-				
Bad debts recovered	–	700	–	–
Fair value adjustment on investment property	–	500,000	–	500,000
Gain on disposal of plant and equipment	29,716	–	–	–
Gain on disposal of subsidiary company	–	2,005,993	1	–
Interest income:-				
- Fixed deposits	221,381	212,149	167,395	133,000
- Subsidiary companies	–	–	385,431	171,903
- Others	10,814	37,146	10,814	37,146
Rental income receivable from:-				
- Third party	172,939	254,786	–	–
- Subsidiary companies	–	–	215,211	185,064
- Associated company	45,000	36,000	–	–
Reversal of impairment loss on trade receivables	26,217	–	–	–
Reversal of impairment loss on amount due from subsidiary companies	–	–	–	519,316
Unrealised gain on foreign exchange	597	11,251	–	–
Waiver of debts	–	2,316,981	–	–

30. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	15 months period ended 31/3/2017 RM	**12 months year ended 31/12/2015 RM**	**15 months period ended 31/3/2017 RM**	**12 months year ended 31/12/2015 RM**
Salaries, allowances and other emoluments	3,592,639	2,810,382	727,643	558,227
Employees Provident Fund	509,987	426,626	88,922	68,276
Social security costs	41,853	33,354	4,995	3,842
Other staff related expenses	860,399	2,045,282	20,758	1,055,396
	5,004,878	5,315,644	842,318	1,685,741

Included in employee benefits expense of the Group and of the Company are directors' emoluments amounting to RM767,738 (31/12/2015 – RM515,018) and RM654,549 (31/12/2015 – RM452,300) respectively as disclosed in Note 31.

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31. DIRECTORS' REMUNERATION

	Group		Company	
	15 months period ended 31/3/2017 RM	**12 months year ended 31/12/2015 RM**	**15 months period ended 31/3/2017 RM**	**12 months year ended 31/12/2015 RM**
Directors of the Company				
Executive directors				
- Fees	164,000	60,000	164,000	60,000
- Other emoluments	326,000	235,000	225,000	180,000
- EPF contributions	38,240	28,750	27,000	21,600
- Social security cost	949	568	–	–
Non-executive directors				
- Fees	120,000	96,000	120,000	96,000
- Other emoluments	105,000	84,000	105,000	84,000
- EPF Contributions	12,600	10,080	12,600	10,080
- Social security cost	949	620	949	620
	767,738	515,018	654,549	452,300
Total excluding benefits-in-kind	767,738	515,018	654,549	452,300
Directors of a subsidiary company				
Executive directors				
- Fees	–	200,000	–	–
- Other emoluments	99,694	–	–	–
- EPF	12,091	–	–	–
- Soco	621	–	–	–
	112,406	200,000	–	–

The number of directors of the Company and its subsidiary companies whose total remuneration during the period /year fell within the following bands is analysed as below:-

	Group		Company	
	15 months period ended 31/3/2017	**12 months year ended 31/12/2015**	**15 months period ended 31/3/2017**	**12 months year ended 31/12/2015**
Directors of the Company				
Executive directors:-				
- Below RM100,000	1	–	1	–
- RM100,001 – RM200,000	–	2	–	1
- Above RM200,000	2	–	2	–
Non–Executive directors:-				
- Below RM50,000	1	2	1	2
- RM50,001 - RM100,000	1	1	1	2
- Above RM100,000	1	–	1	–

NOTES TO THE FINANCIAL STATEMENTS
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31. DIRECTORS' REMUNERATION (CONT'D)

	Number of directors			
	Group		Company	
	15 months period ended 31/3/2017	12 months year ended 31/12/2015	15 months period ended 31/3/2017	12 months year ended 31/12/2015
Directors of a subsidiary company				
Executive directors:-				
- Below RM100,000	2	2	–	–
- RM100,001 - RM200,000	–	–	–	–

32. INCOME TAX EXPENSE

	Group		Company	
	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Income tax				
- current year provision	438,880	284,011	20,000	–
- Underprovision in previous year	18,909	669	–	2,548
	457,789	284,680	20,000	2,548
Deferred taxation (Note 24)	(149,110)	(58,870)	700	124,400
	308,679	225,810	20,700	126,948

Income tax is calculated at the Malaysian statutory tax rate of 24% (31/12/2015 – 25%) of the estimated assessable profit for the period/year.

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

	Group		Company	
	31/3/2017 %	31/12/2015 %	31/3/2017 %	31/12/2015 %
Applicable tax rate	(24)	(25)	(24)	(25)
Deferred tax assets not recognised	20	11	–	–
Depreciation on non-qualifying assets	3	1	–	–
Non-allowable expenses	8	30	26	26
Non-taxable income	–	(14)	–	
Utilisation of unabsorbed tax losses and capital allowance	(2)	–	–	–
Underprovision of taxation in previous year	1	–	–	–
Effective tax rate	6	3	2	1

32. INCOME TAX EXPENSE (CONT'D)

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 31/3/2017 RM	Group 31/12/2015 RM
Unabsorbed tax losses	11,612,000	8,272,000
Unabsorbed capital allowances	794,000	566,000

The unabsorbed capital allowances of the Group are only allowed to be carried forward to offset against future taxable profits from the same business source of the Group.

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

Group	Unabsorbed tax losses RM'000	Unabsorbed capital allowances RM'000	Development expenditure RM'000	Accelerated capital allowances RM'000	Total RM'000
Balance at 1st January 2015	(499)	1,433	(42)	(145)	747
Arising /(Utilised) during the year	2,454	(1,297)	42	78	1,277
Balance at 31st December 2015	1,955	136	–	(67)	2,024
Arising during the period	838	70	–	46	954
Balance at 31st March 2017	2,793	206	–	(21)	2,978

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.

33. LOSS PER SHARE

Basic:

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

	Group 31/3/2017 RM	Group 31/12/2015 RM
Loss for the year attributable to ordinary equity holders of the Company	(5,201,795)	(9,203,003)
	Number of shares	
Weighted average number of ordinary shares in issue	727,049,000	580,800,000
Basic loss per share (sen)	(0.72)	(1.60)

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33. LOSS PER SHARE (CONT'D)

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.

34. EMPLOYEE BENEFITS

Share-based payments arrangements

On 23rd 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	
	31/3/2017	**31/12/2015**
	RM	**RM**
Value of employee services received for issue of share options		
Share options granted in 2015	–	1,053,280

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

35. DISPOSAL OF SUBSIDIARY COMPANY

31/3/2017

(a) On 11th October 2016, the Company entered into a Shares Sale and Purchase Agreement with 2 individuals for the disposal of the entire 100,000 shares of RM1.00 each fully paid in Precious Essence Sdn. Bhd., a wholly-owned subsidiary company of the Company.

(b) The effect of the disposal on the financial results of the Group during the financial period is minimal and no impact to the Group.

35. DISPOSAL OF SUBSIDIARY COMPANY (CONT'D)

31/3/2017 (Cont'd)

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

	31/3/2017 **RM**
Goodwill on consolidation	328,781
Cash and bank balances	2
Other payables	(12,357)
Net assets disposed	316,426

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

	15 months period ended 31/3/2017 **RM**
Goodwill on consolidation	328,781
Cash and bank balances	2
Other payables	(12,357)
Net assets disposed	316,426
Loss on disposal	(316,424)
Total cash consideration from disposal	2
Less : Cash and cash equivalent of subsidiaries	(2)
Proceeds from disposal, net of cash and cash equivalent	–

31/12/2015

(a) 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.

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

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

	31/12/2015 **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)

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35. DISPOSAL OF SUBSIDIARY COMPANY (CONT'D)

31/12/2015 (Cont'd)

(c) The effect of the disposal on the financial position of the Group is as follows:- (Cont'd)

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

	12 months year ended 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)

36. PURCHASE OF PLANT AND EQUIPMENT

During the financial period /year, the Group and the Company made the following cash payments to purchase plant and equipment:-

	Group		Company	
	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Purchase of plant and equipment (Note 4)	3,728,380	1,576,609	–	11,983
Financed by finance lease arrangements	(2,317,643)	(1,109,205)	–	–
Cash payments on purchase of plant and equipment	1,410,737	467,404	–	11,983

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37. PURCHASE OF INVESTMENT PROPERTIES

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

	Group	
	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Purchase of investment properties (buildings in progress)	3,864,996	1,824,366

38. CASH AND CASH EQUIVALENTS

	Group		Company	
	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM	15 months period ended 31/3/2017 RM	12 months year ended 31/12/2015 RM
Deposits with licensed banks (Note 16)	5,105,894	5,668,315	3,754,319	4,366,934
Less : Pledged deposits	(5,105,894)	(5,668,315)	(3,754,319)	(4,366,934)
	–	–	–	–
Cash and bank balances	1,421,817	2,507,684	205,147	654,572
Bank overdrafts (Note 21)	(1,995,844)	(1,963,398)	–	–
	(574,027)	544,286	205,147	654,572

39. 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.

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39. SEGMENT INFORMATION (CONT'D)

Other non-reportable segments comprise operations related to architectural and 3D interior design and image consultants' services, investment holding and building construction. None of these segments met the quantitative thresholds for reporting segments in 2017.

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.

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 Chief Executive Officer.

Segment capital expenditure

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

39. SEGMENTAL INFORMATION (CONT'D)

(a) Business segment

31/3/2017	Information communication technology (ICT) and related activities RM	Kitchen appliances RM	Others RM	Elimination RM	Total RM
Revenue					
Sales to external customers	28,440,080	4,709,915	728,629		33,878,624
Inter-segment revenue	–	407	907,129	(907,536)	–
Total revenue	28,440,080	4,710,322	1,635,758		33,878,624
Results					
Operating results	(585,748)	(1,659,181)	(1,997,957)	(28,243)	(4,271,129)
Interest income	53,986	–	563,640	(385,431)	232,195
Finance costs	(757,350)	(163,276)	–	174,000	(746,626)
Profit before taxation	(1,289,112)	(1,822,457)	(1,434,317)		(4,785,560)
Income tax expense	(287,979)	–	(20,700)		(308,679)
Non–controlling interests	–	–	–	(107,556)	(107,556)
Loss for the year	(1,577,091)	(1,822,457)	(1,455,017)		(5,201,795)
Assets					
Segment assets /Total assets	30,631,489	13,177,730	41,848,619	(22,600,571)	63,057,267
Liabilities					
Segment liabilities /Total liabilities	31,561,792	14,260,977	6,152,112	(29,497,078)	22,477,803

39. SEGMENTAL INFORMATION (CONT'D)

(a) Business segment (Cont'd)

31/3/2017	Information communication technology (ICT) and related activities RM	Kitchen appliances RM	Others RM	Elimination RM	Total RM
Other information					
Non-cash expenses					
Bad debt written off	–	2,150	43,878	–	46,028
Depreciation of plant and equipment	2,863,806	135,187	13,199	–	3,012,192
Plant and equipment written off	495	105,443	–	–	105,938
Impairment losses					
- amount due from an associated company	–	–	35	29,354	29,389
- amount due from related companies	109,354	–	–	(109,354)	–
Loss on disposal of plant and equipment	12	2,242	–	–	2,254
Loss on disposal of subsidiary company	–	–	–	316,424	316,424
Other deposit written off	–	5,000	–	–	5,000
Non–cash income					
Gain on disposal of plant and equipment	–	29,716	–	–	29,716
Gain on disposal of subsidiary company	–	–	1	(1)	–
Reversal of impairment loss on trade receivables	–	26,217	–	–	26,217
Unrealised gain on foreign exchange	597	–	–	–	597
Included in the measure of segment assets are:-					
Additions to non-current assets other than financial instruments and deferred tax assets	1,375,065	3,900,668	743	–	5,276,476

39. SEGMENTAL INFORMATION (CONT'D)

(a) Business segment (Cont'd)

31/12/2015	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

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39. SEGMENTAL INFORMATION (CONT'D)

(a) Business segment (Cont'd)

31/12/2015	Information communication technology (ICT) and related activities RM	Kitchen appliances RM	Others RM	Elimination RM	Total RM
Other information					
Non-cash expenses					
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
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
Loss on disposal of plant and equipment	–	–	1,081		1,081
Plant and equipment written off	7	–	22		29
Unrealised loss on foreign exchange	41,922	–	–		41,922

39. SEGMENTAL INFORMATION (CONT'D)

(a) Business segment (Cont'd)

31/12/2015	Information communication technology (ICT) and related activities RM	Kitchen appliances RM	Others RM	Elimination RM	Total RM
Other information (Cont'd)					
Non-cash income					
Fair value adjustment on 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	380,806	60,718	1,856,062	(5,815)	2,291,771

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39. SEGMENTAL 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
31/3/2017				
Capital expenditure	1,375,065	35,672	–	1,410,737
Investment property	–	3,864,996	–	3,864,996
Goodwill on consolidation	–	–	743	743
	1,375,065	3,900,668	743	5,276,476
31/12/2015				
Capital expenditure	374,991	60,718	31,695	467,404
Investment property	–	–	1,824,366	1,824,366
Investment in associated companies	–	–	1	1
	374,991	60,718	1,856,062	2,291,771

(b) Geographical segments

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

<u>Major customers</u>

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

	Revenue 31/3/2017 RM	Revenue 31/12/2015 RM	Segment
All common control companies of:-			
- Customer A	8,526,629	7,478,392	ICT
- Customer B	–	4,063,122	ICT
	8,526,629	11,541,514	

40. 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").

	Carrying amount	L&R	AFS	FL
Group				
31/3/2017				
Financial assets				
Other investments	2,131,001	–	2,131,001	–
Trade receivables	4,830,999	4,830,999	–	–
Other receivables	3,612,884	3,612,884	–	–
Deposits with licensed banks	5,105,894	5,105,894	–	–
Cash and bank balances	1,421,817	1,421,817	–	–
	17,102,595	14,971,594	2,131,001	–
Financial liabilities				
Trade payables	(2,085,538)	–	–	(2,085,538)
Other payables and accruals	(8,549,233)	–	–	(8,549,233)
Bank overdrafts	(1,995,844)	–	–	(1,995,844)
Term loan	(4,002,474)	–	–	(4,002,474)
Finance lease liabilities	(4,075,914)	–	–	(4,075,914)
	(20,709,003)	–	–	(20,709,003)
31/12/2015				
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)

40. FINANCIAL INSTRUMENTS (CONT'D)

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

Company	Carrying amount RM	L&R RM	AFS RM	FL RM
31/3/2017				
Financial assets				
Other investments	1,781,001	–	1,781,001	–
Other receivables	20,878	20,878	–	–
Amount due from subsidiary companies	14,634,544	14,634,544	–	–
Deposits with licensed banks	3,754,319	3,754,319	–	–
Cash and bank balances	205,147	205,147	–	–
	20,395,889	18,614,888	1,781,001	–
Financial liabilities				
Other payables and accruals	(481,075)	–	–	(481,075)
Amount due to a subsidiary company	(842,597)	–	–	(842,597)
	(1,323,672)	–	–	(1,323,672)
31/12/2015				
Financial assets				
Other investments	2,077,001	–	2,077,001	–
Other receivables	4,265,946	4,265,946	–	–
Amount due from subsidiary companies	4,151,120	4,151,120	–	–
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)

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) 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

(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.

<u>Receivables</u>

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 38% (31/12/2015 - 62%) of the total trade receivables.

	Group	
	31/3/2017	**31/12/2015**
Trade receivables	RM608,531	RM8,471,193

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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Receivables (Cont'd)

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 31/3/2017	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
Not past due	1,870,909	–	–	1,870,909
Past due 1-30 days	1,854,581	–	–	1,854,581
Past due over 30 days	3,817,849	(2,712,340)	–	1,105,509
	7,543,339	(2,712,340)	–	4,830,999
31/12/2015				
Not past due	1,460,967	–	–	1,460,967
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
	16,444,048	(2,721,557)	(17,000)	13,705,491

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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Inter-company loans and advances (Cont'd)

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 period/year were:-

	Company	
	31/3/2017 RM	31/12/2015 RM
At beginning of the financial period /year	7,449,902	4,804,674
Impairment losses recognised	–	3,164,544
Amount received and reversed	–	(519,316)
At the end of the financial period /year	7,449,902	7,449,902

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 RM13,251,772 (31/12/2015 – RM10,749,950) 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.

(ii) Liquidity 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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(ii) Liquidity 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 payment:-

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
31/3/2017							
Non-derivative financial liabilities							
Trade payables	2,085,538		2,085,538	2,085,538	–	–	–
Other payables and accruals	8,546,733		8,546,733	8,546,733	–	–	–
Bank overdrafts	1,995,844	7.85	1,995,844	1,995,844	–	–	–
Term loan	4,002,474	4.95	4,707,360	627,648	627,648	1,882,944	1,569,120
Finance lease liabilities	4,075,914	2.41 - 7.84	4,250,599	1,312,610	1,257,342	1,680,647	–
	20,706,503		21,586,074	14,568,373	1,884,990	3,563,591	1,569,120
31/12/2015							
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

40. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Financial risk management (Cont'd)

(ii) Liquidity 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
31/3/2017							
Non-derivative financial liabilities							
Other payables and accruals	481,075	–	481,075	481,075	–	–	–
Amount due to a subsidiary company	842,597	–	842,597	842,597	–	–	–
	1,323,672		1,323,672	1,323,672	–	–	–
31/12/2015							
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	–	–	–

40. FINANCIAL INSTRUMENTS (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 are denominated 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	**31/3/2017 RM**	**31/12/2015 RM**
Denominated in US Dollar		
Balance recognised in the statement of financial position		
Trade receivables	1,777	116,821
Other receivables, deposits and prepayments	2,952	131,278
Trade payables	(819,046)	(857,622)
	(814,317)	(609,523)
Denominated in EURO		
Balance recognised in the statement of financial position		
Trade receivables	8,705	–
Other receivables, deposits and prepayments	3,497	109,066
Trade payables	(46,000)	–
	(33,798)	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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(iii) Market risk (Cont'd)

Currency risk (Cont'd)

	31/3/2017		31/12/2015	
Group	Equity RM	Loss for the period RM	Equity RM	Loss for the year RM
USD Dollar	(40,716)	(40,716)	(23,912)	(23,912)
EUR	(1,690)	(1,690)	5,453	5,453
	(42,406)	(42,406)	(18,459)	(18,459)

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.

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 interest rate 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	31/3/2017 RM	Effective Interest rate %	31/12/2015 RM	Effective Interest rate %
Fixed rate instruments				
Deposits with licensed banks	5,105,894	2.95-3.30	5,668,315	3.05-3.15
Finance leases liabilities	(4,075,914)	2.41-7.84	(2,968,722)	2.41-7.84
Floating rate instruments				
Bank overdraft	(1,995,844)	7.85	(1,963,398)	7.85
Bill payables	–	–	(344,928)	7.85
Term loan	(4,002,474)	4.95	(4,527,519)	4.95

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(iii) Market risk (Cont'd)

<u>Interest rate risk (Cont'd)</u>

Company	31/3/2017 RM	Effective Interest rate %	31/12/2015 RM	Effective Interest rate %
Fixed rate instruments				
Deposits with licensed banks	3,754,319	2.95-3.15	4,366,934	3.05-3.15
Amount due from subsidiary companies	7,096,005	4.95-5.00	3,488,321	4.95

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 RM59,983 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.

(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.

40. FINANCIAL INSTRUMENTS(CONT'D)

(d) Fair value information (Cont'd)

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.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
31/3/2017										
Financial asset										
Other investments	–	–	2,131,001	2,131,001	–	–	–	–	2,131,001	2,131,001
Financial liabilities										
Bank overdraft	–	–	–	–	–	–	1,715,878	1,715,878	1,715,878	1,995,844
Finance lease liabilities	–	–	–	–	–	–	3,675,231	3,675,231	3,675,231	4,075,914
	–	–	–	–	–	–	9,248,237	9,248,237	9,248,237	10,074,232

40. FINANCIAL INSTRUMENTS(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
31/12/2015										
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	–	–	–	–	–	–	2,459,433	2,459,433	2,459,433	2,968,722
	–	–	–	–	–	–	8,812,546	8,812,546	8,812,546	9,804,567
Company										
31/3/2017										
Financial asset										
Other investments	–	–	1,781,001	1,781,001	–	–	–	–	1,781,001	1,781,001
31/12/2015										
Financial asset										
Other investments	–	–	2,427,001	2,427,001	–	–	–	–	2,427,001	2,427,001

40. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value information (Cont'd)

The following shows the valuation techniques used in determination of fair values within Level 3 for financial instruments not carried at fair value, as well as the key unobservable inputs used in the valuation models.

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.

41. 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	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Total interest bearing borrowings	10,074,232	9,804,567	–	–
Total equity attributable to owners of the Company	39,150,235	32,972,410	38,163,122	27,682,695
Gearing ratio	0.26	0.30	–	–

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

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

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

42. COMMITMENTS

		Group	
		31/3/2017 RM	31/12/2015 RM
(i)	**Capital expenditure**		
	- Contracted but not provided for	–	4,127,034
(ii)	**Non-cancellable operating lease commitments**		
	Future minimum rentals payable:		
	- Not later than one year	161,415	1,217,662
	- Later than one year but not later than five years	–	465,830
		161,415	1,683,492

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 period /year are amounted to RM161,145 (31/12/2015 – RM1,217,662).

43. CONTINGENT LIABILITIES

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Unsecured				
Corporate guarantees issued to banks for finance lease facility granted to a subsidiary company	–	–	565,460	1,150,000
Corporate guarantees issued to a leasing company for finance lease facility granted to a subsidiary company	–	–	3,356,616	500,000
	–	–	3,922,076	1,650,000
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.	–	86,480	–	–
Bank guarantee issued in favour of third parties by a licensed bank through utilising part of the subsidiary company's credit facility.	52,731	7,141	–	–
Balance carried forward	52,731	93,621	–	–

43. CONTINGENT LIABILITIES (CONT'D)

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Secured				
Balance brought forward	52,731	93,621	–	–
Fixed deposit pledged to bank for credit facilities granted to subsidiary companies	4,329,696	4,099,950	4,329,696	4,099,950
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	–	–
	9,382,427	9,296,550	9,329,696	9,099,950

The foreign currency exposures of letter of credits of the Group are as follows:-

	31/3/2017	31/12/2015
Letter of credits		
US Dollar	–	RM102,979

44. 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 Note 11, 14, 25 and 26.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

44. RELATED PARTIES (CONT'D)

(a) Related party/companies transactions:-

(i) Transactions with subsidiary companies:-

	Company	
	15 months period ended 31/3/2017 RM	**12 months year ended 31/12/2015 RM**
Rental of premise		
- Key Alliance Sdn. Bhd.	80,598	99,996
- DVM Innovate Sdn. Bhd.	61,578	73,152
- Design Dept Sdn. Bhd.	14,895	11,916
- GE Green Sdn. Bhd.	58,140	–
Interest income		
- DVM Innovate Sdn. Bhd.	174,000	–
- Digital Paper Solutions Sdn. Bhd.	211,431	171,903
Management fee income		
- DVM Innovate Sdn. Bhd.	377,760	–

(ii) Transaction with an associated company:-

	Group	
	15 months period ended 31/3/2017 RM	**12 months year ended 31/12/2015 RM**
Rental of premise		
- DVM AllSportz Asia Sdn. Bhd.	45,000	36,000
Rental of equipment		
- DVM AllSportz Asia Sdn. Bhd.	54,000	43,200

(iii) Transaction with a corporate shareholder of the Company:-

	Group and Company	
	15 months period ended 31/3/2017 RM	**12 months year ended 31/12/2015 RM**
Rental of equipment		
- Digital Paper Sdn. Bhd.	3,710	3,445
Sale of goods		
- Digital Paper Sdn. Bhd.	8,526,629	7,342,949
Render of services		
- Digital Paper Sdn. Bhd.	1,700,615	6,579,669

(iv) Transaction with a company director:-

	Group	
	15 months period ended 31/3/2017 RM	**12 months year ended 31/12/2015 RM**
Sale of kitchen appliances		
- Roy Ho Yew Kee	400	4,634

44. RELATED PARTIES (CONT'D)

(b) Compensation of key management personnel

The remuneration paid by the Group and Company to key management personnel during the period / year are as follows:-

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Short-term employee benefits	817,213	676,188	614,949	420,620
Post-employment benefits:-				
- Defined contribution plan				
- EPF	62,931	38,830	39,600	31,680
	880,144	715,018	654,549	452,300

Included in the total key management personnel are :-

	Group		Company	
	31/3/2017 RM	31/12/2015 RM	31/3/2017 RM	31/12/2015 RM
Directors' remuneration (Note 31)				
- Directors of the Company	767,738	515,018	654,549	452,300
- Directors of the subsidiary companies	112,406	200,000	–	–
	880,144	715,018	654,549	452,300

45. CHANGE OF ACCOUNTING YEAR END

The Group and the Company changed its accounting year end from 31st December 2016 to 31st March 2017.

46. 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.

NOTES TO THE FINANCIAL STATEMENTS

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(CONT'D)

46. SIGNIFICANT EVENTS (CONT'D)

(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.

On 4th May 2016, 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 were approved in the Extraordinary General Meeting held on 27th April 2016.

(c) On 18th May 2016, the Company proposed the following proposals:-

(i) Proposed diversification on the business of the Group into the business of constructions, property development and property investment ("Proposed Diversification");

(ii) Proposed renounceable rights issue of up to 1,251,171,308 new ordinary shares of RM0.05 each in KAG ("KAG Shares" or "Shares") ("Rights Shares") together with up to 625,585,654 free detachable warrants in KAG ("Warrants B") on the basis of two (2) Rights Shares together with one (1) free Warrant B for every two (2) existing KAG Shares held by the entitled shareholders of KAG on an entitlement date to be determined later ("Proposed Rights Issue with Warrants");

(iii) Proposed increase in the authorised share capital of the Company from RM100,000,000 comprising 2,000,000,000 KAG Shares to RM300,000,000 comprising 6,000,000,000 KAG Shares ("Proposed Increase in Authorised Share Capital") ; and

(iv) Proposed amendment to the Memorandum of Association of the Company ("Proposed Amendment").

On 16th June 2016, Bursa Malaysia Securities Berhad approved the following:-

(i) admission to the Official List and the initial listing and quotation of up to 625,585,654 Warrants B to be issued pursuant to the Proposed Rights Issue with Warrants;

(ii) listing of up to 189,985,627 Additional Warrants A;

(iii) listing of up to 1,251,171,308 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;

(iv) listing of up to 625,585,654 new KAG Shares to be issued pursuant to the exercise of Warrants B; and

(v) listing of up to 189,985,627 new KAG Shares to be issued pursuant to the exercise of Additional Warrants A.

46. SIGNIFICANT EVENTS (CONT'D)

(c) On 18th May 2016, the Company proposed the following proposals:- (Cont'd)

On 1st December 2016, the Company has submitted an application to seek Bursa Malaysia Securities Berhad's consideration and approval for an extension of time of six (6) months from 16 December 2016 to 16 June 2017, for the Company to implement and complete the Rights Issue with Warrants.

On 8th May 2017, the Company completed its proposed rights issue as disclosed in Note 47 to the financial statements.

(d) On 19th October 2016, the Company entered into a Shares Sale and Purchase Agreement with 2 individuals for the disposal of the entire 2 ordinary shares of RM1.00 each fully paid in Precious Essence 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 period is minimal and no impact to the Group.

(e) On 21st December 2016, the Company allocated and issued additional of 40,000,000 units of ordinary share at RM0.05 each under the Share Issuance Scheme ("SIS").

(f) On 29th December 2016, the Company allocated and issued additional of 40,000,000 units of ordinary share at RM0.05 each under the Share Issuance Scheme ("SIS").

(g) The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4th April 2016. The New Act was subsequently gazetted on 15th September 2016. On 26th January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part lll of the New Act, to be 31st January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act does not have any other financial impact on the Company for the financial period ended 31st March 2017.

47. SUBSEQUENT EVENTS

(a) On 4th April 2017, the Company acquired 2 ordinary shares in Key Alliance Officeworks Sdn. Bhd. ("KAOSB"), representing 100% equity interest for a total cash consideration of RM2.00. Following the acquisition, Key Alliance Officeworks 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.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017
(CONT'D)

47. SUBSEQUENT EVENTS (CONT'D)

(b) On 8th May 2017, the Company completed its proposed Rights Issue of 819,054,853 new ordinary shares on the basis of two (2) Rights Shares for every two (2) existing KAG Shares with the following additional free detachable warrants ("Warrants"):-

(i) Pursuant to Paragraph 2(v) of the Memorandum to the Deed Poll A, the outstanding number of Warrant A was increased from 290,400,000 to 305,015,906 by issuance of 14,615,906 new Warrant A, and

(ii) 405,527,425 free detachable warrant on the basis of one (1) free Warrant B for every two (2) Rights Shares subscribed.

All the new ordinary shares rank pari passu with regard to the Company's residual assets.

On 8th May 2017, Bursa Malaysia Securities Berhad ("Bursa Malaysia") approved the Company's submission for the admission of Warrants to the Official List of Bursa Securities and listing of and quotation for up to 819,054,853 new KAG Shares and up to 14,615,906 of Warrants A and 405,527,425 of Warrants B to be issued pursuant to the Proposed Rights Issue with Warrants on the ACE Market of Bursa Securities.

(c) On 19th May 2017, DVM Innovate Sdn. Bhd., a wholly-owned subsidiary company of the Company, entered into a Share Acquisition Agreement with 2 individuals to acquire 150,000 ordinary shares in Progenet Sdn. Bhd., representing 100% equity interest for a total consideration of RM1,500,000.00. The acquisition does not have any significant impact to the financial statements of the Group.

(d) On 22nd May 2017, DVM Innovate Sdn. Bhd., a wholly-owned subsidiary company of the Company, entered into a Share Acquisition Agreement with RapidCloud Asia Sdn. Bhd. to acquire 1,000,000 ordinary shares in RapidCloud (M) Sdn. Bhd., representing 100% equity interest for a total consideration of RM3,500,000. The acquisition does not have any significant impact to the financial statements of the Group.

(e) On 29th May 2017, KAG entered into a Sale Share Agreement with Dison Trading Sdn. Bhd. for the disposal of the entire equity interest in GE Green Sdn. Bhd. ("GESB") for a total consider of RM3,800,000. GESB is a wholly-owned subsidiary of KAG, which was reported in the kitchen appliances segment.

As a result of the proposed disposal, kitchen appliances segment may no longer met the quantitative thresholds for reporting segments and shall group as other segment for reporting purpose. The management regard that the disposal is in line with the streamlining and refocus of KAG Group's operations to be centered on ICT business.

The disposal is not expected to have a material effect on KAG's consolidated financial results for the financial year ended 31st March 2018. The disposal was expected to be completed within the next twelve months.

(f) On 4th July 2017, Progenet Innovations Sdn. Bhd. ("PISB") was incorporated followed by the proposed acquisition of Progenet Sdn. Bhd. and Rapidcloud (M) Sdn. Bhd. PISB is a wholly-owned subsidiary of DVM Innovate Sdn. Bhd., which is a wholly-owned subsidiary of the Company. The incorporation does not have any significant impact to the financial statements of the Group.

48. MATERIAL LITIGATION

Shah Alam High Court Suit No. : 21NCVC-65-12/2015

On 31st May 2016, the Company announced that DVM Innovate Sdn. Bhd. ("DVMI"), a wholly-owned subsidiary of the Company had filed writ of summons and statement of claim on against Kementerian Kesihatan Malaysia & Kerajaan Malaysia ("KKM") on the outstanding sum (included interest and other related costs) for the services performed by DVMI for the "Next Generation Communication System" to the hospitals and identified institutions under KKM within the prescribed timeline. In response, KKM filed their statement of defence to contest the claims and counter claimed against DVMI.

The first Case Management was held on 15th July 2016 at the Shah Alam High Court for the parties file their trial bundle. On 28th September 2016, both parties have finalised and filed all trial papers. On 2nd December 2016, DVMI has filed amendment applications and the matters was fixed for Hearing on 15th December 2016. Eventually, the application to amend the reply to defence and defence to counter claim was allowed. The Trial was fixed on 9th January 2017 and 10th January 2017.

On 9th January 2017, the Company announced a proposed settlement negotiation between DVMI and KKM. On 10th March 2017, the Company further announced that a Consent Judgement was recorded on the following terms:-

(a) KKM agreed to pay DVMI RM3,000,000 as full and final settlement of DVMI's claim;

(b) The counter claim by KKM against DVMI is withdrawn; and

(c) No order as to costs.

49. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current period's presentation:-

	As reclassified RM	As previously report RM
Company		
Statement of Financial Position		
- Amount due from subsidiary companies	4,151,120	8,393,836
- Other receivables, deposits and prepayments	4,413,770	171,054
Company		
Statement of Cash Flows		
- Decrease in other payables and accruals	6,855,047	107,779

50. 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	**31/3/2017 RM**	**31/12/2015 RM**
Total accumulated losses of the Company and its subsidiaries:		
- realised	(34,140,344)	(29,180,279)
- unrealised	(484,648)	(599,256)
	(34,624,992)	(29,779,535)
Total share of accumulated losses of an Associate	(253,253)	(253,253)
Less : Consolidation adjustments	18,693,223	19,049,561
Total accumulated losses	(16,185,022)	(10,983,227)
Company		
Total accumulated losses of the Company		
- realised	(16,670,165)	(15,771,672)
- unrealised	(501,970)	(501,270)
Total accumulated losses	(17,172,135)	(16,272,942)

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

AS AT 19 JUNE 2017

Issued and Paid Up Share Capital	:	1,638,109,706
Class of Shares	:	Ordinary shares
Voting Right	:	One vote per ordinary share
Number of Shareholders	:	7,566

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 99	9	0.12	346	0.00
100 - 1,000	393	5.19	326,900	0.02
1,001 - 10,000	1,187	15.69	7,629,600	0.47
10,001 - 100,000	3,558	47.03	193,185,707	11.79
100,001 – 81,905,484 (less than 5% of the shares)	2,418	31.96	1,343,054,653	81.99
Above 81,905,485 (5% and above of issued shares)	1	0.01	93,912,500	5.73
Total	**7,566**	**100.00**	**1,638,109,706**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name	No. of Shares	%	No. of Shares	%
JF Apex Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH KIAN SENG (MARGIN)*	93,912,500	5.73	–	–

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name	No. of Shares	%	No. of Shares	%
Dato' Goh Kian Seng	93,912,500	5.73	–	–
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	–	–	–	–
Kamarudin Bin Ngah	–	–	–	–
Yee Yit Yang	–	–	–	–
Roy Ho Yew Kee	–	–	–	–
Lim Chin Long	–	–	–	–

ANALYSIS OF SHAREHOLDINGS
(CONT'D)

LIST OF TOP 30 SHAREHOLDER AS AT 19 JUNE 2017

	Names	Shares	%
1	JF Apex Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH KIAN SENG (MARGIN)*	93,912,500	5.73
2	M & A Nominee (Tempatan) Sdn Bhd *SANSTON FINANCIAL GROUP LIMITED FOR DIGITAL PAPER SDN BHD*	60,174,853	3.67
3	Ace Credit (M) Sdn Bhd	40,000,000	2.44
4	Teoh Ah Seng	21,870,000	1.33
5	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB BANK FOR GOH SIN BONG (MP0081)*	20,000,000	1.22
6	Yayasan Islam Terengganu	20,000,000	1.22
7	Affin Hwang Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (M09)*	11,000,000	0.67
8	Maybank Nominees (Tempatan) Sdn Bhd *TAN WAI HENG*	11,000,000	0.67
9	Goh Sin Bong	10,423,200	0.64
10	Ooi Kim Sew	10,000,000	0.61
11	Su Ming Yaw	10,000,000	0.61
12	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB FOR TEO AH SENG (PB)*	9,751,600	0.59
13	Tan Ka Lian	9,000,000	0.55
14	Ang Ah Tee	8,000,000	0.49
15	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB BANK FOR ALLAN TEO (MY2456)*	8,000,000	0.49
16	Public Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR TAN SOON HIN (E-BPJ)*	7,500,000	0.46
17	Alliancegroup Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (100378)*	7,000,000	0.43
18	Loh Kim Tong @ Wong Ah Wah	7,000,000	0.43
19	Wong Chew Kuong	7,000,000	0.43
20	Er Soon Puay	6,300,000	0.38
21	Ch'ng Chuin Hooi	6,000,000	0.37
22	Tan Tiam Yee	5,836,400	0.35
23	Chew Chee Peng	5,500,000	0.33
24	Ang Choon Leng	5,000,000	0.31
25	Sek Lai Chuen	5,000,000	0.31
26	Tan Eng Hock	5,000,000	0.31
27	Yew Yeok Chi @ Yew Oh Yin	5,000,000	0.31
28	Macotrade Sdn Bhd	4,810,000	0.29
29	CIMB Islamic Nominees (Tempatan) Sdn Bhd *KEDAH ISLAMIC ASSET MANAGEMENT BERHAD FOR YAYASAN ISLAM NEGERI KEDAH (YINK)*	4,800,000	0.29
30	Ahmad Komarolaili Bin Abu	4,535,200	0.28
	Total shares	**429,413,753**	**26.21**

ANALYSIS OF WARRANT A HOLDINGS

AS AT 19 JUNE 2017

Number of Warrants issued	:	305,015,906
No. of Warrants Unexercised	:	305,015,906
Exercise Price	:	RM0.10
Number of Warrant Holders	:	1,718

DISTRIBUTION OF WARRANT HOLDINGS

Size of warrantholdings	No. of Holders	% of Holders	No. of Warrants Held	% of Warrants Held
1 - 99	59	3.44	2,829	0.00
100 - 1,000	37	2.15	18,050	0.01
1,001 - 10,000	266	15.48	1,307,126	0.43
10,001 - 100,000	787	45.81	38,256,852	12.54
100,001 – 15,250,794 (less than 5% of the shares)	569	33.12	265,431,050	87.02
15,250,795 and above (5% and above of issued shares)	0	0.00	0	0.00
Total	**1,718**	**100.00**	**305,015,906**	**100.00**

DIRECTORS' HOLDINGS

Name	No. of Warrants Held	%
Dato' Goh Kian Seng	78	0.00
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	–	–
Kamarudin Bin Ngah	–	–
Yee Yit Yang	–	–
Roy Ho Yew Kee	–	–
Lim Chin Long	–	–

ANALYSIS OF WARRANT A HOLDINGS
(CONT'D)

LIST OF TOP 30 WARRANT A HOLDERS AS AT 19 JUNE 2017

	Names	Warrants Held	%
1	Tan Hung Chew	6,827,160	2.24
2	Chew Chee Peng	5,430,900	1.78
3	Cheah Lai Peng	5,251,662	1.72
4	Maybank Nominees (Tempatan) Sdn Bhd *TAY SOO CHENG*	5,251,662	1.72
5	Ng Kok Yu	5,000,000	1.64
6	Teo Ah Seng	4,674,862	1.53
7	Maybank Nominees (Tempatan) Sdn Bhd *LEE SOON LONG*	4,580,000	1.50
8	Wong Wan Sze	3,901,329	1.28
9	Chuan Hooi Chai	3,380,179	1.11
10	RHB Capital Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR SUKESHAH BIN SUBRAMANIAM @ OSMAN*	3,309,639	1.09
11	Lim Kok Huang	3,256,030	1.07
12	Maybank Nominees (Tempatan) Sdn Bhd *CHEN GEOK CHOI*	3,256,030	1.07
13	Maybank Nominees (Tempatan) Sdn Bhd *PHUA YAW BOON*	2,690,800	0.88
14	Lit Khee Realty Sdn Bhd	2,625,831	0.86
15	Mat Zaid Bin Ibrahim	2,625,831	0.86
16	Maybank Nominees (Tempatan) Sdn Bhd *YEOH POH YEONG*	2,500,000	0.82
17	Monalissa @ Selamah Binti Kuthar Bhaks	2,500,000	0.82
18	Shafiq Mathews Bin Abdullah	2,310,731	0.76
19	Cheah Kean Guan	2,241,900	0.74
20	Cimsec Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR SELINA DANG SIEW PING (DESA JAYA-CL)*	2,205,698	0.72
21	Pong Lih Ling	2,205,698	0.72
22	Tan Ka Lian	2,100,979	0.69
23	Ong Kai Xiang	2,100,664	0.69
24	Neoh Kooi Eng	2,050,000	0.67
25	Kan Ming Khong	2,000,000	0.66
26	Ng Eng Howe	1,984,998	0.65
27	Yau Yik Lian	1,779,158	0.58
28	HLB Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR SINAR MAJU ENTERPRISE SDN BHD*	1,619,851	0.53
29	Cimsec Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR KOH SOO THIAM (J T ISMAIL-CL)*	1,600,000	0.52
30	Chuan Hooi Chai	1,575,498	0.52
	Total Warrants	**92,837,090**	**30.44**

ANALYSIS OF WARRANT B HOLDINGS

AS AT 19 JUNE 2017

Number of Warrants issued	:	409,527,425
No. of Warrants Unexercised	:	409,527,425
Exercise Price	:	RM0.05
Number of Warrant Holders	:	1,584

DISTRIBUTION OF WARRANT HOLDINGS

Size of warrantholdings	No. of Holders	% of Holders	No. of Warrants Held	% of Warrants Held
1 - 99	17	1.07	754	0.00
100 - 1,000	32	2.02	21,902	0.01
1,001 - 10,000	243	15.34	1,409,568	0.34
10,001 - 100,000	775	48.93	40,039,804	9.78
100,001 – 20,476,370 (less than 5% of the shares)	517	32.64	368,055,397	89.87
20,476,371 and above (5% and above of issued shares)	0	0.00	0	0.00
Total	**1,584**	**100.00**	**409,527,425**	**100.00**

LIST OF TOP 30 WARRANT B HOLDERS AS AT 19 JUNE 2017

	Names	Warrants Held	%
1	Ace Credit (M) Sdn Bhd	20,000,000	4.88
2	Cartaban Nominees (Asing) Sdn Bhd *EXEMPT AN FOR KGI ASIA LTD*	18,897,300	4.62
3	Affin Hwang Investment Bank Berhad IVT (JRY)	10,900,000	2.66
4	DB (Malaysia) Nominee (Asing) Sdn Bhd *EXEMPT AN FOR NOMURA PB NOMINEES LTD*	10,150,000	2.48
5	Teo Ah Seng	9,000,000	2.20
6	Affin Hwang Investment Bank Berhad *IVT (LEJ)*	8,000,000	1.96
7	Ch'ng Chuin Hooi	6,000,000	1.47
8	Affin Hwang Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (M09)*	5,000,000	1.22
9	Alliancegroup Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (100378)*	5,000,000	1.22
10	Maybank Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR TAN CHIN HOOI*	5,000,000	1.22
11	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB FOR TEO AH SENG*	4,875,800	1.19
12	Tan Ka Lian	4,500,000	1.10
13	Toh Ean Hai	4,500,000	1.10
14	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB BANK FOR ALLAN TEO (MY2456)*	4,000,000	0.98
15	Lim Yoke Chin	4,000,000	0.98

ANALYSIS OF WARRANT B HOLDINGS
(CONT'D)

LIST OF TOP 30 WARRANT B HOLDERS AS AT 19 JUNE 2017 (CONT'D)

	Names	Warrants Held	%
16	Lim Yoon Leng	4,000,000	0.98
17	Maybank Nominees (Tempatan) Sdn Bhd *TAN WAI HENG*	3,500,000	0.85
18	Tham Pei Yee	3,500,000	0.85
19	Carmen Quah	3,206,200	0.78
20	Chong Ching Yee	3,025,000	0.74
21	Lee Ah Beng	3,000,000	0.73
22	Tan Lee Peng	3,000,000	0.73
23	Wong Chew Kuong	3,000,000	0.73
24	RHB Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LEE YEN LANG*	2,966,500	0.72
25	Maybank Nominees (Tempatan) Sdn Bhd PHUA YAW BOON	2,528,000	0.62
26	Ng Choon Chuy	2,517,900	0.61
27	Chan Kin Chone	2,500,000	0.61
28	Tham Fong Soon	2,500,000	0.61
29	Maybank Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LIM GIM LEONG*	2,400,000	0.59
30	Citigroup Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LAU CHI CHIANG (472016)*	2,092,500	0.51
	Total Warrants	163,559,200	39.94

LIST OF PROPERTIES

Location	Description/ Existing Use	Area	Tenure	Approximate Age of Property (years)	Fair Value as at 31.03.2017 (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	13	9,000,000	2004 (A) 25.4.2017 (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	4,446,981	2014 (A) 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	4,446,981	2014 (A) N/A (V)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of **KEY ALLIANCE GROUP BERHAD** ("KAG" or "the Company") will be held at Latitude 1.03, Level 1, Armada Petaling Jaya Lot 6, Lorong Utara C, Section 52 46200 Petaling Jaya Selangor on Friday, 25 August 2017 at 10.30 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial period ended 31 March 2017 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 period ended 31 March 2017. **(Ordinary Resolution 1)**

3. To approve Directors' fees up to RM240,000 for the financial year ending 31 March 2018 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. **(Ordinary Resolution 2)**

4. To re-elect the following Directors who retire in accordance with Article 81 of the Company's Articles of Association:-

   - En. Encik Kamarudin Bin Ngah **(Ordinary Resolution 3)**
   - Mr Roy Ho Yew Kee **(Ordinary Resolution 4)**

5. To appoint Messrs Afrizan Tarmili Khairul Azhar as Auditors in place of the retiring Auditors, Messrs Kreston John & Gan for which Notice of Nomination as set out in Appendix 1 of the Annual Report 2017 has been received and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

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 75 of the Companies Act 2016 ("the Act")** **(Ordinary Resolution 6)**

   "THAT, subject always to 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 75 of the Act to allot and issue new ordinary shares 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 percent (10%) 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."

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

7. **Proposed retention of Independent Director** **(Ordinary Resolution 7)**

   "THAT approval be 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 in office 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 8)**

   "THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to En. 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 in office 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
31 July 2017

NOTES:-

1. Only depositors whose names appear in the Record of Depositors as at 17 August 2017 shall be regarded as members and be entitled to attend, participate, speak and vote at the Fourteenth Annual General Meeting.

2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.

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. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.

6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, 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 twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of 14th AGM to vote by poll.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

EXPLANATORY NOTES TO THE AGENDA

7. **Item 1 of the Agenda**

   This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.

8. **Item 3 of the Agenda - Ordinary Resolution no. 2**
   Approval of Directors' fees for the financial year ending 31 March 2018

   Directors' fees approved for the financial period ended 31 March 2017 was RM240,000. The Directors' fees proposed for the financial year ending 31 March 2018 are calculated based on the number of scheduled Board and Committee Meetings for 2018 and assuming that all Non-Executive Directors will hold office until the end of the subject financial year.

   This resolution is to facilitate payment of Directors' fees on current financial year basis. In the event the Directors' fees proposed is insufficient (e.g. due to more meetings), approval will be sought at the next annual general meeting for additional fees to meet the shortfall.

9. **Item 6 of the Agenda - Ordinary Resolution no. 6**
   Authority to Allot and Issue Shares pursuant to Section 75 of the Act

   (a) The proposed resolution, if passed, will grant a mandate ("General Mandate") empowering the Directors of the Company, from the date of the Fourteenth Annual General Meeting to allot and issue shares in the Company up to an amount not exceeding in total of ten percent (10%) of the issued and paid-up capital of the Company (excluding treasury shares, if any) for the time being for such purposes as they may think fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting, shall continue to be in full force until the conclusion of the next annual general meeting of the Company.

   (b) The General Mandate is a renewal from the previous mandate obtained at the last annual general meeting held on 03 June 2016 which will expire at the conclusion of the Fourteenth annual general meeting of the Company.

   (c) As at the date of this Notice, the Company did not issue any new shares based on the previous mandate obtained at the last Annual General Meeting.

   (d) The General Mandate, if granted 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 current and/or future investment project(s), working capital and/or pavement of bank borrowings and acquisition.

10. **Items 7 and 8 of the Agenda - Ordinary Resolutions no. 7 and 8**
    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;

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

EXPLANATORY NOTES TO THE AGENDA (CONT'D)

10. Items 7 and 8 of the Agenda - Ordinary Resolutions no. 7 and 8
Proposed retention of Independent Directors (Cont'd)

(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 ("the Group"), 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 Group; 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.

11. Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Fourteenth Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"),

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 Fourteenth Annual General Meeting of the Company.

APPENDIX 1

Date: 06 July 2017

The Board of Directors,
KEY ALLIANCE GROUP BERHAD
Lot 11.3, 11th Floor, Menara Lien Hoe,
No, 8 Persiaran Tropicana,
47410 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

Dear Sirs,

RE: NOMINATION OF MESSRS AFRIZAN TARMILI KHAIRUL AZHAR AS AUDITORS

I, the undersigned, being the shareholder of Key Alliance Group Berhad, hereby give notice pursuant to Section 280(2)(b)(ii) of the Companies Act, 2016 of our intention to nominate **Messrs Afrizan Tarmili Khairul Azhar** (AF: 1300) for appointment as Auditors of the Company in place of the retiring Auditors, **Messrs Kresto John & Gan**.

Yours faithfully,

DATO' GOH KIAN SENG
(I/C: 620715-07-5581)

KEY ALLIANCE GROUP BERHAD (609953-K)
(Incorporated in Malaysia)

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 Fourteenth Annual General Meeting of the Company to be held at Latitude 1.03, Level 1, Armada Petaling Jaya Lot 6, Lorong Utara C, Section 52 46200 Petaling Jaya Selangor on Friday, 25 August 2017 at 10.30 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1.	Approval of Directors' fees for the financial period ended 31 March 2017		
2.	Payment of Directors' fees for the financial year ending 31 March 2018		
3.	Re-election of Encik Kamarudin Bin Ngah		
4.	Re-election of Mr Roy Ho Yew Kee		
5.	Appointment of Messrs Afrizan Tarmili Khairul Azhar in place of retiring Auditors, Messrs Kreston John & Gan and to authorize the Directors to fix their remuneration		
6.	Renewal of authority for Directors to issue shares pursuant to Section 75 of the Companies Act 2016		
7.	Proposed retention of Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Independent Director		
8.	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	

Dated this .... day of 2017

....
Signature of Shareholder(s) or Common Seal

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 17 August 2017 shall be regarded as members and be entitled to attend, participate, speak and vote at the Fourteenth Annual General Meeting.

2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.

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. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.

6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, 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 twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of 14th AGM to vote by poll.

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AFFIX
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