KEY ALLIANCE GROUP BERHAD
(Company No.609953-K)

Annual Report 2018

KEY ALLIANCE

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
Independent Non-Executive Chairman
(Retired w.e.f. 25 August 2017)

Dato' Zaidi Bin Mat Isa @ Hashim
Independent Non-Executive Chairman
(Appointed on 20 November 2017)

Yee Yit Yang
Independent Non-Executive Director
(Re-designated as Independent Non-Executive Chairman on 28 August 2017)
(Re-designated as Independent Non-Executive Director on 20 November 2017)
(Resigned w.e.f. 8 March 2018)

Dato' Goh Kian Seng
Managing Director
(Resigned w.e.f. 10 August 2017)

Roy Ho Yew Kee
Managing Director
(Re-designated as Managing Director on 14 August 2017)

Lim Chin Long
Executive Director
(Resigned w.e.f. 29 September 2017)

Kamarudin Bin Ngah
Independent Non-Executive Director
(Retired w.e.f. 25 August 2017)

Ong Gim Hai
Independent Non-Executive Director
(Appointed on 10 August 2017)

Lee Kien Fatt
Independent Non-Executive Director
(Appointed on 4 June 2018)

AUDIT AND RISK MANAGEMENT COMMITTEE

Committee Chairman
Lee Kien Fatt
(Appointed as Committee Chairman on 4 June 2018)
Dato' Zaidi Bin Mat Isa @ Hashim
(Appointed as Committee Chairman on 20 November 2017)
(Ceased as Committee Chairman w.e.f. 4 June 2018)
Yee Yit Yang
(Re-designated as Committee Chairman on 28 August 2017)
(Ceased as Committee Chairman w.e.f. 20 November 2017)
Kamarudin Bin Ngah
(Ceased as Committee Chairman w.e.f. 25 August 2017)

Committee Members
Ong Gim Hai
(Appointed as Committee Member on 24 August 2017)
Dato' Zaidi Bin Mat Isa @ Hashim
(Re-designated as Committee Member on 4 June 2018)
Yee Yit Yang
(Re-designated as Committee Member on 20 November 2017)
(Ceased as Committee Member w.e.f. 8 March 2018)
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
(Ceased as Committee Member w.e.f. 25 August 2017)

NOMINATION COMMITTEE

Committee Chairman
Dato' Zaidi Bin Mat Isa @ Hashim
(Appointed as Committee Chairman on 4 June 2018)
Yee Yit Yang
(Re-designated as Committee Chairman w.e.f. 28 August 2017)
(Ceased as Committee Chairman w.e.f. 8 March 2018)
Kamarudin Bin Ngah
(Ceased as Committee Chairman w.e.f. 25 August 2017)

Committee Members
Ong Gim Hai
(Appointed as Committee Member on 24 August 2017)
Lee Kien Fatt
(Appointed as Committee Member on 4 June 2018)

Corporate Information
(Cont'd)

REMUNERATION COMMITTEE

Committee Chairman
Dato' Zaidi Bin Mat Isa @ Hashim
(Appointed as Committee Chairman on 4 June 2018)
Yee Yit Yang
(Re-designated as Committee Chairman w.e.f. 28 August 2017)
(Ceased as Committee Chairman w.e.f. 8 March 2018)
Kamarudin Bin Ngah
(Ceased as Committee Chairman w.e.f. 25 August 2017)

Committee Members
Ong Gim Hai
(Appointed as Committee Member on 24 August 2017)
Lee Kien Fatt
(Appointed as Committee Member on 4 June 2018)
Dato' Goh Kian Seng
(Ceased as Committee Member w.e.f. 24 August 2017)

SHARE ISSUANCE SCHEME COMMITTEE

Committee Chairman
Roy Ho Yew Kee
(Re-designated as Committee Chairman w.e.f. 10 August 2017)
Dato' Goh Kian Seng
(Ceased as Committee Chairman w.e.f. 10 August 2017)

Committee Member
Dato' Zaidi Bin Mat Isa @ Hashim
(Appointed as Committee Member on 4 June 2018)
Ong Gim Hai
(Appointed as Committee Member on 25 August 2017)
Roy Ho Yew Kee
(Re-designated as Committee Chairman w.e.f. 10 August 2017)
Kamarudin Bin Ngah
(Ceased as Committee Member w.e.f. 25 August 2017)
Yee Yit Yang
(Ceased as Committee Member w.e.f. 8 March 2018)

COMPANY SECRETARY

Pang Kah Man (MIA 18831)

REGISTERED OFFICE

No. 3-2, 3rd Mile Square
No. 151 Jalan Kelang Lama
Batu 3½ 58100 Kuala Lumpur
Tel : +603-7987 5300
Fax : +603-7987 5200
Email : lsca-kl@lsca.com.my

AUDITORS

Afrizan Tarmili Khairul Azhar (AF1300)
Chartered Accountants

SHARE REGISTRAR

Shareworks Sdn. Bhd. (229948-U)
2-1 Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Tel : + 603 -6201 1120
Fax : + 603 -6201 3121

PRINCIPAL BANKERS

Malayan Banking Berhad

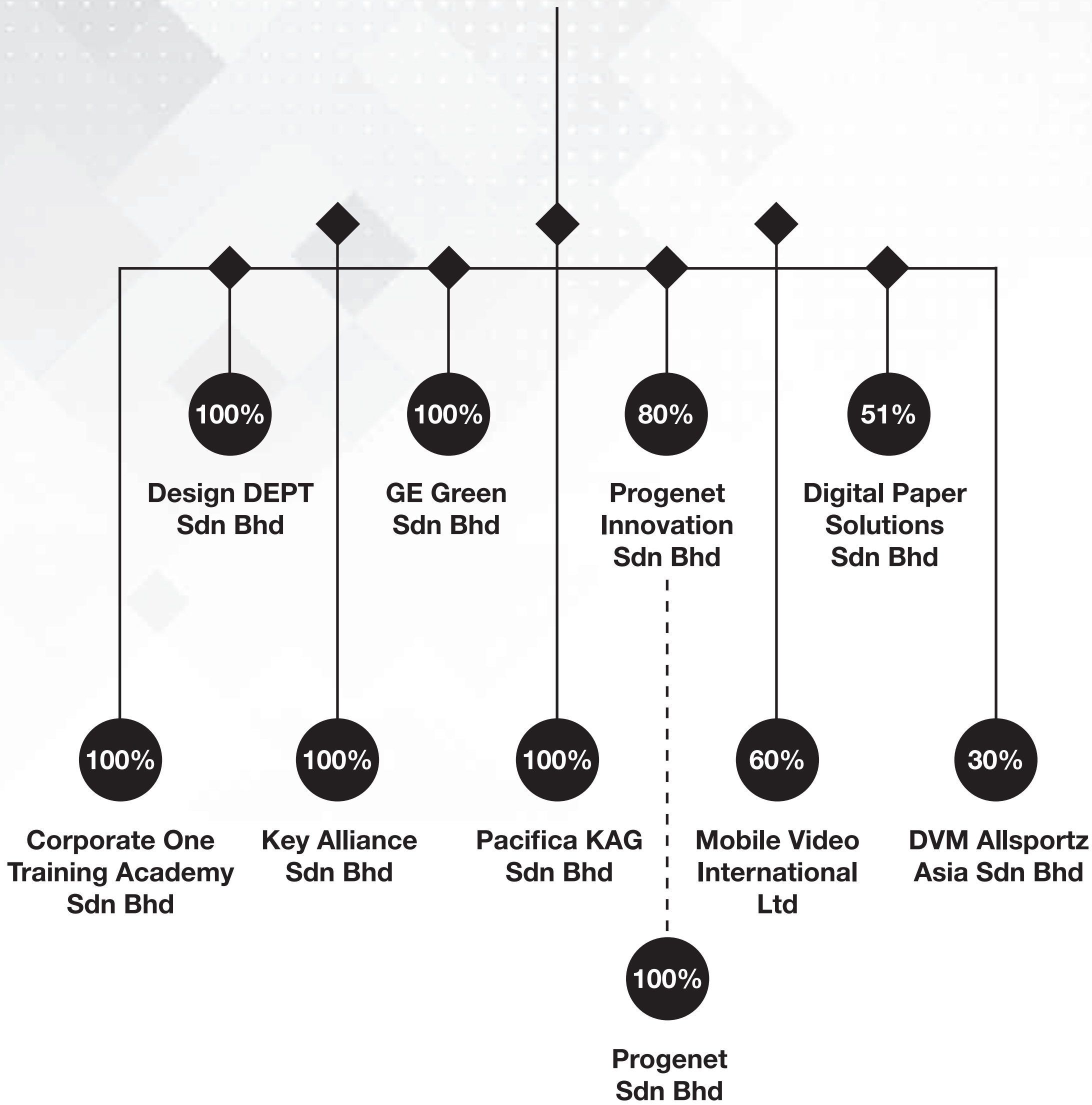
STOCK EXCHANGE LISTING

ACE Market of the Bursa Malaysia Securities Berhad
Stock Name : KGROUP
Stock Code : 0036

CORPORATE STRUCTURE

KEY ALLIANCE

KEY ALLIANCE GROUP BERHAD



BOARD OF DIRECTORS' PROFILE

Dato' Zaidi Bin Mat Isa @ Hashim
49 years, Male, Malaysian
Independent Non-Executive Chairman

Dato' Zaidi Bin Mat Isa @ Hashim ("Dato' Zaidi"), was appointed as the Chairman of KAG on 20 November 2017. He is also the Chairman of Nomination Committee and Remuneration Committee, a member of the Audit and Risk Management Committee. Dato' Zaidi obtained Masters in Business Administration. Dato' Zaidi was formerly the Director of Kumpulan Darul Aman Group and the Managing Director of Darul Aman Consolidated Bhd and subsidiaries of Darul Aman Group from 1995 to 2000. From 2001 to 2011, he was seconded as a Chief Executive Officer of My Prima Group Companies. On 15 November 2017, Dato' Zaidi being appointed as Independent and Non-Executive Director of Metronic Global Berhad. He has gained substantial experience in branding, marketing and PR, and has good networking both in the government sector and in the corporate world.

Roy Ho Yew Kee
43 years, Male, Malaysian
Managing Director

Roy Ho Yew Kee ("Mr Roy"), was appointed as the Executive Director of KAG on 30 December 2011, redesignated as Non-Independent and Non-Executive Director on 23 May 2014, redesignated as Executive Director on 27 November 2015 and redesignated as Managing Director on 14 August 2017. He obtained his Bachelor of Commerce from the Griffith University, Brisbane, Australia. Mr Roy brings over 20 years of financial service and restructuring experience both locally and abroad in various capacities. As Managing Director, he is responsible for strategic direction of the Group, and identifying opportunities for the Group's various business units.

Lee Kien Fatt
52 years, Male, Malaysian
Independent Non-Executive Director

Mr Lee Kien Fatt ("Mr Lee"), was appointed as Independent Non-Executive Director of KAG on 4 June 2018. He is also the Chairman of the Audit and Risk Management Committee, a member of Nomination Committee and Remuneration Committee. Mr Lee is a member of Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA). Mr. Lee served as Finance Manager of Group Associated (C&L) Sdn Bhd from 1992 to 1994 and Ng Tiong Seng Corporation Berhad from 1995 to 1996. He served as Group Financial Controller of United Straits Amalgamated Berhad from 1997 to 1998. Mr Lee served as Consultant cum Executive Director of RNC Corporation Berhad from 1999 to 2003. Mr Lee served as Consultant cum Non-Executive Director of LBI Capital Berhad from 2003 to 2005. He acted as Non-Executive Director of Tenggara Oil Berhad from 2007 to 2008. Recently, Mr Lee is the Director of Fattco Holdings Sdn Bhd and as Partner of Searaven Ventures (M) PLT.

Board of Directors' Profile
(Cont'd)

Ong Gim Hai
43 years, Male, Malaysian
Independent Non-Executive Director

Mr Ong Gim Hai ("Mr Ong"), was appointed as Independent Non-Executive Director of KAG on 10 August 2017. He is also the member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. Mr Ong graduated with B.Eng. Bachelor of Engineering in Electrical and Electronic Engineering from University of Sussex Brighton, UK. Mr Ong has 20 years experience in the IT and computer industry, helping multi-nationals to establish and to grow operations in ASEAN ranging from start-ups to established organisations. In January 2004, he joined Mercury Interactive Hewlett-Packard as pre-sales consultant and subsequently being promoted to sales manager in the year of 2006 to manage large enterprise account and develop new business within assigned accounts. Mr Ong then joined VMware Inc in the year of 2008 as enterprise account manager. In 2010, Mr Ong joined Palo Alto Networks as country manager, managing operations in Malaysia. In 2015 to 2016, Mr Ong represented Nutanix Malaysia and Brunei as managing director, managing sales operations in Malaysia and Brunei. He is the associate member of Institution of Electrical and Electronic Engineer and Institution of Engineers Malaysia.

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.

KEY SENIOR MANAGEMENT PROFILE

Reuben Gerard Paul

Aged 46

Reuben Gerard Paul ("Mr Reuben") is the Managing Director of Progenet Innovations Sdn Bhd. Mr Reuben graduates from Binary University College in Advanced Business Administration and is currently pursuing his MBA.

With over 23 years of experience in the IT industry, specializing in complex sales in the Corporate sector. Mr Reuben started his career in providing commercial and marketing consultation for Advanced Statistical Analysis and Mathematical applications to Project Management solutions in the early years and moved on to providing complex solution consultation in the areas of Enterprise Resource Planning and Data Centre Infrastructure solutions in the ASEAN region.

Mr Reuben brings in a wealth of information on how the overall IT industry has evolved regionally and how corporations are able to garner the power of future IT technologies suited to the Asian corporate methodologies.

Simon Tan Cheng Kim

Aged 50

Simon Tan Cheng Kim ("Mr Simon") is the director of Digital Paper Solutions Sdn Bhd ("DPS"). Mr Simon is responsible for the sales and technical aspects of DPS. In his 20 years of engagement in the IT field, he has exposed himself to both areas in sales and technical operations. Prior to his engagement with DPS, he worked in a local IT conglomerate and was responsible for sales management, business development and key account management. Simon is responsible for driving growth and oversees delivery, quality and productivity across portfolios at DPS.

Liew Weng Keong

Aged 53

Mr Liew Weng Keong ("Mr Rickie Liew") is the director of Digital Paper Solutions Sdn Bhd ("DPS"). Mr Rickie Liew is responsible for the general management and is instrumental in defining the company's product and marketing strategies. Mr Rickie Liew has over 25 years of experience in the IT industry. He graduated from a university in USA with a degree in Bachelor of Business Administration. Prior to DPS, he had worked as a Divisional Manager of a local conglomerate specializing in IT products distribution. His blend of work experience and education has given him the ability to quickly assess business opportunities and drive innovation. He has also proven his strong abilities in the successful application of innovative marketing strategies to enhance the effectiveness of people in the business.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Company profile and business

The principal activities of the Company is investment holding. The Group is principally involved in the following business:

(1) provision of a comprehensive range of ICT and other information technology related services including trading of hardware and software and related services, cloud services;
(2) distribution and selling of kitchen appliances and related services; and
(3) construction business and related services.

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

	FYE 31 March 2018 (12 mths)	FPE 31 March 2017 (15 mths)	FYE 31 December 2015 (12 mths)	FYE 31 December 2014 (12 mths)	FYE 31 December 2013 (12 mths)
Revenue	27,016,686	33,878,624	38,370,180	57,437,025	22,684,221
Operating loss	(9,046,890)	(4,038,934)	(7,148,405)	(3,225,826)	(1,980,057)
Loss before taxation	(9,283,360)	(4,785,560)	(7,706,640)	(3,450,127)	(2,450,310)
Net loss attributable to equity holders	(9,600,615)	(5,201,795)	(9,203,003)	(4,282,485)	(2,486,254)
Total assets	97,412,939	63,057,267	64,805,933	74,961,383	55,965,987
Total borrowings	8,817,087	10,074,232	9,804,567	9,207,352	150,000
Shareholder equity	75,830,827	39,150,235	34,294,083	41,361,458	44,487,441
Basic earnings per share	(1.05)	(0.72)	(1.60)	(0.80)	(0.51)
Net assets per share	0.08	0.06	0.06	0.07	0.09

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

The Group revenue decreased from RM33.88 million to RM27.02 million during the financial year ended 31 March 2018 as compared to the financial period ended 31 March 2017. However, the Group has changed the financial year end from 31 December 2016 to 31 March 2017 in the previous financial year. The current financial year covers 12 months and the previous financial period covered 15 months and thus the comparative amount are not entirely comparable. The revenue for the current financial year is mainly contributed by ICT segments about RM24.96 million. The Group has recorded a loss after taxation of RM9.45 million for the financial year ended 31 March 2018. This is mainly due to the impairment loss on goodwill amounting to RM3.64 million, impairment loss on other investments amounting to RM0.37 million, impairment loss on trade and other receivables amounting to RM0.66 million and the share-based payment expenses arising from share issuance scheme amounting to RM2.48 million.

Management Discussion and Analysis
(Cont'd)

REVIEW OF OPERATING ACTIVITIES

Corporate Development

On 4 April 2017, the Company acquired 100% equity interest in Key Alliance Officeworks Sdn Bhd ("KAOW") comprising 2 ordinary shares for purchase consideration of RM2. Intended principal activity of KAOW is to carry on the business of shared office space.

On 15 September 2017, the Company has completed the share consolidation exercise of every four (4) ordinary shares into one (1) ordinary share. The Company's issued share capital has been consolidated from 1,711,609,680 ordinary shares to 427,902,420 ordinary shares.

On 19 May 2017, the Group has entered into Share Acquisition Agreement ("SAA") to acquire 100% equity interest in Progenet Sdn Bhd ("PSB") comprising 150,000 ordinary shares for a total purchase consideration of RM1,500,000. PSB is principally involved in the business of computer networking and system consultants, supply equipment and cabling. The acquisition is made on the rationale that PSB's existing business which will provide synergistic and leveraged opportunities for the Group to expand its ICT exposure into the newly launched Digital Free Trade Zone based E-commerce industry as well as providing an established platform to handle cloud computing and data centre business. The acquisition was completed on 18 August 2017.

On 4 July 2017, a subsidiary was incorporated namely Progenet Innovations Sdn Bhd ("PISB") with an issued share capital of RM1. The share capital was subsequently increased to RM5,000,000 and the 20% of the share capital was transferred to the vendors of the PSB as part of the purchase consideration of PSB.

ANTICIPATED OR KNOWN RISKS

Market Competition Risk

ICT industry and kitchen appliances industry are always competitive. The Group faces competition from both new entrants and existing players in the industry. Increased competition could result in revenue erosion and loss of market share, any of which could materially and adversely affect the Group's business, operating results and financial condition.

The Group has hired competent sales staff to increase the sales and provided competitive pricing to customers.

In addition, the Group is expanding the ICT business into providing cloud and disaster recovery services.

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 continues to attract and retain the key management personnel who are essential in the support of the Group's operations by providing employee benefits and incentives to ensure a longer term commitment of the key management personnel to the Group.

Apart from this, 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.

Management Discussion and Analysis *(Cont'd)*

ANTICIPATED OR KNOWN RISKS (CONT'D)

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.

The Group takes initiative to negotiate with the suppliers/principles to provide a better rate on the goods purchased in the event if USD increases.

BUSINESS DIRECTION AND PROSPECTS

Moving forward, the Group will continue to focus on its core business in ICT business although the ICT industry has become increasingly competitive. To create a further niche within the ICT industry and to increase competitiveness, the Company has made several steps in acquiring a cloud service provider, Progenet Sdn Bhd, to divert its resources to a specific area, mainly cloud and disaster recovery services.

During the year, the Group has started to construct the new data centre located at Menara Lien Hoe, and it's expected to be completed by August 2018. The data centre is designed with the latest technologies offering high availability, redundancy and scalability. This modern data centre is designed for high density web scale infrastructure, allowing it to build its own public and private cloud as well as support private and public enterprises for their cloud services requirements.

The facility also comes with the latest data centre infrastructure (DCIM) solution, allowing for the efficient management of IT assets, reducing risk and increasing efficiency.

Progenet Innovations, the operator of the data centre, will be rolling out a series of cloud offerings that are specifically tailored towards enterprise, commercial and public sector business requirements.

The Group will be the first end-to-end cloud provider that owns the real estate, the data centre and the cloud services.

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 new construction segment which is commencing in the coming financial year end.

CORPORATE GOVERNANCE ("CG") OVERVIEW STATEMENT

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

This Statement sets out the manner in which the Group has applied and the extent of compliance with principles and recommendations as set out in the Malaysian Code on Corporate Governance 2017 ("Code"), the relevant chapters of the ACE Market Listing Requirements ("Listing Requirements") on CG and all applicable laws and regulations throughout the financial year ended 31 March 2018 ("FY2018").

The CG report which provides the manner in and the extent in which the CG framework has applied by the Group throughout the FY2018, is available on the Group's website at www.kag.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART 1 – BOARD RESPONSIBILITIES

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS

1.1 Functions, roles 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;
- Ensuring the establishment of risk management framework and policies;
- 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 Board reserves certain powers for itself and has delegated certain matters, such as the day-to-day management of the Group to the Managing Director. 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 function and responsibilities, the Board has established and approved to the respective Terms of Reference ("ToR") for the relevant Board Committees where specific powers of the Board are delegated to the relevant Board Committees. The Board Committees include the following:

- Audit and Risk Management Committee ("ARMC")
- Nomination Committee ("NC")
- Remuneration Committee ("RC")
- Share Issuance Scheme ("SIS") Committee ("SISC").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 1 – BOARD RESPONSIBILITIES (CONT'D)

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS (CONT'D)

1.1 Functions, roles 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.

The ToR of each of the Board Committees as approved by the Board is available on the Company's corporate website: www.kag.com.my.

The Board owes fiduciary duties to the Company and, while discharging its duties and responsibilities, shall individually and collectively exercise reasonable care, skill and diligence at all times. Aside from the key responsibilities as delineated in the Board Charter, each Board member is also expected to demonstrate and adhere with the following:

(a) Time commitment

(i) Attendance of Meetings

The Board ordinarily schedules 4 meetings in a year. Board and Board Committee meetings are scheduled well in advanced, i.e. prior to the closing of each quarter to facilitate the Directors in planning ahead and to ensure that the Board and Board Committees meetings are booked in their respective schedules.

Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. The agenda for the meeting of the Board are set by the Company Secretary in consultation with the Non-Executive Chairman. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings.

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 at Board of Directors and Board Committee meetings during the year under review as set out as follows:

Meeting Attendance	Board	ARMC	NC	RC	SIS	@AGM
*Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	^1/2	1/1	–	–	–	–
^^Mr Yee Yit Yang	^4/5	^4/4	^1/1	^1/1	1/1	1/1
+Dato' Zaidi Bin Mat Isa @ Hashim	^2/2	2/2	–	–	–	–
**Dato' Goh Kian Seng	1/1	–	–	–	–	--
Mr Roy Ho Yew Kee	5/5	–	–	–	^1/1	^1/1
#Mr Lim Chin Long	2/3	–	–	–	–	1/1
*En Kamarudin Bin Ngah	2/2	^1/1	–	–	–	–
##Mr Ong Gim Hai	4/4	4/4	1/1	1/1	1/1	1/1
++Mr Lee Kien Fatt	–	–	–	–	–	–

CG Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 1 – BOARD RESPONSIBILITIES (CONT'D)

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS (CONT'D)

1.1 Functions, roles and responsibilities of the Board (Cont'd)

(a) Time commitment (Cont'd)

(i) Attendance of Meetings (Cont'd)

@ Fourteenth Annual General Meeting ("AGM") held on 25 August 2017
^ Chairperson/Chairman of the Board or Board Committees or AGM
* Retired w.e.f 25 August 2017
** Resigned w.e.f 10 August 2017
^^ Resigned w.e.f 08 March 2018
# Resigned w.e.f 29 September 2017
Appointed on 10 August 2017
+ Appointed on 20 November 2017
++ Appointed on 04 June 2018

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 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.

(ii) New Directorships

Prior to the acceptance of new Board appointment(s) in other companies and/or Public Listed Companies ("PLCs"), the Directors 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, 1 criterion as agreed by the Board is that they must not hold directorships at more than 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.

(b) Continuing training programmes

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

The external auditors also briefed the Board members on any changes to the applicable approved accounting standards as per the Malaysian Accounting Standards Board ("MASB") that affect the Group's financial statements during the year. The Directors' are also encouraged to attend appropriate external trainings on subject matter that aids the Directors in the discharge of their duties as Directors, at the Company's expense.

CG Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 1 – BOARD RESPONSIBILITIES (CONT'D)

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS (CONT'D)

1.1 Functions, roles and responsibilities of the Board (Cont'd)

(b) Continuing training programmes (Cont'd)

All the Directors have attended the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad ("Bursa Securities") and were updated by the Company Secretary and external auditors on the various salient amendments to the Listing Requirements and the applicable approved accounting standards as per MASB from time to time.

The details of trainings and various external programs attended by the Directors during the financial year under review are as follows:

Board members	Courses/Training Programmes Attended
Dato' Zaidi Bin Mat Isa @ Hashim	• Sales & Service Tax 2018: Understanding the Mechanism and the Impact on Business
Mr Roy Ho Yew Kee	• CG Breakfast Series with Directors: Integrating an Innovation Mindset with Effective Governance • Blockchain Economic Forum Singapore
Mr Ong Gim Hai	• Blockchain Economic Forum Singapore
Mr Lee Kien Fatt	• Sales & Service Tax 2018: Understanding the Mechanism and the Impact on Business

(c) Conflict of interest and related party transactions

To assure accountability and prevent conflict of interest in relation to issues that come before the Board, Directors are reminded by the Company Secretary of their statutory duties and responsibilities and are provided with updates on any changes thereon. Hence, all related party transactions (if any) will be submitted to the ARMC for review on a quarterly basis.

The Directors further acknowledge that they are also required to abstain from deliberation and voting on relevant resolutions in which they have an interest at the Board or any general meeting convened. In the event a corporate proposal is required to be approved by shareholders, the interested Directors will abstain from voting in respect of their shareholdings and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolutions.

1.2 The Chairman of the Board

The Non-Executive Chairman is not related to the Executive Director. The Non-Executive Chairman is responsible for the Board's effectiveness and conduct, implementing the Group's policies, business plans and executive decision making and is assisted by the Executive Director.

The Non-Executive Chairman also promotes an open environment for debate and ensures effective contributions from Non-Executive Directors. He also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. Together with the other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by the Management.

At a general meeting, the Non-Executive Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.

CG Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 1 – BOARD RESPONSIBILITIES (CONT'D)

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS (CONT'D)

1.3 Separation of roles of Non-Executive Chairman and Executive Director

In order to foster a strong governance culture in the Group and to ensure a balance of power and authority, the roles of Non-Executive Chairman and Managing Director are strictly separated. The Company practises a division of responsibilities between the Non-Executive Chairman and the Managing Director. This is also to maintain effective supervision and accountability of the Board and Executive Management. The Non-Executive Chairman is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner while the Executive Director takes on the primary responsibility of managing the Group's businesses and resources as well as overseeing and managing the day-to-day operations of the Group.

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.

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 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 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretary in ensuring the effective functioning of the Board. The Directors may seek advice from the Management on issues under their respective purview.

Prior to the Board meetings, the agenda for each meeting together with a full set of the board papers containing the information relevant to the business of the meetings are circulated to the Directors 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 aspect of the Company's operations or business concerns from them.

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, approvals will be obtained via circular resolutions which are supported with information necessary for an informed decision.

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 its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board, depending on the quantum of the fees involved.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 1 – BOARD RESPONSIBILITIES (CONT'D)

2. DEMARCATION OF RESPONSIBILITIES

2.1 Board Charter

The Board recognises the importance of establishing a single source of reference for Board activities through a Board Charter as recommended by the Code. As such, a Board Charter was formalised on 24 November 2014 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 salient features of the Board Charter was last reviewed on 28 May 2018 and is available on the Company's corporate website website: www.kag.com.my.

3. PROMOTING GOOD BUSINESS CONDUCT AND MAINTAINING A HEALTHY CORPORATE CULTURE

3.1 Code of Ethics

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 Code of Ethics are accessible by the public through the Company's corporate website: www.kag.com.my.

3.2 Formalised policies and procedures on Whistle-Blowing

The Board also has a separate Whistle-Blowing Policy stating the appropriate communication and feedback channels to facilitate whistleblowing. The implementation of such policy is in line with Section 587 of the Act where provisions have been made to protect KAG's officers or stakeholders who make disclosures on breach or non-observance of any requirement or provision of the Act or on any serious offence involving fraud and dishonesty.

The Whistle-Blowing Policy is accessible by the public through the Company's corporate website: www.kag.com.my.

PART II – BOARD COMPOSITION

4. BOARD'S OBJECTIVITY

4.1 Composition of the Board

The Board comprises of 4 members, of whom 1 is Managing Director, 1 is Independent Non-Executive Chairman and 2 are Independent Non-Executive Directors. In this respect, the Board comprises a majority of Independent Directors, representing 75% of the Board. In addition, KAG also complies with the requirement of the Listing Requirements for Independent Non-Executive Directors to make up at least 1/3 of the Board membership.

CG Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION (CONT'D)

4. BOARD'S OBJECTIVITY (CONT'D)

4.1 Composition of the Board (Cont'd)

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 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 Board is, however, open to board changes as and when appropriate. The profile of each of the Director is set out on pages 5 to 6 of this Annual Report.

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

Dato' Zaidi Bin Mat Isa @ Hashim / Mr Lee Kien Fatt/ Mr Ong Gim Hai
Key Alliance Group Berhad
Lot 18.2, 18th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor

4.2 Tenure of Independent Directors

As at the date of this Statement, none of the Independent Directors has reached 9 years of service since their appointment as Directors. Their tenure of service is set out in the Board of Directors' and Key Senior Management's Profile of this Annual Report on page 5 to 7 of this Annual Report.

4.3 Policy of Independent Director's Tenure

The Board has adopted a 9 years policy for Independent Directors. Upon completion of 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In the event such Director was to retain as an Independent Director, the Board would have to justify in the notice convening the AGM and seek shareholders' approval the retention of such Independent Director at every AGM.

The Board should seek annual shareholders' approval through a two-tier voting process if the retention of such Independent Director was after the twelfth year.

4.4 Diverse Board and Senior Management Team

The Company does not set specific criteria for the assessment and selection of director candidate. However, all candidates for appointment and/or election are first considered by the NC, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The NC also evaluates the candidates' character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the subject candidate.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION (CONT'D)

4. BOARD'S OBJECTIVITY (CONT'D)

4.5 Gender diversity policy

The Board is presently of the view that there is no necessity to fix a specific gender diversity policy. However, the Board will endeavor to tap talent from human capital market from time to time with the aim to have at least 1 female director in its Board in the future.

4.6 New Candidates for Board Appointment

The screening and evaluation process for potential candidates to be nominated as Directors are delegated to the NC. The process involves the NC's consideration and submission to the Board its recommendation of suitable candidates from either the Management, the existing Board member(s) or major shareholder(s) for the proposed appointment as Directors of the Company. The NC may also obtain and rely upon independent sources such as a directors' registry, open advertisement or use of independent search firms in furtherance of their duties at the Company's expense, subject to approval by the Chairman or the Board, depending on the quantum of the fees involved. If the selection of candidates was solely based on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the NC will explain why other sources were not used.

The shortlisted candidates whom were not known to the existing Board members, were interviewed by the NC and thereafter, met with the Board of Directors for endorsement of appointment.

4.7 NC

The NC of KAG was established on 29 April 2005 to assist the Board in recommending appointment of new Director(s) and assessing the effectiveness of the Board as a whole.

The activities undertaken by NC during the financial year under review are as follows:

- reviewed 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;
- reviewed and recommended the appointment of shortlisted candidates to fill casual vacancies of Directors;
- undertook annual assessment of its Independent Directors;
- reviewed the training needs for the Directors regularly; and
- reviewed the performance of the Board as a whole and the Board Committees, particularly the term of office and performance of the ARMC and each of its members and recommending to the Board the appointment of members of ARMC and other Board Committees established by the Board.

4.8 SIS Committee

The SIS Committee was established on 7 May 2015 to assist the Board in establishment of the SIS by rewarding and retaining the eligible Directors and key management personnel who have contributed to the growth of the Company.

The duration of SIS which was implemented on 6 May 2015, is 5 years and will be expiring on 6 May 2020.

CG Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION (CONT'D)

4. BOARD'S OBJECTIVITY (CONT'D)

4.8 SIS Committee (Cont'd)

On 15 June 2015, the Company granted a total of 174,240,000 options under the SIS at an exercise price of RM0.10 per option of which 80,000,000 were being exercised. The remaining of options are lapsed.

On 26 May 2017, the Company had offered a total of 315,000,000 options under the SIS at an exercise price of RM0.0455 per option and subsequently adjusted to RM0.05 of which 75,00,000 were granted and 73,500,000 were being exercised.

On 25 April 2018, the Company had offered a total of 100,000,000 options under the SIS at an exercise price of RM0.065 per option.

5. OVERALL BOARD EFFECTIVENESS

5.1 Annual evaluation

The NC will be reviewing the Board's effectiveness in the following key areas of composition, administration and process, accountability and responsibility, Board conduct, communication and relationship with Management, performance of the Chairman and Executive Director, the time commitment in discharging their role and responsibilities through attendance at their respective meetings as well as the application of good governance principles to create sustainable shareholder's value.

The Board will undertake an annual assessment of Independent Directors as to justify whether they continue to bring independent and objective judgement to board deliberations. Peer and self-assessment will be carried out by the Directors and the ARMC members once every year. The results, in particular the key strength and weaknesses identified from the evaluation, will be shared with the Board to allow enhancements to be undertaken.

The Company Secretary will facilitate the NC in carrying out the annual assessment exercise via the ARMC evaluation questionnaire, Board members' self and peer evaluation form, Independent Directors' evaluation form, Directors' evaluation form, Board and Board committee evaluation form.

From the annual assessment and review conducted for FY2018, the NC was satisfied that all the Managing Directors, Non-Executive Directors and Independent Directors possess sufficient qualification to remain on the Board. Save for the NC members who are also a member of the Board and have abstained from assessing their own individual performance as Director of the Company, each of the NC Members view that all the Directors have good personal attributes and possess sufficient experience and knowledge in various fields that are vital to the Company's industry.

As for the Board evaluation, the NC agreed that all the Directors have discharged their stewardship duties and responsibilities towards the Company as a Director effectively. The NC further concluded that the Board and Board Committees were functioning effectively as a whole with a high level of compliance and integrity.

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III - REMUNERATION

6. LEVEL AND COMPOSITION OF REMUNERATION

6.1 Remuneration policy

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

The salient features of the remuneration policy of the Group are summarised as follows:

a) The salary for Managing Director is set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.
b) Directors' Fees are based on a standard fixed fee and are subject to approval by the Shareholders at the AGM.
c) Only Managing Director is entitled to benefits-in-kind provided by the Group.
d) The RC may obtain independent professional advice in formulating the remuneration package of its Directors.

For FY2018, the Board approved the RC's recommendation on remuneration of the Managing Director, remuneration of the Non-Executive Directors, and Directors' fees for FY2018 for the approval of the Shareholders at the Fifteenth (15th) AGM. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.

The remuneration policy is not made available on the Company's corporate website as the Board is of the view that the confidentiality and sensitivity of the features of the Company's remuneration structure which are in supportive of the strategies and long-term vision of the Company will be able to safeguard accordingly.

6.2 RC

The RC was established on 6 June 2003 and is responsible for recommending to the Board on the remuneration framework as well as the remuneration package of Executive Director to ensure that rewards commensurate with his contributions to the Group's growth and profitability in order to align the interest of the Director with those of the shareholders. The RC also ensures the level of remuneration for Non-Executive Directors and Managing Director are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

The activities undertaken by the RC during the financial year under review were as follows:

- Formulated the remuneration policies and remuneration for the members of the Board and Board Committees, and recommended the same to the Board for approval.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III - REMUNERATION (CONT'D)

7. Remuneration of Directors and Senior Management

7.1 Details of Directors' Remuneration

The details of the Directors' remuneration comprising remuneration received/receivable from the Company and its subsidiaries during the FY2018 are as follows:

COMPANY

Category	Fees RM'000	Salaries & Bonus RM'000	Defined Contribution Plan RM'000	Benefits in Kind RM'000	Total Remuneration RM'000
Executive Directors	120,000	64,839	7,781	–	192,620
Non-Executive Directors	128,000	77,000	10,015	–	215,015
Total	248,000	141,839	17,796	–	407,635

GROUP

Category	Fees RM'000	Salaries & Bonus RM'000	Defined Contribution Plan RM'000	Benefits in Kind RM'000	Total Remuneration RM'000
Executive Directors	120,000	434,839	29,633	–	584,472
Non-Executive Directors	128,000	77,000	10,015	–	215,015
Total	248,000	511,839	39,648	–	799,487

The number of Directors whose total remuneration falls within the following bands is as follows:-

Remuneration	Non-Executive Directors	Executive Directors
Below RM100,000	4	1
RM100,001 – RM150,000	1	–
RM150,001 – RM200,000	–	–
RM2001,001 – RM250,000	–	–
RM250,001 – RM300,000	–	2

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

7.2 Details of Key Senior Management's remuneration

No disclosure of the top five Key Senior Management's remuneration component on named basis is made herein due to confidentiality and sensitivity of each remuneration package. The Company believes that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the top five Key Senior Management's remuneration.

B) EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I - ARMC

8. EFFECTIVE AND INDEPENDENT ARMC

8.1 The chairman of the ARMC is not the Chairman of the Board

The positions of Chairman of the ARMC and the Board are held by 2 different individuals. Hence, the objectivity of the Board's review of the ARMC's findings and recommendations will be able to preserve. The Board is of the view that the chairperson of the ARMC has performed the duties as defined and his judgment was not impaired as he is sufficiently independent from Management in leading the discussion on the matters being deliberated and findings as well as recommendations made by the ARMC objectively in the Board meetings.

8.2 Cooling-off period for a former audit partner to be appointed as ARMC member

The ARMC has not adopted a two-year cooling-off period policy for a candidate whom is a former audit partner before being appointed as a member of the ARMC.

However, the said policy currently does not apply to the ARMC given none of the ARMC nor Board members is a former audit partner as at the date of this Statement.

8.3 Policies and procedures for assessment of suitability, objectivity 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 ARMC 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 ARMC, 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. The ARMC, 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.

In this regard, the ARMC had on 23 February 2018, assessed the independence of Messr. Afrizan Tarmili Khairul Azhar ("AFTAAS") as external auditors of the Company as well as reviewed the level of non-audit services rendered by AFTAAS to the Company for FY2018. The ARMC had obtained written assurance from AFTAAS confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants. The external auditors provided such declaration in their annual audit plan presented to the ARMC prior to the commencement of audit for a particular financial year.

The ARMC was satisfied with AFTAAS's technical competency and audit independence and took note that the quantum of non-audit fee charged thereto was not material as compared to the total audit fees paid to AFTAAS. Having satisfied itself with their performance and technical competency as well as received the assurance from AFTAAS as stated above, the ARMC will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the 15th AGM.

CG Overview Statement
(Cont'd)

B) EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART I - ARMC (CONT'D)

8. EFFECTIVE AND INDEPENDENT ARMC (CONT'D)

8.4 ARMC composition

The ARMC comprises 3 Non-Executive Directors of whom all are Independent Directors. On the composition, please refer to the Corporate Information of this Annual Report on page 2 to 3.

The Board is of the view that the ARMC is able to assist the Board in reviewing and scrutinising the information in terms of accuracy, adequacy and completeness for disclosure to ensure reliability and compliance with applicable financial reporting standards.

The ARMC chairman, Mr Lee Kien Fatt together with all ARMC members, reviewed the Company's financial statements and annual audited financial statements in the presence of external auditors, prior to recommending them for the Board's approval and issuance to stakeholders.

8.5 Continuous professional development

To assist the Board in reviewing and scrutinising the information in terms of accuracy, adequacy and completeness for disclosure to ensure reliability and compliance with applicable financial reporting standards, all the ARMC members will undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.

The Board, through the recommendation of the NC and with the exception of the Directors who are also ARMC is generally satisfied that all the ARMC members are financially literature and have sufficient understanding of the Company's business.

Further details on the external programs attended by the ARMC members are set out in this Annual Report on page 14.

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9.1 Sound framework to manage risk

The Board recognises the importance of managing risks and maintaining a sound system of internal controls which cover risk management, financial, organisational, operational and compliance controls.

On-going reviews are performed on a quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Company's Management Team as well as the Group's independent and sufficiently resourced internal audit function. The findings of the internal audit function are regularly reported to the ARMC.

Nevertheless, the Board has established Enterprise Risk Management framework during the financial year under review. The ARMC is tasked to review 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.

Details of the Company's risk management and internal controls framework are further elaborated in the ARMC Report and the Statement on Risk Management and Internal Control of this Annual Report and page 30 to 32 respectively.

B) EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

9. EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

9.2 Implementation of mitigating measures

The responsibilities of identifying and managing risks are delegated to the respective Heads of Department ("HoD"). The ARMC is responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The ARMC will assist the Board in implementing and overseeing the risk management framework of the Group and reviewing the risk management policies formulated by Management and to make relevant recommendations to the Board for approval.

Main features of the Company's risk management framework and internal controls system are further elaborated in the Statement on Internal Control and Risk Management of this Annual Report on page 30 to 32.

9.3 Risk Management Committee

The ARMC was renamed on 27 November 2017 with its scope of duty and responsibilities being broadened and the importance being placed on the risk management of the various elements of the Company's business whilst also covering the areas of internal control, financial reporting and CG.

The ARMC comprises 3 Non-Executive Directors of whom all are Independent Directors. This is in line with Practice Note 9.3 of the MCCG whereby the risk management committee should comprise a majority of Independent Directors.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the ARMC Report and the Statement on Internal Control and Risk Management of this Annual Report.

10. EFFECTIVE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

10.1 Internal audit function

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

10.2 Competency of internal auditors

To ensure that the responsibilities of internal auditors are fully discharged, the ARMC shall review the adequacy of the scope, functions and resources of the internal audit function as well as the competency i.e. qualification and experience of the internal auditors on a yearly basis.

The Group has outsourced is internal audit function to NGL Tricor Governance Sdn Bhd, a professional service firm ("Outsourced IA"). The internal audit personnel assigned by the Outsourced IA are free from any relationships or conflicts of interest, which could impair their objectivity and independence pursuant to the written declaration made by them.

B) EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

10. EFFECTIVE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

10.2 Competency of internal auditors (Cont'd)

The Outsourced IA is headed by its director, Mr Chang Ming Chew, who is a Certified Internal Auditor and a member of the Institute of Internal Auditors Malaysia and the Association of Chartered Certified Accountants (UK). The Outsourced IA is staffed by approximately eighteen personnel of all levels, including the directors. The Outsourced IA performed its work in accordance with a recognized framework. The internal audit function has been mandated to continually assess and monitor the Group's system of internal control. The internal audit function adopts a risk-based approach and prepares its audit strategy and plans based on the risk profiles of individual business unit of the Group. Premised on the performance assessment by the ARMC and feedback from the Management Team, the ARMC is satisfied that the internal auditors are free from any relationships or conflicts of interest with those involved which could impair their objectivity and independence and is capable of carrying out internal audit reviews.

An overview of the state of internal controls function within the Group, which includes the risk and key internal control structures, are set out in the ARMC Report and the Statement on Risk Management and Internal Control of this Annual Report on page 28 to 29 and page 30 to 32 respectively.

C) INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART I – COMMUNICATION WITH STAKEHOLDERS

11. CONTINUOUS COMMUNICATION BETWEENN COMPANY AND STAKEHOLDERS

11.1 Effective, transparent and regular communication with its stakeholders

The Board 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 continuously 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 may conduct the open briefings from time to time in ensuring constant interactions with existing and prospective investors. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the Group's corporate website.

CG Overview Statement
(Cont'd)

C) INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART I – COMMUNICATION WITH STAKEHOLDERS (CONT'D)

11. CONTINUOUS COMMUNICATION BETWEENN COMPANY AND STAKEHOLDERS (CONT'D)

11.2 Integrated reporting

The Company has provided concise information in relation to its strategy, performance, governance and prospects through the management discussion and analysis and the statement of corporate social responsibility in this Annual Report on page 8 to 10 and page 33 respectively. This is to ensure that the stakeholders are well informed of the business and performance of the Company and to promote transparency and accountability of the Company.

To further improve the quality of information available to the shareholders and stakeholders and promote greater transparency and accountability on the part of the Company, the Board shall prepare a full sustainability statement and publish in the annual report to be issued for FYE2019.

PART II – CONDUCT OF GENERAL MEETINGS

12. STRENGTH RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDRES

12.1 Encourage shareholder participation at general meetings

The AGM represents the principal forum for dialogue and interaction with shareholders. At every AGM, the Board sets out the progress and performance of the Group since the last meeting held. Shareholders are encouraged to participate in the subsequent Question & Answer ("Q&A") session wherein the Directors, Company Secretary and/or HoD as well as the Group's external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder. Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution.

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. The Board believes that the current practice would still 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.

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 outcome of the AGM will be announced to Bursa Securities on the same meeting day.

CG Overview Statement
(Cont'd)

C) INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART II – CONDUCT OF GENERAL MEETINGS (CONT'D)

12. STRENGTH RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDRES (CONT'D)

12.2 Effective communication and proactive engagements

All the Directors shall endeavor to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the AGM. The proceedings of the AGM include the Company's operating and financial performance for FY2018. The 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 and/or during the Q&A session.

Together with 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 AGM by the Minority Shareholder Watchdog Group, if any.

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

12.3 Facilitate greater shareholder participation at general meetings

Under Rule 8.31A(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 AGM.

In order to encourage shareholders to attend and participate in the general meetings, the Company will always make sure that its general meetings are to be held at an accessible location but not in remote areas.

Having considered that the shareholder base of the Company is not that large, the Board is of the view that there is no immediate need for the Company to leverage on technology to facilitate electronic poll voting and remote shareholder participation at this juncture of time.

The Board will nevertheless, consider leveraging technology to facilitate voting in absentia from time to time, to more fairly reflect shareholders' views and to ensure accurate and efficient outcomes of the voting process.

COMPLIANCE STATEMENT

The Board shall continue to strive for high standards of corporate governance throughout the Group. The Board considers and is satisfied that save and except for Practice Notes 4.5, 6.1, 7.1, 7.2, 7.3, 8.2 & 12.1, 12.3 which are partially departed and/or not adopted as disclosed herein and in the CG Report, the Company has in all material aspects satisfactory complied with the principles and recommendations of the Code, the relevant chapters of the Listing Requirements on CG and all applicable laws and regulations throughout FY2018.

This Statement was approved by the Board on 27 July 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC") REPORT

COMPOSITION AND ATTENDANCE

The ARMC of Key Alliance Group Berhad ("the Company" or "KAG") had on 27 November 2017, broadened its scope and highlight the importance placed on the risk management of the various elements of the Company's business whilst also covering the areas of internal control, financial reporting and corporate governance. As at the date of this Report, the ARMC comprises three (3) members, all of whom are all 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 ("Bursa Securities") as well as Practice Note 8.4 of the Malaysian Code on Corporate Governance 2017 ("Code"). The ARMC Chairman, Mr. Lee Kien Fatt, is member of the Malaysia Institute of Accountants ("MIA"). Accordingly, KAG also complies with Rule 15.09(1)(c)(i) of the Listing Requirements.

The terms of reference ("ToR") of the ARMC is available for download on the Company's website at www.kag.com.my.

SUMMARY OF ACTIVITIES

During the financial year under review, the ARMC discharged its functions and duties in accordance with its existing ToR. The activities undertaken during the financial year under review encompassed the following:

Activities with regards to external audit:

- Reviewed on the persons nominated by a shareholder as external auditors in place of resigning external auditors and any questions of resignation and recommendation to the Board for consideration.
- Reviewed external audit scope and audit plans based on the external auditors' presentation of audit strategy and plan;
- Reviewed external audit results, audit reports, management letter and the response from the Management;
- Reviewed and evaluated factors relating to the independence of the external auditors and worked closely with the external auditors in establishing procedures in assessing the suitability and independence of the external auditors, in confirming that they were, and had been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Federation of Accountants and the MIA;
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors; and
- Reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services and recommended to the Board for approval on the re-appointment of external auditors.

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

- Reviewed IA's resource requirements, scope, adequacy and function;
- Reviewed of annual IA plan and programs;
- Reviewed 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;
- Reviewed implementation of these recommendations through follow-up audit reports;
- Suggested on additional improvement opportunities in the areas of internal control, systems and efficiency improvement;
- Facilitated the establishment of the risk management framework and reviewed any significant proposed changes to risk management policies and strategies for adoption by the Board;
- Reviewed and monitored principal risks which may affect the Group directly or indirectly, and if deemed necessary, and recommended additional course(s) of action to mitigate such risks;
- Monitored the risk assessment results and communication to the Board with mitigating measures for consideration; and
- Assessed to the actual and potential impact of any failure or weakness of the internal controls in place.

Audit and Risk Management Committee ("ARMC") Report *(Cont'd)*

SUMMARY OF ACTIVITIES (CONT'D)

Activities with regards to financial statements:

- Reviewed annual report and the annual audited financial statements of the Company prior to submission to the Directors for their perusal and approval asto ensure compliance of the financial statements with the provisions of the Companies Act 2016 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board ("MASB");
- Reviewed 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 of the Company; and
- Reviewed the unaudited financial results announcements before recommending 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:

- Reviewed its ToR periodically and made recommendation to the Board on revision, if necessary;
- Reviewed any related party transactions, if any entered into by the Company and the Group;
- Verified the options allocated under the Share Issuance Scheme ("SIS") in compliance with criteria as stipulated in the SIS By-laws of the Company;
- Facilitated the drafting of the whistle-blowing policy and recommended the amendment and/or modification, if any to the Management;
- Reviewed application of CG principles and the extent of the Group's compliance with the best practices set out under with the Code; and
- Reviewed the CG Overview Statement, CG Report, ARMC Report and the Statement on Risk Management and Internal Control for adoption by the Board.

Internal Audit Function

The purpose of the internal audit function is to provide the Board, through the ARMC, with reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group. To provide an independent appraisal over the system of internal control of the Group to the ARMC, the Company outsources the internal audit function to an independent assurance provider ("internal auditors"). In this respect, the IA has added value by improving the control processes within the Group. The total costs incurred was amounted to RM18,000.

The internal audit activities were carried out based on a risk-based audit plan presented by the internal auditors to the ARMC for approval. The establishment of the audit plan took into consideration the corporate risk profile and input from Senior Management and the ARMC. The internal auditors highlighted to the ARMC the audit findings which required follow-up action by Management as well as outstanding audit issues which required corrective actions to ensure an adequate and effective internal control system within the Group.

An overview of the Group's approach in maintaining a sound system of internal control is set out in the Statement on Risk Management and Internal Control on pages 30 to 32 of this Annual Report.

This Report was made by the ARMC in accordance with a resolution dated 27 July 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) of the Listing Requirements of Bursa Securities and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board 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 Group during FY2018.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibilities in maintaining a sound system of internal controls that covers financial, operational and risk management within the Group to meet its business objectives. The Board affirms its overall responsibility to establish a sound risk management framework and internal control system, 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.

However, such systems, by their nature, can only provide reasonable, but not absolute, assurance against hindering the Group achieving its business objectives, material misstatement, loss and fraud. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives of the Group.

The Board has received assurance in writing from the Executive Director and Senior Management that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, to meet the Group's business objectives during the financial year under review.

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 registers and risk profiles are used as one of the business tools to highlight the risks exposures and their risks mitigation to Management and Board. The risk register and risk profiles for all business units of the Group are updated as and when there are changes to the business environment or regulatory guidelines. This process is regularly reviewed by the ARMC and reported to the Board.

During the financial year under review, the underlying principal risks of the Company are market competition risk, forex risk, dependent on key management personnel risk, and established an on-going process for identifying, evaluating, and managing such risks. In addition, the Board has outsourced the establishment of an enterprise risk management framework to a professional firm and it has been established during the financial year under review.

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

1. The Group maintains a sound system of risk management by ensuring that the risk management and control framework are embedded into the culture, processes and structure of the Group and to the achievement of its business objectives.
2. 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.
3. The Heads of Department and Key Management staffs 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 unit for appropriate actions to be taken.
4. Periodic operational/management meetings are held to ensure that the risks identified are monitored and appropriately addressed to the Executive Director and they shall highlight those significant risks identified to the ARMC and the Board.
5. The Board is assisted by the ARMC in overseeing the 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)

6. The Board through the ARMC, maintains risks oversight for the Group by carrying out the following:

   i. On-going review with the Key Management personnel within the Group 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 is 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 in the course of their 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 various Board Committees. While the Board and its Board Committees are governed by their respective ToR established and are reviewed on an annual basis, Management's conduct is monitored and reviewed through operational performance reviews on quarterly basis, risk position reviewed periodically and independent internal audit conducted by independent professional firm. 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 ARMC has also put in place the following key elements as part of the Group's system of internal control:

- The Executive Director meets monthly with Key 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 ARMC 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 ARMC and the Board are also entitled to seek such other third party independent professional advice deemed necessary to the discharge of its responsibilities.
- An integrated Board Charter and Code of Ethics are in place and available at the Company's website to set the pace of upholding integrity and ethical values within the Group.

INTERNAL AUDIT

The Group has outsourced is internal audit function to NGL Tricor Governance Sdn Bhd, a professional service firm ("Outsourced IA"). The internal audit personnel assigned by the Outsourced IA are free from any relationships or conflicts of interest, which could impair their objectivity and independence pursuant to the written declaration made by them.

The Outsourced IA is headed by its director, Mr Chang Ming Chew, who is a Certified Internal Auditor and a member of the Institute of Internal Auditors Malaysia and the Association of Chartered Certified Accountants (UK). The Outsourced IA is staffed by approximately eighteen personnel of all levels, including the directors. The Outsourced IA performed its work in accordance with a recognized framework. The internal audit function has been mandated to continually assess and monitor the Group's system of internal control. The internal audit function adopts a risk-based approach and prepares its audit strategy and plans based on the risk profiles of individual business unit of the Group. These plans are updated periodically and approved by the ARMC:

Statement on Risk Management and Internal Control *(Cont'd)*

INTERNAL AUDIT (CONT'D)

The following IA activities were carried out by the internal auditors during the financial year under review:

i. Formulation of agreement with the ARMC on the risk-based IA plan that was consistent with the Company's objectives and goals;
ii. Conduct of various internal audit engagements in accordance with the annual IA plan;
iii. Following up on internal audit recommendations to ensure adequate implementation; and
iv. Reporting to the ARMC on the competency (i.e. qualification and experience) of its human resources on a yearly basis.

During the financial year under review, based on the assessment and feedback from the internal auditors, the ARMC was satisfied that there was 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 auditors also performed follow-up visits to ensure that recommendations for improvements to the internal control systems have been satisfactorily implemented.

Premised on the performance assessment and feedback by the Management Team, the ARMC is of the view that internal auditors are free from any relationships or conflicts of interest with those involved and is capable of carrying out the internal audit reviews. Accordingly, the ARMC approved for the Group to continuously outsource the internal audit function to Outsourced IA in providing an independent appraisal on the adequacy, efficiency and effectiveness of the Group's internal control system for FY2019.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

As required by Rule15.23 of the Listing Requirements, the external auditors have reviewed this Statement for inclusion in this Annual Report of the Group for FY2018 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

CONCLUSION

The Board has received reasonable assurance from the Executive Director that the Group's risk management and internal control systems, in all material aspects, are operating adequately and effectively. The Board is of the opinion that there were no significant weakness identified during the financial year 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. These gaps will be gradually closed through the institution of the on-going corrective measures.

Nevertheless, the Board recognizes that the systems must continuously improve 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 in accordance with the resolution of the Board of Directors dated 27 July 2018.

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. A positive work environment is created where our employees can learn and grow. 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, continuously contribute towards the growth and development of the organization in a fast changing world of how businesses are done.

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 is committed to deliver the value in line with our customers' expectation by conducting sales and technical training and on-going business review and providing after sales service.

KAG continue to enhance its shareholder value by engaging in ethical procurement procedures, enhancing good management practices, internal control systems, and transparency, emphasizing on corporate governance and corporate accountability. The Group always make sure that the stakeholders are kept informed from time to time on the Group's development.

The Environment

KAG actively encourage staff to practice environmentally friendly work habits. The Group promotes awareness in sustainable resource usage by encouraging employees to use recycle papers and being efficient use in the stationery. These approaches not only help in reducing company expenditure but also respond to environment concern with a paperless environment to reduce further carbon footprint.

The Group also encourage employees to instill a concept of every little thing counts when the employees understand the impact of turning off lights and air conditioners for rooms and areas which are not in use to aid in reducing the energy consumption.

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 sponsored to non-profit community's concert during the year.

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.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Directors are required under the Companies Act, 2016 to prepare the financial statements for each financial year. These financial statements are to be drawn up in accordance with applicable approved accounting standards other than private entities as issued by Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the year then ended.

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

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

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 2016.

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 27 July 2018.

FINANCIAL STATEMENTS

KEY ALLIANCE

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITY

The Company is principally engaged in the business of investment and property holding. The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Loss and other comprehensive expense for the year	(9,447,041)	(12,205,841)
Attributable to:		
Owners to the company	(9,600,615)	(12,205,841)
Non-controlling interests	153,574	–
	(9,447,041)	(12,205,841)

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial period. The Directors also do not recommend any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in Note 22 of the financial statements.

SHARES AND DEBENTURES

During the financial year, the following shares were issued:

Date	Class of shares	Purpose of issue	Number of shares	Exercised price (RM)	Term of issue
10 May 2017	Ordinary shares	Rights issue	819,054,853	0.05	Cash
07 July 2017	Ordinary shares	Exercise of SIS	63,500,000	0.05	Cash
28 July 2017	Ordinary shares	Exercise of SIS	10,000,000	0.05	Cash

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

Directors' Report
(Cont'd)

SHARES AND DEBENTURES (CONT'D)

On 15 September 2017, pursuant to consolidation of every four (4) ordinary shares into one (1) ordinary share, the total number of issued shares capital of the Company had been reduced from 1,711,609,706 ordinary shares into 427,902,420 ordinary shares.

No new debentures were issued during the financial year.

WARRANTS

Warrant A

Warrant A were listed on Bursa Malaysia Securities Berhad ("Bursa Securities") on 3 July 2013. Movements on the warrant since the listing thereof are as follows:

	Number of warrants
As of 3 July 2013	290,400,000
Adjustment in financial year 2018:	
- Adjustment arising from the right issue	14,615,906
- Adjustment arising from the share consolidation	(228,762,321)
As of 31 March 2018	76,253,585

Warrant B

Warrant B were listed on Bursa Securities on 8 May 2017. Movements on the warrant since the listing thereof are as follows:

	Number of warrants
As of 8 May 2017	409,527,425
Adjustment in financial year 2018:	
- Adjustment arising from the share consolidation	(307,145,618)
As of 31 March 2018	102,381,807

The salient features of the warrants are disclosed in Note 22 of the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company, except for the share options granted to the Company's Share Issuance Scheme ("SIS") as below:

		Number of Share Issuance Scheme Options				
Date of offer	Exercise price	As at 1/4/2017 Unit '000	Granted Unit '000	Exercised Unit '000	Lapsed Unit '000	As at 31/3/2018 Unit '000
15 June 2015	RM0.05	94,240	–	–	(94,240)	–
26 May 2017	RM0.05	–	75,000	(73,500)	–	1,500
		94,240	75,000	(73,500)	(94,240)	1,500

The details of the SIS are disclosed in Note 22 of the financial statements.

Directors' Report
(Cont'd)

DIRECTORS

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

Roy Ho Yew Kee	
Lee Kien Fatt	(Appointed w.e.f 04 June 2018)
Dato' Zaidi Bin Mat Isa @ Hashim	(Appointed w.e.f 20 November 2017)
Ong Gim Hai	(Appointed w.e.f 10 August 2017)
Yee Yit Yang	(Resigned w.e.f 08 March 2018)
Lim Chin Long	(Resigned w.e.f 29 September 2017)
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	(Resigned w.e.f 25 August 2017)
Kamarudin Bin Ngah	(Resigned w.e.f 25 August 2017)
Dato' Goh Kian Seng	(Resigned w.e.f 10 August 2017)

DIRECTORS' INTERESTS

None of the Directors in office at the end of the financial year hold any interest in shares and options over ordinary shares in the Company and its related corporations during the financial year except as below:

	Number of Share Issuance Scheme Options				
	As at 1.4.2017	Offered	Exercie	Lapsed	As at 31.3.2018
Direct interests					
Roy Ho Yew Kee	5,000,000	–	–	(5,000,000)	–

DIRECTORS' BENEFITS

During and at the end of the financial year, there is no arrangement subsisted to which the Company or its related companies is a party with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the date of the last report, no Director has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' REMUNERATION

The amounts of the remunerations of the Directors or past Directors of the Group and the Company comprising remunerations received/receivable from the Group and the Company during the year are as follows:

Group	Remuneration RM	Other emolument RM	Contribution to defined contribution plan RM	Social security costs RM
Managing Director	199,839	259,000	23,621	576
Executive Director	40,000	56,000	5,160	276
Independent Non-Executive Chairman	–	73,000	–	–
Independent Non-Executive Directors	–	132,000	9,240	775
	239,839	520,000	38,021	1,627

Directors' Report
(Cont'd)

DIRECTORS' REMUNERATION (CONT'D)

Company	Remuneration RM	Other emolument RM	Contribution to defined contribution plan RM	Social security costs RM
Managing Director	64,839	64,000	7,781	–
Executive Director	–	56,000	–	–
Independent Non-Executive Chairman	–	73,000	–	–
Independent Non-Executive Directors	–	132,000	9,240	775
	64,839	325,000	17,021	775

IDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been the Director, officer or auditor of the Group and of the Company.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that proper actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written2 off and that adequate allowance had been made for doubtful debts; and

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

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

(a) would render the amounts written off for bad debts or the amount of allowance for doubtful debts inadequate to any substantial extent; or

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

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

At the date of this report there are:

(a) no changes of the assets of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

(b) no contingent liabilities in the Company which have arisen since the end of the financial year.

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

Directors' Report
(Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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

In the opinion of the Directors:

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

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

AUDITORS' REMUNERATION

The total amounts paid to or receivable by the auditors as remunerations for their services as auditors are as follows:

	Group RM	Company RM
Statutory audit	129,580	21,600

AUDITORS

The auditors, AFRIZAN TARMILI KHAIRUL AZHAR, have expressed their willingness to continue in office.

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

DATO' ZAIDI BIN MAT ISA @ HASHIM
Director

ROY HO YEW KEE
Director

Kuala Lumpur, Malaysia

Date: 17 July 2018

STATEMENT BY DIRECTORS
pursuant to Section 251 (2) of the Companies Act, 2016

We, DATO' ZAIDI BIN MAT ISA @ HASHIM 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 accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2018 and of the results of the operations and the cash flows for the financial year ended on that date.

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

DATO' ZAIDI BIN MAT ISA @ HASHIM
Director

ROY HO YEW KEE
Director

Kuala Lumpur, Malaysia
Date: 17 July 2018

STATUTORY DECLARATION
pursuant to Section 251 (1)(b) of the Companies Act, 2016

I, ROY HO YEW KEE, being the Director primarily responsible for the financial management of KEY ALLIANCE GROUP BERHAD, do solemnly and sincerely declare that the accompanying financial statements, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the }
above named at Kuala Lumpur in this Federal }
Territory on 17 July 2018 } **ROY HO YEW KEE**

Before me,

Commissioner for Oaths

Kuala Lumpur, Malaysia

INDEPENDENT AUDITORS' REPORT
to the 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 31 March 2018 of the Group and the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the. Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting, as set out on pages 46 to 123.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian 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 Accountant* ("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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and that the revenue can be measure reliably. Revenue recognition is highly dependent on the accuracy of the transactions recognised and recorded. In general, revenue is recognised upon issuance of invoices, however certain transactions are not completed within the financial year in which case it is accrued or recognised to the extent of the transaction is completed.

Our audit approach to address the key audit matters:

- assessed the operating effectiveness of internal control procedure implemented as well as test of detail of the transaction as per sampling basis;
- we tested the sales transaction as recorded to duly acknowledged customer delivery orders ascertaining the validity of sales;
- check computation of recognition; and
- we evaluated the adequacy of the financial statements disclosure on revenue in accordance with accounting standards.

Independent Auditors' Report
to the members of Key Alliance Group Berhad
(Cont'd)

Key Audit Matters (Cont'd)

2. Inventories

During the financial year ended 31 March 2018, the Group holds significant inventories which exposed the Group to a risk that the inventories may become obsolete and moving slow and may eventually lead to lower net realizable value as compared to their carrying value.

We focused on this area as it involves estimation uncertainty by the directors in determining the accuracy of provision for inventory obsolescence and in assessing the adequacy of inventory not stated at the lower of cost or market value.

Our audit procedures in relation to the valuation of inventories included:

- obtaining an understanding of the Group's inventory management process; how the Group identifies and assesses inventory write-downs; and how the Group makes the accounting estimates for inventory write-downs;
- reviewing the consistency of the application of management's methodology in determining and estimating the provision from year to year;
- reviewing and testing the net realisable value of inventories on sampling basis;
- evaluating the reasonableness and adequacy of the inventories write-downs recognised for identified exposures; and
- we observed the inventory count procedures and attended the physical count at year end, and identifying obsolete inventories which would require impairment.

3. Property, plant and equipment

As at 31 March 2018, the Group's net carrying amount of property, plant and equipment stood at approximately RM27 million.

During the financial year, the Group acquired property, plant and equipment at a cost of approximately RM22.2 million, provided depreciation charges on the property, plant and equipment of approximately RM1.80 million and incurred loss on disposal and written off of property, plant and equipment of RM702,334.

As the property, plant and equipment represent 47.8% of the Group's total assets and is material, we considered this as a key audit matter.

Our audit procedures included, amongst others:-

- checked to the source documents for the additions and disposals of the property, plant and equipment;
- performed depreciation charges reasonableness test to ensure the depreciation charges for the property, plant and equipment were provided in compliance with the accounting policy of the Group; and
- evaluated the impairment test performed by the directors and challenged the appropriateness of the basis of assumptions and discount rate used to justify the value-in-use of the property, plant and equipment for the purpose of impairment test.

Independent Auditors' Report
to the members of Key Alliance Group Berhad
(Cont'd)

Information Other than the Financial Statement and Auditors' Report Thereon

The Directors of the Group and of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the 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 Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report 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 the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standard and the requirements of 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's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exist. Misstatement 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:

(i) 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.

(ii) 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 the Company's internal control.

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

Independent Auditors' Report
to the members of Key Alliance Group Berhad
(Cont'd)

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

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

(v) 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.

(vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the financial statements of the Group and the Company. 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 year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

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

AFRIZAN TARMILI KHAIRUL AZHAR
AF: 1300
Chartered Accountants (Malaysia)

MOHD AFRIZAN HUSAIN
Chartered Accountant
01805/11/2018 J
Partner

Kuala Lumpur, Malaysia

Date: 17 July 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 March 2018

	Note	Group 1.4.2017 to 31.3.2018 RM	Group 1.1.2016 to 31.3.2017 RM	Company 1.4.2017 to 31.3.2018 RM	Company 1.1.2016 to 31.3.2017 RM
Revenue	4	27,016,686	33,878,624	360,000	377,760
Cost of sales		(23,458,549)	(28,773,121)	–	–
Gross profit		3,558,137	5,105,503	360,000	377,760
Other income	5	5,065,450	3,668,302	4,863,088	778,852
Selling and distribution costs		–	(95,808)	–	–
Administrative expenses		(12,436,844)	(8,068,109)	(5,411,003)	(1,930,888)
Other expenses		(5,233,633)	(4,648,822)	(12,017,926)	(104,217)
Loss from operations		(9,046,890)	(4,038,934)	(12,205,841)	(878,493)
Finance costs		(236,470)	(746,626)	–	–
Loss before taxation	6	(9,283,360)	(4,785,560)	(12,205,841)	(878,493)
Tax expense	7	(163,681)	(308,679)	–	(20,700)
Loss and other comprehensive expense for the year/period		(9,447,041)	(5,094,239)	(12,205,841)	(899,193)
Total comprehensive expense for the year/period		(9,447,041)	(5,094,239)	(12,205,841)	(899,193)
Loss and other comprehensive expense for the year/period attributable to:-					
Owners of the Company		(9,600,615)	(5,201,795)	(12,205,841)	(899,193)
Non-controlling interests		153,574	107,556	–	–
Loss and other comprehensive expense for the year/period		(9,447,041)	(5,094,239)	(12,205,841)	(899,193)
Basic loss per share (cent)	8	(1.05)	(0.72)		

The accompanying notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**RM**	**RM**	**RM**	**RM**
Non Current Assets					
Property, plant and equipment	9	26,998,991	7,841,805	2,900,847	11,864
Investment properties	10	18,351,762	17,893,962	9,000,000	9,000,000
Intangible assets	11	5,805,412	8,047,183	–	–
Investment in subsidiary companies	12	–	–	5,140,540	10,571,784
Investment in associate company	13	–	–	–	–
Other investments	14	5,327,381	2,131,001	213,864	1,781,001
Total Non Current Assets		56,483,546	35,913,951	17,255,251	21,364,649
Current Assets					
Inventories	15	5,808,548	8,105,425	–	–
Trade receivables	16	5,791,963	4,830,999	–	–
Other receivables, deposits and prepayments	17	5,204,600	7,157,458	228,311	719,545
Amount due from subsidiary companies	18	–	–	42,700,486	14,634,544
Amount due from an associate company	19	–	–	–	–
Tax recoverable		581,007	521,723	17,570	3,290
Deposits with licensed banks	20	5,304,180	5,105,894	3,858,660	3,754,319
Cash and bank balances	20	18,239,095	1,421,817	10,399,550	205,147
Total Current Assets		40,929,393	27,143,316	57,204,577	19,316,845
Total Assets		97,412,939	63,057,267	74,459,828	40,681,494

The accompanying notes form an integral part of the financial statements

Statement of Financial Position
as at 31 March 2018
(Cont'd)

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Equity					
Share capital	21	94,796,584	40,952,743	94,796,584	40,952,743
Share premium	21	–	10,037,634	–	10,037,634
Reserve	22	18,209,407	4,344,880	18,209,407	4,344,880
Accumulated losses		(37,175,164)	(16,185,022)	(40,767,503)	(17,172,135)
		75,830,827	39,150,235	72,238,488	38,163,122
Non-controlling interest	23	2,608,122	1,429,229	–	–
Total Equity		78,438,949	40,579,464	72,238,488	38,163,122
Non Current Liabilities					
Term loan	24	3,117,892	3,374,826	–	–
Finance lease liabilities	25	1,265,487	2,992,245	–	–
Deferred tax liabilities	26	1,514,532	1,466,207	1,194,700	1,194,700
Total Non Current Liabilities		5,897,911	7,833,278	1,194,700	1,194,700
Current Liabilities					
Trade payables	27	5,726,176	2,085,538	–	–
Other payables, deposit and accruals	28	2,916,195	8,546,733	184,530	481,075
Amount due to a subsidiary company	18	–	–	842,110	842,597
Bank overdrafts	20	2,650,332	1,995,844	–	–
Term loan	24	464,110	627,648	–	–
Finance lease liabilities	25	1,319,266	1,083,669	–	–
Tax payable		–	305,093	–	–
Total Current Liabilities		13,076,079	14,644,525	1,026,640	1,323,672
Total Liabilities		18,973,990	22,477,803	2,221,340	2,518,372
Total Equity and Liabilities		97,412,939	63,057,267	74,459,828	40,681,494

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 March 2018

	<--- Non-Distributable			--->	Distributable				
Group	**Share capital RM**	**Share premium RM**	**Share option reserve RM**	**Warrants reserve RM**	**Accumulated losses RM**	**Total RM**	**Attributable to owners of the Company RM**	**Non-controlling interest RM**	**Total equity RM**
1 January 2016	29,040,000	10,087,157	1,053,280	3,775,200	(10,983,227)	32,972,410	32,972,410	1,321,673	34,294,083
Issuance of share capital	7,912,743	–	–	–	–	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	–	4,000,000
Share issuance and related expenses	–	(533,123)	–	–	–	(533,123)	(533,123)	–	(533,123)
Loss for the financial period	–	–	–	–	(5,201,795)	(5,201,795)	(5,201,795)	107,556	(5,094,239)
31 March 2017/1 April 2017	40,952,743	10,037,634	569,680	3,775,200	(16,185,022)	39,150,235	39,150,235	1,429,229	40,579,464
1 April 2017	40,952,743	10,037,634	569,680	3,775,200	(16,185,022)	39,150,235	39,150,235	1,429,229	40,579,464
Issuance of share capital pursuant to rights issue	40,952,743	–	–	–	–	40,952,743	40,952,743	–	40,952,743
Issuance of warrants arising from rights issue	–	–	–	13,842,027	(13,842,027)	–	–	–	–
Share based payment pursuant to SIS	–	–	2,475,000	–	–	2,475,000	2,475,000	–	2,475,000
Share option exercised	3,675,000	–	(2,452,500)	–	2,452,500	3,675,000	3,675,000	–	3,675,000
Share issuance and related expenses	–	(821,536)	–	–	–	(821,536)	(821,536)	–	(821,536)
Transfer pursuant to Companies Act, 2016	9,216,098	(9,216,098)	–	–	–	–	–	–	–
Non-controlling interest in acquisition of subsidary	–	–	–	–	–	–	–	1,025,319	1,025,319
Loss for the financial year	–	–	–	–	(9,600,615)	(9,600,615)	(9,600,615)	153,574	(9,447,041)
31 March 2018	94,796,584	–	592,180	17,617,227	(37,175,164)	75,830,827	75,830,827	2,608,122	78,438,949

The accompanying notes form an integral part of the financial statements

Statement of Changes in Equity
for the financial year ended 31 March 2018
(Cont'd)

	<------------------ *Non-Distributable*			------------------------>	*Distributable*	
Company	**Share capital RM**	**Share premium RM**	**Share option reserve RM**	**Warrants reserve RM**	**Accumulated losses RM**	**Total equity RM**
1 January 2016	29,040,000	10,087,157	1,053,280	3,775,200	(16,272,942)	27,682,695
Issuance of share capital	7,912,743	–	–	–	–	7,912,743
Share option exercised	4,000,000	483,600	(483,600)	–	–	4,000,000
Share issuance and related expenses	–	(533,123)	–	–	–	(533,123)
Loss for the financial period	–	–	–	–	(899,193)	(899,193)
31 March 2017/1 April 2017	40,952,743	10,037,634	569,680	3,775,200	(17,172,135)	38,163,122
1 April 2017	40,952,743	10,037,634	569,680	3,775,200	(17,172,135)	38,163,122
Issuance of share capital arising from rights issue	40,952,743	–	–	–	–	40,952,743
Issuance of warrants	–	–	–	13,842,027	(13,842,027)	–
Share based payment pursuant to SIS	–	–	2,475,000	–	–	2,475,000
Share option exercised	3,675,000	–	(2,452,500)	–	2,452,500	3,675,000
Share issuance and related expenses	–	(821,536)	–	–	–	(821,536)
Transfer pursuant to Companies Act, 2016	9,216,098	(9,216,098)	–	–	–	–
Loss for the financial year	–	–	–	–	(12,205,841)	(12,205,841)
31 March 2018	94,796,584	–	592,180	17,617,227	(40,767,503)	72,238,488

The accompanying notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS
for the financial year ended 31 March 2018

	Note	Group 1.4.2017 to 31.3.2018 RM	Group 1.1.2016 to 31.3.2017 RM	Company 1.4.2017 to 31.3.2018 RM	Company 1.1.2016 to 31.3.2017 RM
Cash flows from operating activities					
Loss before taxation		(9,283,360)	(4,785,560)	(12,205,841)	(878,493)
Adjustments for:					
Amortisation of goodwill		3,641,592	–	–	–
Bad debts written off		–	46,028	–	–
Depreciation of property, plant and equipment		1,802,104	3,012,192	303,968	5,375
Gain on disposal of:					
- Property, plant and equipment		(65,000)	(29,716)	–	–
- Subsidiary company		–	–	–	(1)
Impairment losses on amount due from:					
- a subsidiary company		–	–	6,590,144	–
- an associate company		–	29,389	–	35
Impairment of investment in:					
- a subsidiary companies		–	–	5,431,246	–
- other investments		369,998	–	19,999	–
Interest expense		236,470	746,626	–	–
Interest income		(311,802)	(232,195)	(104,340)	(563,640)
Loss on disposal of:					
- Property, plant and equipment		243,946	2,254	–	–
- Subsidiary company		–	316,424	–	–
Write off of:					
- Other deposit		–	5,000	–	–
- Property, plant and equipment		458,388	105,938	–	–
Reversal of impairment loss on trade receivables		–	(26,217)	–	–
Transfer of assets from to inventories		1,269,420	–	–	–
Share based payment expense		2,475,000	–	2,475,000	–
Unrealised gain on foreign exchange		–	(597)	–	–
Operating (loss)/profit before working capital changes		836,756	(810,434)	2,510,176	(1,436,724)

The accompanying notes form an integral part of the financial statements

Statement of Cash Flows
for the financial year ended 31 March 2018
(Cont'd)

	Note	Group 1.4.2017 to 31.3.2018 RM	Group 1.1.2016 to 31.3.2017 RM	Company 1.4.2017 to 31.3.2018 RM	Company 1.1.2016 to 31.3.2017 RM
Cash flows from operating activities (Cont'd)					
Operating (loss)/profit before working capital changes		836,756	(810,434)	2,510,176	(1,436,724)
Changes in:					
- Inventories		2,296,878	(1,332,417)	–	–
- Trade receivables		(960,964)	8,855,278	–	–
- Other receivables, deposits and prepayment		1,945,415	(3,267,244)	543,006	3,694,225
- Trade payables		3,640,638	(4,798,792)	–	–
- Other payables and accruals		(5,582,213)	(3,648,546)	(348,318)	(4,762,583)
Cash generated from/(used in) operation		2,176,510	(5,002,155)	2,704,864	(2,505,082)
Interest paid		(236,470)	(746,626)	–	–
Tax paid		(647,430)	(512,149)	(34,680)	(25,290)
Tax refund		126,815	24,000	20,400	24,000
Net cash generated from/(used in) operating activities		1,419,425	(6,236,930)	2,690,584	(2,506,372)

The accompanying notes form an integral part of the financial statements

Statement of Cash Flows

for the financial year ended 31 March 2018

(Cont'd)

		Group		Company	
	Note	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM
Cash flows from investing activities					
Acquisition of:					
- a subsidiary company		(1,399,821)	–	–	–
- investment properties		–	–	–	–
- other investment		(50,000)	–	(50,000)	–
Additional investment in					
- subsidiary company		–	(743)	(2)	(743)
- non-controlling interest		1,025,318	–	–	–
Advance to:					
- an associate company		–	(29,389)	–	(35)
- a subsidiary company		–	–	–	(10,483,424)
Interest received		–	232,195	–	563,640
Increase in work-in-progress		(19,973,000)	–	–	–
Proceeds from disposal of:					
- associate company		–	1	–	1
- property, plant and equipment		65,000	34,669	–	–
- subsidiary company, net of cash and bank balances		–	–	–	2
Proceeds from redemption of redeemable preference shares		1,597,138	296,000	1,597,138	296,000
Purchase of:					
- property, plant and equipment		(2,958,044)	(1,410,737)	(3,192,951)	–
- investment properties		(457,800)	(3,864,996)	–	–
Placement of investment in unit trust		(5,000,000)	–	–	–
Withdrawal of pledged deposits		–	562,421	–	612,615
Net cash used in investing activities		(27,151,209)	(4,180,579)	(1,645,815)	(9,011,944)

The accompanying notes form an integral part of the financial statements

Statement of Cash Flows
for the financial year ended 31 March 2018
(Cont'd)

		Group		Company	
	Note	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM
Cash flows from financing activities					
Proceeds from issuance of share capital		44,627,743	11,912,743	44,627,743	11,912,743
Repayment of:					
- bill payables		–	(344,928)	–	–
- finance lease liabilities		(1,491,161)	(1,210,451)	–	–
- term loan		(420,472)	(525,045)	–	–
- subsidiary company		–	–	(34,656,573)	(310,729)
Share issuance and related expenses		(821,536)	(533,123)	(821,536)	(533,123)
Net cash generated from financing activities		41,894,574	9,299,196	9,149,634	11,068,891
Net increase/(decrease) in cash and cash equivalents		16,162,790	(1,118,313)	10,194,403	(449,425)
Cash and cash equivalents as at beginning of the financial year/period		(574,027)	544,286	205,147	654,572
Cash and cash equivalents as at end the financial year/period	20	15,588,763	(574,027)	10,399,550	205,147

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2018

1. GENERAL INFORMATION

The Company is a public limited liability company and is incorporated under the Companies Act, 1965 in Malaysia. The Company is domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 3-2, 3rd Mile Square, No. 151, Jalan Kelang Lama, Batu 31/2, 58100 Kuala Lumpur. The principal place of business is located at Lot 18.2, 18th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf and Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan.

The Company is principally engaged in the business of investment and property holding. The principal activities of the subsidiaries are set out in Note 12 to the financial statement. There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a) Statement of compliance

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

The accompanying financial statements have been prepared assuming that the Group and the Company will continue as a going concern which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

The financial statements have been prepared under the historical cost convention except as disclosed in the respective significant accounting policies.

The standards and interpretations that are issued but not yet effective up to date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intends to adopt these standards, if applicable, when they become effective.

		Effective date for financial periods beginning on or after
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
Amendments to MFRS 1		01 January 2018
Amendments to MFRS 128		01 January 2018
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
Amendments to MFRS 3		01 January 2019
Amendments to MFRS 11		01 January 2019
Amendments to MFRS 112		01 January 2019
Amendments to MFRS 123		01 January 2019
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	01 January 2018
Amendments to MFRS 9	Prepayments Features with Negative Compensation	01 January 2019
MFRS 15	Revenue from Contracts with Customers	01 January 2018
	Clarifications to MFRS 15	01 January 2018

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

a) Statement of compliance (cont'd)

		Effective date for financial periods beginning on or after
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	01 January 2018
Amendments to MFRS 2	Share-based Payment	01 January 2020
Amendments to MFRS 140	Transfers of Investment Property	01 January 2018
Amendments to MFRS 3	Business Combinations	01 January 2020
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	01 January 2018
MFRS 16	Leases	01 January 2019
MFRS 17	Insurance Contracts	01 January 2021
Amendment to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 14	Regulatory Deferral Accounts	01 January 2020
Amendments to MFRS 101	Presentation of Financial Statements	01 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2020
MFRS 128	Long-term Interests in Associates and Joint Ventures	01 January 2019
Amendments to MFRS 134	Interim Financial Reporting	01 January 2020
Amendment to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	01 January 2020
Amendment to MFRS 138	Intangible Assets	01 January 2020
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources	01 January 2020
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	01 January 2019

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

a) Statement of compliance (cont'd)

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Company except as mentioned below:

- MFRS 9, *Financial Instruments* (effective 1 January 2018) will replace MFRS 139, *Financial Instruments: Recognition and Measurement*.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the profit or loss, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit losses model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  The Company are currently still in process of assessing the impact of the new standards upon initial application of these standards.

- MFRS 15, *Revenue from Contracts with Customers*

  MFRS 15 replaces MFRS 118 Revenue, MFRS 111 Construction Contracts and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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 the Company's functional currency.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS 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 on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

3. SIGNIFICANT ACCOUTING POLICIES

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and the management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Company's accounting policies and disclosure, and have a significant risk of causing a material adjustment to the carrying amount of assets, liabilities, income and expenses are discussed below: -

(a) Key sources of estimation uncertainty

(i) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on the commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group and the Company anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciation amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of investments in subsidiaries and amount owing by subsidiaries

The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment and assesses the impairment of receivables on the amount owing by subsidiaries when the receivables are long outstanding.

The recoverable amount of investment in subsidiaries and amount owing by subsidiaries is assessed by reference to the higher of its fair value less cost to sell and its 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. Such a discounted cash flow method involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgment was also used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

3. SIGNIFICANT ACCOUTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) Key sources of estimation uncertainty (cont'd)

(iii) Income taxes

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 amount that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iv) Deferred tax assets and liabilities

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

(v) Impairment of non-financial assets

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

(vi) Write-down of inventories

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

(vii) Impairment losses of receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for the impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) Key sources of estimation uncertainty (cont'd)

(viii) Revaluation of property, plant and equipment

Certain properties of the Group and the Company are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgment in determining discount rates, estimates of the future cash flows, capitalization rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgment has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(ix) 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 2018 was RM5,805,412 (2017: RM8,047,183). Further details are disclosed in Note 11 to the financial statements.

(x) Fair value estimates for certain financial assets and liabilities

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

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2018.

Subsidiaries are entities (including structured entities) controlled by Group. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intergroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustment is made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of investee that significantly affect the investee's return.

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

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interest in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(c) Non-controlling interests

Non-Controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if these results in the non-controlling interests have a deficit balance.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(d) Change in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(e) Loss of control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(f) Non-controlling interests

Non-controlling interest 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 for the year between non-controlling interest and owners of the Company.

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

(g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(g) Associates (cont'd)

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 recognized 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 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.

(h) Transactions eliminated on consolidation

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

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

3.3 FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statement of the financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to the holders of the financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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, the transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

a) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments. Loans and receivables, or available-for-sale, as appropriate.

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

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising in measurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

As at the end of the reporting year, there were no financial assets classified under this category.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

As at the end of the reporting year, there were no financial assets classified under this category.

(iii) Loans and receivables financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for the short-term receivables when the recognition of interest would be immaterial.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting year. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to received payments is established.

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial assets (cont'd)

(iv) Available-for-sale financial assets (cont'd)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

As at the end of the reporting year, there were no financial assets classified under this category.

(b) Financial liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorized as fair value through profit or loss.

Fair value through profit of loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(c) Equity instruments

Ordinary shares classified as equity are measured at cost and are not remeasured subsequently. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

3.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than freehold land, leasehold land and building are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is stated at valuation less impairment losses, if any.

Leasehold land and building are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Freehold land, leasehold land and building are revalued periodically, at least once in every five (5) periods or earlier if circumstances indicate that the carrying amount may differ significantly from the market value.

Depreciation is charged to profit or loss on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Freehold land is not depreciated. Depreciation of an asset begins when it is ready for its intended use. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principle annual rates used for this purpose are:-

	Rate
Computer software and equipment	20% to 30%
Furniture, fitting, office equipment and renovation	10% to 20%
Motor vehicles	20%
Rental equipment	20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting year to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss. The revaluation reserve include in equity is transferred directly to retained profits on retirement or disposal of the asset.

3.5 LEASED ASSETS

(a) 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 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 adjustment is confirmed.

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 LEASED ASSETS (CONT'D)

(b) 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 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.

3.6 INTANGIBLE ASSETS

(a) 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.

(b) Subsequent expenditure

Subsequent expenditure is capitalized 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.

(c) 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.

3.7 INVESTMENT PROPERTIES

Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income for capital appreciation or for both, but not for in 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 loss for the period in which they arise. Where the fair value of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 INVESTMENT PROPERTIES (CONT'D)

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.

3.8 IMPAIRMENT

(a) Impairment of financial assets

All financial assets (other than those categorized at fair value through profit or loss), are assessed at the end of each reporting year 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.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting year for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previous recognised revaluation surplus for the same asset.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortization and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

3.9 ASSET UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments and, are depreciated in accordance with policy set out in Note 3.5 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the year of respective hire purchase agreements.

Notes to the Financial Statements
for the financial year ended 31 March 2018
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 CONSTRUCTION WORK IN PROGRESS

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variables overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If process billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

3.11 INVENTORIES

Inventories are stated at the lower of cost and the net realizable value. Cost is determined on the first-in-first-out basis and comprises direct material, direct labour costs and overheads that have been incurred in bringing the inventories to their present location and condition.

Net realizable value represents the estimated selling price less the estimated cost necessary to make the sale.

3.12 INCOME TAXES

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax loses and unused tax credits can be utilized. The carrying amounts of deferred tax assets are reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting year.

Deferred tax assets and liabilities are offset when there is a legally enforce right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities period three months or less.

3.14 PROVISIONS

Provision are recognised when the Group and the Company has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

3.15 EMPLOYEE BENEFITS

(a) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the year in which the associated services are rendered by employees of the Group and of the Company.

(b) Defined contribution plans

The Group's and the Company's contributions to defined contribution plans are recognised in profit or loss in the year to which they relate. Once the contributions have been paid, the Group and of the Company has no further liability in respect of the defined contribution plans.

(c) 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.

(d) 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.

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 EMPLOYEE BENEFITS (CONT'D)

(d) Share based payment transactions (cont'd)

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 behavior) 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.

(e) Termination benefit

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.

3.16 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to are porting entity if that person:-

(i) Has control or joint control over the reporting entity;
(ii) Has significant influence over the reporting entity; or
(iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
(v) The entity is a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 FAIR VALUE MEASUREMENTS

Fair value is 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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction 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's 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or, liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3.18 REVENUE AND OTHER INCOME

(a) Sale of goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net or returns and trade discounts.

(b) Management fee

Management fee is recognised on an accrual basis when services are rendered.

(c) Interest income

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

(d) Rental income

Rental income is recognised on an accrual basis.

3.19 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. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements
for the financial year ended 31 March 2018
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4. REVENUE

Revenue represents the gross invoiced value of goods sold less returns and discounts allowed.

	Group		Company	
	1.4.2017 to 31.3.2018 RM	**1.1.2016 to 31.3.2017 RM**	**1.4.2017 to 31.3.2018 RM**	**1.1.2016 to 31.3.2017 RM**
Click and rental charges	14,334,007	19,575,541	–	–
Consultancy and training fees	25,335	20,000	–	–
Management fee	–	–	360,000	377,760
Professional design fees	439,366	–	–	–
Renovation contracts	1,086,724	728,629	–	–
Sales of computer hardware and software	275,740	161,320	–	–
Sales of kitchen appliances	1,405,958	4,709,915	–	–
Sales of multi function printers	3,417,122	4,409,806	–	–
Sales - others	2,711,729	1,763,011	–	–
Service and maintenance fees	3,406,833	2,524,479	–	–
Sales return	(2,340)	(3,542)	–	–
Discount allowed	(83,788)	(10,535)	–	–
	27,016,686	33,878,624	360,000	377,760

5. OTHER INCOME

	Group		Company	
	1.4.2017 to 31.3.2018 RM	**1.1.2016 to 31.3.2017 RM**	**1.4.2017 to 31.3.2018 RM**	**1.1.2016 to 31.3.2017 RM**
Litigation settlement	–	3,000,000	–	–
Interest income from:				
- Fixed deposits	146,958	221,381	104,622	167,395
- Subsidiary companies	–	–	168,823	385,431
- Others	769,230	10,814	531,521	10,814
Gain on disposal of property, plant and equipment	–	29,716	–	–
Gain on disposal of subsidiary company	–	–	–	1
Rental income from:				
- Third party	152,280	172,939	145,080	–
- Subsidiary companies	–	–	139,596	215,211
- Associate company	–	45,000	–	–
Reversal of impairment loss on trade receivables	–	26,217	–	–
Sundry income	3,996,982	162,235	3,773,446	–
	5,065,450	3,668,302	4,863,088	778,852

6. LOSS BEFORE TAXATION

(a) Loss before taxation is stated after charging/(crediting) the following items:

	Group		Company	
	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM
Auditors' remuneration	129,580	126,500	21,600	28,000
Bad debts written off	19,330	46,028	–	–
Depreciation of property, plant and equipment	1,802,104	3,012,192	303,968	5,375
Directors' remuneration				
- The Company	141,839	715,000	141,839	614,000
- Subsidiary companies	374,000	99,694	–	–
Employee benefits	4,120,884	5,004,878	617,215	842,318
Finance costs:				
- Bank overdraft	78,425	111,343	–	–
- Bank guarantee commission	–	289	–	–
- Bill payables	–	54,993	–	–
- Finance lease	32,896	313,471	–	–
- Term loan	125,149	266,530	–	–
Impairment losses on:				
- Amount due from an associate company	–	29,389	–	35
- Amount due from subsidiary companies	–	–	5,431,246	–
- Goodwill on consolidation	3,641,592	–	–	–
- Investment in subsidiary companies	–	–	6,590,144	–
- Other investments	369,998	–	19,999	–
- Trade receivables	599,165	–	–	–
- Other receivables	57,808	–	–	–
- Inventories	42,905	–	–	–
Lease rental	–	4,761,080	–	–
Loss on disposal of:				
- Property, plant and equipment	458,388	2,254	–	–
- Subsidiary company	–	316,424	–	–
Loss on realised foreign exchange	270	85,000	–	–
Unrealised gain on foreign exchange	(29,284)	(597)	–	–
Write off of:				
- Other deposit	–	5,000	–	–
- Property, plant and equipment	243,946	105,938	–	–
Rental of:				
- Equipment	135,622	476,123	9,241	5,965
- Premises	1,395,931	1,775,577	588,736	269,025

Notes to the Financial Statements
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6. LOSS BEFORE TAXATION (CONT'D)

(a) Loss before taxation is stated after charging/(crediting) the following items (cont'd):

	Group		Company	
	1.4.2017 to 31.3.2018 RM	**1.1.2016 to 31.3.2017 RM**	**1.4.2017 to 31.3.2018 RM**	**1.1.2016 to 31.3.2017 RM**
Rental expenses	–	201,750	–	–
Share based payment expense	2,475,000	–	2,475,000	–
Gain on disposal of				
- Property, plant and equipment	(65,000)	(29,716)	–	–
- Subsidiary companies	–	–	–	(1)
Interest income:				
- Fixed deposits	(146,958)	(221,381)	(104,622)	167,395
- Subsidiary companies	–	–	(168,823)	385,431
- Others	–	(10,814)	–	10,814
Rental income from:				
- Third party	(145,080)	(172,939)	(145,080)	–
- Subsidiary companies	–	–	(139,596)	215,211
- Associated company	–	(45,000)	–	–
Reversal of impairment loss on trade receivables	(43,000)	(26,217)	–	–
Reversal of impairment loss on other receivables	(204,000)	–	–	–

(b) Employee benefit expense comprises of:

	Group		Company	
	1.4.2017 to 31.3.2018 RM	**1.1.2016 to 31.3.2017 RM**	**1.4.2017 to 31.3.2018 RM**	**1.1.2016 to 31.3.2017 RM**
Salaries, allowance and other emoluments	3,130,610	3,592,639	486,314	727,643
Employees Provident Fund	427,228	509,987	61,181	88,922
Social security costs	36,669	41,853	4,462	4,995
Other staff related expenses	526,377	860,399	65,258	20,758
	4,120,884	5,004,878	617,215	842,318

Included in employee benefits expense of the Group and the Company are directors' emoluments amounting to RM799,487 (2017: RM767,738) and RM407,635 (2017: RM654,549) respectively as disclosed in Note 29.

7. TAX EXPENSE

	Group		Company	
	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM
Taxation based on the result for the financial year:				
Malaysian income tax	129,813	438,880	–	20,000
Deferred taxation (Note 26)	46,925	(149,110)	–	700
	176,738	289,770	–	20,700
Under/(Over) provision in prior years				
Malaysian income tax	(13,057)	18,909	–	–
	163,681	308,679	–	20,700

A reconciliation of income tax credit applicable to the loss before taxation at the statutory tax rate to income tax credit at the effective rate of the Group and the Company is a follows:

	Group		Company	
	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM	1.4.2017 to 31.3.2018 RM	1.1.2016 to 31.3.2017 RM
Loss before taxation	(9,283,360)	(4,785,560)	(12,205,841)	(878,493)
Tax at the statutory tax rate of 24% (2017: 24%)	(2,228,006)	(1,148,534)	(2,929,402)	(210,838)
Tax effect of:-				
Non-taxable income	(15,600)	–	–	–
Non-deductible expense	1,183,924	310,984	2,929,402	231,538
Deferred tax assets not recognised during the financial year/period	1,236,420	1,127,320	–	–
(Over)/Underprovision of income tax in the prior financial year/period	(13,057)	18,909	–	–
Tax expense for the year/period	163,681	308,679	–	20,700

Notes to the Financial Statements
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(Cont'd)

7. 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	
	2018 RM	**2017 RM**
Timing differences	1,141,732	–
Unabsorbed tax losses	(27,476,485)	(11,612,000)
Unabsorbed capital allowances	(1,230,121)	(794,000)
	(27,564,874)	(12,406,000)

8. LOSS PER SHARE

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

	Group	
	1.4.2017 to 31.3.2018 RM	**1.1.2016 to 31.3.2017 RM**
Loss for the year attributable to ordinary equity holders of the Company	(9,600,615)	(5,201,795)
	Number of shares	
Weighted average number of ordinary shares in issue	912,107,000	727,049,000
Basic loss per share (Cent)	(1.05)	(0.72)

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.

Notes to the Financial Statements
for the financial year ended 31 March 2018
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9. PROPERTY, PLANT AND EQUIPMENT

Group	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Motor vehicles RM	Renovation RM	Rental units RM	Signboard RM	Work in progress RM	Total RM
Cost									
As at 1 January 2016	5,105,540	17,691	1,253,042	3,029,224	697,081	3,289,822	–	–	13,392,400
Additions	21,405	–	5,832	–	1,381,800	2,317,643	1,700	–	3,728,380
Disposal	(1,214,495)	–	–	(167,548)	(115,121)	–	–	–	(1,497,164)
As at 31 March 2017/ 1 April 2017	3,912,450	17,691	1,258,874	2,861,676	1,963,760	5,607,465	1,700	–	15,623,616
Acquisition of subsidiary	11,028	893	5,643	–	–	–	250	–	17,814
Additions	669,613	281,770	19,720	–	1,161,298	823,723	–	19,973,000	22,929,124
Transfer to inventories	–	–	–	–	–	(2,467,309)	–	–	(2,467,309)
Disposal	–	–	–	(470,399)	–	–	–	–	(470,399)
Written off	(3,728,732)	–	(91,690)	–	(33,385)	–	–	–	(3,853,807)
As at 31 March 2018	864,359	300,354	1,192,547	2,391,277	3,091,673	3,963,879	1,950	19,973,000	31,779,039

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

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

Group	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Motor vehicles RM	Renovation RM	Rental units RM	Signboard RM	Work in progress RM	Total RM
Accumulated Depreciation									
As at 1 January 2016	3,298,167	5,967	365,356	1,164,783	254,181	1,065,184	–	–	6,153,638
Charge for the year	920,789	616	295,610	693,820	13,333	1,087,939	85	–	3,012,192
Disposal	(1,144,781)	–	–	(167,548)	(71,690)	–	–	–	(1,384,019)
As at 31 March 2017/ 1 April 2017	3,074,175	6,583	660,966	1,691,055	195,824	2,153,123	85	–	7,781,811
Acquisition of subsidiary	11,028	708	4,033	–	–	–	125	–	15,894
Charge for the year	307,792	28,656	227,862	494,244	275,850	467,499	201	–	1,802,104
Transfer to inventories	–	–	–	–	–	(1,197,889)	–	–	(1,197,889)
Disposal	–	–	–	(377,599)	–	–	–	–	(377,599)
Written off	(3,167,097)	–	(57,702)	–	(19,474)	–	–	–	(3,244,273)
As at 31 March 2018	225,898	35,947	835,159	1,807,700	452,200	1,422,733	411	–	4,780,048
Carrying amount									
As at 1 January 2016	1,807,373	11,724	887,686	1,864,441	442,900	2,224,638	–	–	7,238,762
As at 31 March 2017/ 1 April 2017	838,275	11,108	597,908	1,170,621	1,767,936	3,454,342	1,615	–	7,841,805
As at 31 March 2018	638,461	264,407	357,388	583,577	2,639,473	2,541,146	1,539	19,973,000	26,998,991

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

Company	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Total RM
Cost					
As at 1 January 2016/ 1 April 2017	39,175	3,080	2,449	175,864	220,568
Additions	16,583	263,824	19,720	2,892,824	3,192,951
As at 31 March 2018	55,758	266,904	22,169	3,068,688	3,413,519
Accumulated depreciation					
As at 1 January 2016	25,683	1,283	775	175,588	203,329
Charge for the year	3,993	616	490	276	5,375
As at 31 March 2017/ 1 April 2017	29,676	1,899	1,265	175,864	208,704
Charge for the year	4,658	26,841	1,168	271,301	303,968
As at 31 March 2018	34,334	28,740	2,433	447,165	512,672
Carrying amount					
As at 1 January 2016	13,492	1,797	1,674	276	17,239
As at 31 March 2017/ 1 April 2017	9,499	1,181	1,184	–	11,864
As at 31 March 2018	21,424	238,164	19,736	2,621,523	2,900,847

10. INVESTMENT PROPERTIES

	Group		
	Freehold building RM	Building in progress RM	Total RM
As at 1 January 2016	9,000,000	5,028,966	14,028,966
Addition	–	3,864,996	3,864,996
As 31 March 2017	9,000,000	8,893,962	17,893,962
As at 1 April 2017	9,000,000	8,893,962	17,893,962
Addition	–	457,800	457,800
As 31 March 2018	9,000,000	9,351,762	18,351,762

Notes to the Financial Statements
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10. INVESTMENT PROPERTIES (CONT'D)

	Company	
	Freehold building RM	**Total RM**
As at 1 January 2016/31 March 2018	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 2018 is determined by a valuation carried out by 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 subsidiaries companies.

Fair value information

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

	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
Group and Company				
31 March 2018				
Investment property	–	9,000,000	–	9,000,000
31 March 2017				
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.

<u>Level 2 fair value</u>

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.

11. INTANGIBLE ASSETS

	Group 2018 RM	Group 2017 RM
As at beginning of the year/period	9,197,183	9,525,221
Addition	1,399,821	743
Disposal	–	(328,781)
	10,597,004	9,197,183
Less: Accumulated impairment	(4,791,592)	(1,150,000)
As at end of the year/period	5,805,412	8,047,183
Allowance for impairment losses:		
As at beginning of the year/period	1,150,000	1,150,000
Addition during the year	3,641,592	–
As at end of the year/period	4,791,592	1,150,000

Goodwill on consolidation

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units ("CGU") 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 2018 RM	Group 2017 RM
Information communication technology (ICT) and related activities	5,805,412	4,405,591
Kitchen appliances	–	3,641,592
	5,805,412	8,047,183

(i) 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 flow generated from the continuing use of the unit and was based on following key assumptions:

- Cash flow were projected based on past experience, actual operating results and management expectations of market development.

Notes to the Financial Statements
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11. INTANGIBLE ASSETS (CONT'D)

- The revenue used to calculate the cash flows from operations was determined after taking into consideration performance trends of the industries in which the CGU 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 the 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
Information communication technology (ICT) and related activities	100,000

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

	RM
Information communication technology (ICT) and related activities	947,000

(ii) The kitchen appliances unit is related to the subsidiary company, GE Green Sdn Bhd. which the recoverable amount of CGU is determined based on the net tangible assets of the company.

12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2018	**2017**
	RM	**RM**
Unqouted shares, at cost	30,951,034	30,951,032
Less: Accumulated impairment losses	(25,810,494)	(20,379,248)
	5,140,540	10,571,784

Movement in the cost of investment

	2018	**2017**
	RM	**RM**
Cost		
As at beginning of the year/period	30,951,032	30,951,032
Addition during the year	2	–
As at end of the year/period	30,951,034	30,951,032
Accumulated impairment losses		
As at beginning of the year/period	20,379,248	20,379,248
Add: Impairment losses	5,431,246	–
As at end of the year/period	25,810,494	20,379,248
Net cost of investment	5,140,540	10,571,784

Notes to the Financial Statements
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12. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The details of the subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	Effective Equity interest 2018 %	2017 %	Principal Activities
DVM Innovate Sdn. Bhd.	Malaysia	100	100	Provision of communications systems integration and solutions, data network, data communications solutions, business and operational support systems.
Subsidiary of DVM Innovate Sdn. Bhd.				
Progenet Innovations Sdn. Bhd.	Malaysia	80	–	Provide cloud data center services to business and individual entity.
Subsidiary of Progenet Innovations Sdn. Bhd.				
Progenet Sdn. Bhd.	Malaysia	100	–	Engaged in business of computer networking and system consultants, supply equipments and cabling.
Key Alliance Sdn. Bhd.	Malaysia	100	100	Distribution and provision of information technology in relation to computer parts, software and accessories and ventured as contractor for building constructions.
Design Dept Sdn. Bhd.	Malaysia	100	100	To carry on the business of architectural and 3D interior design and image consultants.
Corporate One Training Academy Sdn. Bhd.	Malaysia	100	100	Provision of business and operational support systems and services, software development and business process outsourcing.
GE Green Sdn. Bhd.	Malaysia	100	100	Trading of kitchen wares and related products.
Pacifica KAG Sdn. Bhd.	Malaysia	100	100	Dormant.
Key Alliance Officeworks Sdn. Bhd.	Malaysia	100	100	Dormant.

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12. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of Subsidiary	Country of Incorporation	Effective Equity interest 2018 %	Effective Equity interest 2017 %	Principal Activities
MobileVideo International Limited*	Cayman Island	60	60	Dormant.
Digital Paper Solutions Sdn. Bhd.	Malaysia	51	51	Trading and rental of office equipment.

* The audited financial statements and auditor's report for the financial year were not available. However, the financial statements of the subsidiary used for consolidation purposes were reviewed by AFTAAS.

Non-controlling interest in subsidiaries

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

	Digital Paper Solutions Sdn Bhd	MobileVideo International Limited	Progenet Innovations Sdn Bhd	Progenet Sdn Bhd	Total
2018					
NCI percentage of ownership interest and voting interest	49%	40%	20%	20%	
Carrying amount of NCI (RM)	1,879,204	(211,422)	944,308	(3,968)	2,608,122
Profit/(loss) allocated to NCI (RM)	239,851	(1,297)	(81,012)	(3,968)	153,574
2017					
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

12. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Non-controlling interest in subsidiaries (cont'd)

Summarised financial information before intra-group elimination:

2018	Digital Paper Solutions Sdn Bhd RM	MobileVideo International Limited RM	Progenet Innovations Sdn Bhd RM	Progenet Sdn Bhd RM
Non-current assets	2,570,878	–	1,573,367	543,256
Current assets	8,541,914	–	4,400,098	2,345,399
Non-current liabilities	(101,507)	–	–	(48,325)
Current liabilities	(7,046,695)	(1,583,568)	(1,318,523)	(2,733,019)
Net assets/(liabilities)	3,964,590	(1,583,568)	4,654,942	107,311
Year ended 31st March				
Revenue	20,359,424	–	210,179	4,076,930
Profit/(loss) for the year, representing total comprehensive income/(expense) for the year	489,491	(3,242)	(405,058)	(13,632)
Cash flow from/(used in) operating activities	1,504,003	–	(293,279)	369,412
Cash flow from/(used in) investing activities	484,117	–	(1,515,540)	(602,000)
Cash flow from/(used in) financing activities	(1,706,912)	–	5,367,645	635,068
	281,208	–	3,558,826	402,480
Dividends paid to NCI	–	–	–	–

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(Cont'd)

12. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Non-controlling interest in subsidiaries (cont'd)

2017	**Digital Paper Solutions Sdn Bhd RM**	**MobileVideo International Limited RM**
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 year, representing total comprehensive income/(expense) for the year	221,839	(2,862)
Cash flow from/(used in) operating activities	1,248,132	(2,862)
Cash flow used in investing activities	(22,065)	–
Cash flow (used in)/from financing activities	(1,059,419)	2,862
	166,648	–
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.

13. INVESTMENT IN ASSOCIATE COMPANY

	Group/Company 2018 RM	**2017 RM**
<u>**Unquoted share**</u>		
Balance as at beginning of year/period	253,253	253,254
Disposal	–	(1)
Balance as at end of year/period	253,253	253,253
<u>**Group's share of post acquisition profit or losses**</u>		
Balance as at beginning/end of year/period	253,253	253,253
Investment in associate company	–	–

13. INVESTMENT IN ASSOCIATE COMPANY (CONT'D)

The associated companies are as follows:

Name of Associate	**Country of Incorporation**	**Effective Equity 2018 %**	**Effective Equity 2017 %**	**Principal Activities**
Fatfish Capital Ltd*	British Virgin Island	16.7	22	Investment company
DVM Allsportz Asia Sdn. Bh d	Malaysia	30	30	Streaming of audio and video on sports news

* Effective from this financial year the Company is no longer an associate due to dilution in control from 22% to 16.7%.

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

Group 2018	**DVM AllSportz Asia Sdn Bhd RM**
Percentage of ownership interest and voting interest	30%
Summarised financial information:	
	RM
As at 31 March	
Non-current assets	11,093
Current assets	21,451
Non-current liabilities	–
Current liabilities	(447,921)
Net assets/(liabilities)	(415,377)
Year ended 31 March	
Loss from continuing operations	–
Total comprehensive loss	–
Included in total comprehensive income	
Revenue	–

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13. INVESTMENT IN ASSOCIATE COMPANY (CONT'D)

Group 2017	**Fatfish Capital Ltd RM**	**DVM AllSportz Asia Sdn Bhd RM**	**Total**
Percentage of ownership interest and voting interest	22%	30%	
Summarised financial information:			
	RM	**RM**	**RM**
As at 31 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 31 March			
Loss from continuing operations	(72,031)	(153,092)	(225,123)
Total comprehensive loss	(72,031)	(153,092)	(225,123)
Included in total comprehensive income			
Revenue	–	96,462	96,462

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

The Group does not have any capital commitment or contingent liabilities in relation to its interest in the associated companies as at 31 March 2018 and 31 March 2017.

14. OTHER INVESTMENTS

Group 2018	Ordinary shares RM	Redeemable Preference Share RM	Club Membership RM	Phillip Mutual Berhad RM	Total RM
Available for sale financial assets					
Balance as at 1 April 2017	270,000	1,661,000	860,000	–	2,791,000
Addition	50,000	–	–	5,000,000	5,050,000
Redemption	–	(1,597,138)	–	–	(1,597,138)
Interest received	–	–	–	113,516	113,516
Balance as at 31 March 2018	320,000	63,862	860,000	5,113,516	6,357,378
Accumulated impairment losses					
Balance as at 1 April 2017	149,999	–	510,000	–	659,999
Redemption	19,999	–	349,999	–	369,998
Balance as at 31 March 2018	169,998	–	859,999	–	1,029,997
Net Value	150,002	63,862	1	5,113,516	5,327,381

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

Group 2017	Ordinary shares RM	Redeemable Preference Share RM	Club Membership RM	Total RM
Available for sale financial assets				
Balance as at 1 January 2016	270,000	1,957,000	860,000	3,087,000
Redemption	–	(296,000)	–	(296,000)
Balance as at 31 March 2017	270,000	1,661,000	860,000	2,791,000
Accumulated impairment losses				
Balance as at 1 January 2016	149,999	–	510,000	659,999
Redemption	–	–	–	–
Balance as at 31 March 2017	149,999	–	510,000	659,999
Net Value	120,001	1,661,000	350,000	2,131,001

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

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14. OTHER INVESTMENTS (CONT'D)

Company 2018	Ordinary shares RM	Redeemable Preference Share RM	Total RM
Available for sale financial assets			
Balance as at 1 April 2017	270,000	1,661,000	1,931,000
Additions	50,000	–	50,000
Redemption	–	(1,597,138)	(1,597,138)
Balance as at 31 March 2018	320,000	63,862	383,862
Accumulated impairment losses			
Balance as at 1 April 2017	149,999	–	149,999
Redemption	19,999	–	19,999
Balance as at 31 March 2018	169,998	–	169,998
Net Value	150,002	63,862	213,864

Company 2017	Ordinary shares RM	Redeemable Preference Share RM	Total RM
Available for sale financial assets			
Balance as at 1 January 2016	270,000	1,957,000	2,227,000
Redemption	–	(296,000)	(296,000)
Balance as at 31 March 2017	270,000	1,661,000	1,931,000
Accumulated impairment losses			
Balance as at 1 January 2016	149,999	–	149,999
Redemption	–	–	–
Balance as at 31 March 2017	149,999	–	149,999
Net Value	120,001	1,661,000	1,781,001

Notes to the Financial Statements
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(Cont'd)

15. INVENTORIES

	Group 2018 RM	2017 RM
At cost:		
Software	–	500,000
Multi function printers and related products	3,476,073	4,970,943
Kitchen appliances	2,332,475	2,634,482
	5,808,548	8,105,425

16. TRADE RECEIVABLES

	Group 2018 RM	2017 RM
Trade receivables	9,103,468	6,330,270
Less: Allowance for impairment losses	(3,311,505)	(2,712,340)
	5,791,963	3,617,930
Amount due from contract customers	–	962,000
Contract work performed but not bill	–	251,069
	5,791,963	4,830,999

(a) The Group's normal trade credit terms range from 30 to 120 (2017: 30 to 120) days.

(b) The allowance for impairment losses is made mainly on those trade receivables in significant financial difficulties and has defaulted on payments.

The reconciliation of the allowance account is as follows:

	Group 2018 RM	2017 RM
Allowance for impairment losses:		
As at beginning of the year/period	2,712,340	2,712,340
Addition	599,165	–
As at end of the year/period	3,311,505	2,712,340

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17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Other receivables	10,584,326	13,632,925	5,940,209	5,921,641
Less: Allowance for impairment losses	(9,873,849)	(10,020,041)	(5,900,763)	(5,900,763)
	710,477	3,612,884	39,446	20,878
Other deposits	1,621,384	1,461,749	–	31,430
Prepayments	801,816	1,215,625	188,865	667,237
Deferred expenditure	2,070,923	867,200	–	–
	5,204,600	7,157,458	228,311	719,545

The reconciliation of the allowance account is as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
As at beginning of the year/period	10,020,041	10,020,041	5,900,763	5,900,763
Addition	57,808	–	–	–
Reversal	(204,000)	–	–	–
As at end of the year/period	9,873,849	10,020,041	5,900,763	5,900,763

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

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18. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

	Company	
	2018 **RM**	**2017** **RM**
Amount due from subsidiary companies:		
DVM Innovate Sdn Bhd	8,992,704	3,674,850
Key Alliance Sdn Bhd	23,390,859	5,193,663
Key Alliance Officeworks Sdn Bhd	12,074	–
Mobile Video International Limited	60,654	57,792
Design Dept Sdn Bhd	8,583,605	1,362,979
GE Green Sdn Bhd	12,291,931	8,371,207
Digital Paper Solutions Sdn Bhd	3,405,837	3,421,155
Pacifica KAG Sdn Bhd	2,868	2,800
	56,740,532	22,084,446
Less: Allowance for impairment losses	(14,040,046)	(7,449,902)
	42,700,486	14,634,544
Amount due to subsidiary company		
Corporate One Training Academy Sdn Bhd	(842,110)	(842,597)

The reconcilation of the allowance account is as follows:

	Company	
	2018 **RM**	**2017** **RM**
As at beginning of the year/period	7,449,902	7,449,902
Addition	6,590,144	–
As at end of the year/period	14,040,046	7,449,902

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

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

Included in the amount due from subsidiary companies are unsecured loans of RM3,405,837 (2017: RM4,674,172) due from subsidiary companies, which bear interest rate of 4.95% to 5.00% (2017: 4.95% to 5%) per annum and repayable on demand.

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19. AMOUNT DUE FROM AN ASSOCIATE COMPANY

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Amount due from associates company	219,057	198,266	9,923	6,166
Less: Allowance for impairment	(219,057)	(198,266)	(9,923)	(6,166)
	–	–	–	–

Reconciliation of the allowance account is as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At the beginning of financial year/period	198,266	168,877	6,166	6,131
Impairment losses recognised	20,791	29,389	3,757	35
At the end of financial year/period	219,057	198,266	9,923	6,166

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Cash and bank balances	18,239,095	1,421,817	10,399,550	205,147
Deposits with licensed banks	5,304,180	5,105,894	3,858,660	3,754,319
Total cash and cash equivalent	23,543,275	6,527,711	14,258,210	3,959,466
Less: Pledged deposits	(5,304,180)	(5,105,894)	(3,858,660)	(3,754,319)
	18,239,095	1,421,817	10,399,550	205,147
Bank overdrafts	(2,650,332)	(1,995,844)	–	–
	15,588,763	(574,027)	10,399,550	205,147

Deposit with licensed banks

Group

The interest rate of fixed deposits with licensed banks that were effective during the financial year/period were range 2.95% to 3.30% (2017: 2.95% to 3.30%).

Company

The interest rate of fixed deposits with licensed banks that was effective during the financial year/period was 2.95% (2017: 2.95%).

Included in deposits with licensed banks of the Group and the company are amounts of RM5,304,180 (2017: RM 5,105,894) and RM3,858,660 (2017: RM3,754,319) respectively which have been pledged to licensed banks as securities for the credit facilities granted to the subsidiary companies.

20. CASH AND CASH EQUIVALENTS (CONT'D)

Bank overdrafts

Group

The bank overdrafts are secured by the following:

a) Corporate guarantee by the Company
b) Fixed deposits of the Company RM2,407,742 (2017: RM2,339,686)

At the reporting date, the Group have unutilised bank overdrafts facilities of RM 54,668 (2017: RM 4,156)

21. SHARE CAPITAL AND SHARE PREMIUM

The movements in the total number of issued shares of the Group and of the Company are as follows:

	Group/Company			
	Share capital (issued and fully paid) Unit	Share capital (issued and fully paid) RM	Share Premium RM	Total share capital and share premium RM
As at 1 January 2016	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 issuance 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)
As at 31 March 2017	819,054,853	40,952,743	10,037,634	50,990,377
Issuance of shares				
Share issuance to rights issue	819,054,853	40,952,743	–	40,952,743
Share issuance scheme	73,500,000	3,675,000	–	3,675,000
Share issuance and related expenses	–	–	(821,536)	(821,536)
Share consolidation	(1,283,707,286)	–	–	–
Transfer pursuant to Companies Act 2016	–	9,216,098	(9,216,098)	–
As at 31 March 2018	427,902,420	94,796,584	–	94,796,584

The new Companies Act, 2016 ("The Act"), which come into enforcement on 31 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.

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

During the financial year, the Company issued:

(a) 819,054,853 new ordinary shares at RM0.05 per ordinary share and 409,527,425 Warrants B as well as 14,615,906 additional Warrants A arising from rights issue with warrants.

(b) 73,500,000 new ordinary shares at RM0.05 per ordinary share via pursuant of the Share Issuance Scheme ("SIS") for a total cash consideration RM3,675,000.

(c) 427,902,420 consolidated shares, adjustment number of 76,253,585 Warrants A and adjusted number of 102,381,807 Warrants B arising from the completion of Share Consolidation.

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

22. RESERVE

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Non-distributable				
Warrant reserve	3,775,200	3,775,200	3,775,200	3,775,200
Issuance of warrants	13,842,027	–	13,842,027	–
	17,617,227	3,775,200	17,617,227	3,775,200
Share option reserve	569,680	1,053,280	569,680	1,053,280
Addition of share option	2,475,000	–	2,475,000	–
Share option exercised	(2,452,500)	(483,600)	(2,452,500)	(483,600)
	592,180	569,680	592,180	569,680
Total reserve	18,209,407	4,344,880	18,209,407	4,344,880

WARRANTS RESERVE

WARRANTS A

Warrant A were listed on Bursa Malaysia Securities Berhad ("Bursa Securities") on 3 July 2013. Each warrant A entitles its holder the right to subscribe for one (1) new ordinary share in the Company at any time up to the expiry date of 2 July 2018.

On 8 May 2017, additional 14,615,906 Warrants A were issued arising from rights issue with warrants.

On 15 September 2017, adjusted number of 76,253,585 Warrants A were issued to the holders of outstanding Warrants A arising from the share consolidation exercise.

The salient features of the warrants are:

a. The warrants are offered at no cost to the entitled shareholders of the Company pursuant to the Right Issue of Shares with warrants in the financial year ended 31st December 2013,

b. Four Right Share together with three Warrants for every two existing shares,

22. RESERVE (CONT'D)

WARRANTS RESERVE (CONT'D)

WARRANTS A (cont'd)

c. Subsequent to the allotment and issuance of the Rights Share and warrants, the warrants were immediately detached and are traded on Bursa Malaysia,

d. 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,

e. 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 number of units as maybe prescribed by Bursa Securities,

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

g. The Exercise Price of the warrant is RM0.40 each. The exercise price and the number of outstanding warrants shall however be subject to the adjustment in accordance with the terms and provision of the Deed Poll during the exercise period,

h. 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

i. 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

j. Where a resolution has been passed for a member's voluntary winding-up of the Company or where there is 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 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 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 weeks after the passing of such resolution for a members voluntary winding-up of the Company, or within six weeks form the last approval being granted for the compromise or arrangement, by irrevocable surrender of this warrants to the Company by submitting the Exercise Forms(s) duly completed, authorised 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 weeks, will lapse and the warrants will be cease to be valid for any purpose.

As at 31 March 2018, the total outstanding warrant A are 76,253,585 and none have been exercised during the financial year.

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22. RESERVE (CONT'D)

WARRANTS RESERVE (CONT'D)

WARRANTS B

409,527,425 Warrant B were listed on Bursa Securities on 8 May 2017. Each warrant B entitles its holder the right to subscribe for one (1) new ordinary share in the Company at any time up to the expiry date of 30 April 2020 at an exercise price of RM0.05.

On 15 September 2017, the number of warrant B was adjusted to 102,381,807 at an exercise price of RM0.05 arising from the share consolidation exercise.

As at 31 March 2018, the total outstanding warrant B are 102,381,807 and none have been exercised during the financial year.

SHARE OPTION RESERVE

At an extraordinary general meeting held on 10 April 2015, the Company's shareholders approved the establishment of Share Issuance Schemes ("SIS") of not more than 30% of the total number of issued share capital of the Company to eligible Directors and employees of the Group.

Each SIS option entitles the eligible Directors and employees to subscribe such number of ordinary shares in the Company pursuant to an offer duly accepted by the eligible Directors and employees at the exercise price to be determined by the SIS Committee at its discretion based on the 5-day weighted average market price (5D-VWAP) of the Company's shares as quoted in the Bursa Malaysia Securities Berhad, immediately prior to the date of offer made by the SIS Committee with a discount of not more than 10%, if deemed appropriate.

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 general meeting.

ii) The aggregate number of shares to be issued under SIS shall not be more than 30% of the total number of issued shares capital of the Company.

iii) The Scheme shall be in force for a period of five 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 cent (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.

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 1/4/2017 Unit '000	Granted Unit '000	Exercised Unit '000	Lapsed Unit '000	As at 31/3/2018 Unit '000
15 June 2015	RM0.05	94,240	–	–	(94,240)	–
26 May 2017	RM0.05	–	75,000	(73,500)	–	1,500
		94,240	75,000	(73,500)	(94,240)	1,500

23. NON-CONTROLLING INTEREST

	Group 2018 RM	Group 2017 RM
Balance as the beginning of the year/period	1,429,229	1,321,673
Arising from acquisition	1,025,319	–
Transferred from profit or loss	153,574	107,556
Balance at the of end for financial year/period	2,608,122	1,429,229

24. TERM LOAN

	Group 2018 RM	Group 2017 RM
Secured		
Term loan	3,582,002	4,002,474

	Group 2018 RM	Group 2017 RM
Current		
- Not later than one year	464,110	627,648
Non-Current		
- later than one year and not later than two years	486,764	627,648
- later than two years and not later than five years	1,611,122	1,882,944
- later than five years	1,020,006	864,234
	3,117,892	3,374,826

Effective interest rate per annum on the term loan of the Group is 4.85% (2017: 4.95%)

The term loan is secured by the following:

(i) Corporate guarantee by the Company;

(ii) Fixed deposit of subsidiary company of RM177,546 (2017 : RM172,874) 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.

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25. FINANCE LEASE LIABILITIES

	Group 2018 RM	Group 2017 RM
Minimun lease payments		
- not later than one year	1,401,212	1,312,610
- later than one year and not later than two years	1,890,810	1,257,342
- later than two years and not later than five years	–	1,680,647
	3,292,022	4,250,599
Less: Future interest charges	(707,269)	(174,685)
	2,584,753	4,075,914

	Group 2018 RM	Group 2017 RM
Current		
Not later than one year	1,319,266	1,083,669
Minimun lease payments		
- later than one year and not later than two years	1,265,487	1,047,417
- later than two years and not later than five years	–	1,944,828
	1,265,487	2,992,245

Included in the Group's hire purchase

(i) Rental of equipment under finance lease 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 obligations under finance lease are secured by the lessor's title to leased assets.

(ii) Purchase of motor vehicles. The remaining finance lease terms are range from 1 to 2 years as at 31 March 2018. Implicit interest rates of the finance lease are fixed at the inception of the finance lease arrangements and the finance lease are fixed at the inception of the finance lease arrangements, and the finance lease instalments area fixed throughout the finance lease period. The Group has the option to purchase the assets at the end of the arrangements. There are no significant restriction clauses imposed on the finance lease arrangements.

26. DEFERRED TAXATION

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
As at beginning of the year/period	1,466,207	1,615,317	1,194,700	1,194,000
Recognised in profit or loss	48,325	(149,110)	–	700
As at end of year/period	1,514,532	1,466,207	1,194,700	1,194,700

Deferred tax assets and liabilities are offset when there is legally enforceable right to set-off current tax asset against current tax liabilities and where the deferred income taxes relate to the same tax authority.

27. TRADE PAYABLES

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

28. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	243,918	6,529,254	39,631	256,718
Accruals	551,204	647,707	36,089	224,357
Trade deposits	–	458,000	–	–
Other deposits	326,320	180,760	108,810	–
Deferred income	1,794,753	731,012	–	–
	2,916,195	8,546,733	184,530	481,075

Group

Included in other payables is an amount NIL (2017: RM 511,370) due to a corporate shareholder of subsidiary company.

Group and Company

Included in accruals is accrued directors fee of RM8,000 (2017: RM56,000)

29. DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive directors				
- Fees	120,000	164,000	120,000	164,000
- Other emoluments	434,839	326,000	64,839	225,000
- EPF Contributions	28,781	38,240	7,781	27,000
- Social security costs	852	949	–	–
Non-Executive directors				
- Fees	128,000	120,000	128,000	120,000
- Other emoluments	77,000	105,000	77,000	105,000
- EPF Contributions	9,240	12,600	9,240	12,600
- Social security costs	775	949	775	949
	799,487	767,738	407,635	654,549

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29. DIRECTORS' REMUNERATION (CONT'D)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of a Subsidiary Company				
Executive directors				
- Other emoluments	248,365	99,694	–	–
- EPF Contributions	29,847	12,091	–	–
- Social security costs	1,128	621	–	–
	279,340	112,406	–	–

Numbers of Directors of the Company and its subsidiary companies whose total remuneration during the year/period fell within the following bands is analysed as below:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive directors				
Below RM100,000	1	1	3	1
RM100,001 to RM200,000	–	–	–	–
Above RM200,001	2	2	–	2
	3	3	3	3
Non-Executive director				
Below RM50,000	4	1	4	1
RM50,001 to RM100,000	–	1	–	1
Above RM100,001	1	1	1	1
	5	3	5	3
Directors of a Subsidiary Company				
Executive directors				
Below RM100,000	2	2	–	–
RM100,001 to RM200,000	1	–	–	–
	3	2	–	–

As at 31 March 2018, three (3) Directors remain in office and five (5) Directors have resigned from the Company.

30. EMPLOYEE BENEFIT

Share-based payment arrangement

On 15 June 2015, the Group offered 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.

On 26 May 2017, the Group offered another share options to eligible employees and 75,000,000 share options was granted.

The fair value of the share options is measured using "Trinomial" pricing model with the following inputs and assumptions:

Fair value of share options and assumptions	1st offer	2nd offer
Fair value at grant date (RM)	0.0093	0.033
Weighted average share price (RM)	0.045	0.045
Share price at grant date (RM)	0.045	0.04
Expected volatility (weighted average volatility)	10%	168.20%
Option life (expected weighted average life)	5 years	3 years
Risk-free interest rate	4.2%	3.66%

Share options granted in 2017 represents total expense recognised as share-based payments.

31. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has related party relationship with:

(i) Its related companies which one its follow subsidiaries; and
(ii) The directors who are the key management personnel.

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:

i) Transaction with subsidiary companies:

	Group	
	2018 RM	2017 RM
Rental premise		
- Key Alliance Sdn Bhd	20,400	80,598
- DVM Innovate Sdn Bhd	16,668	61,578
- Design Dept Sdn Bhd	26,868	14,895
- GE Green Sdn Bhd	48,450	58,140
- Progenet Innovations Sdn Bhd	27,210	–
Interest income		
- DVM Innovate Sdn Bhd	–	174,000
- Digital Paper Solutions Sdn Bhd	168,823	211,431
Mangement fee income		
- DVM Innovate Sdn Bhd	120,000	377,760
- Design Dept Sdn Bhd	240,000	–
	668,419	978,402

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31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year (cont'd):

ii) Transaction with an associate company:

	Group	
	2018 **RM**	**2017** **RM**
Rental premise		
- DVM Allsportz Asia Sdn Bhd	6,000	45,000
Rental of equipment		
- DVM Allsportz Asia Sdn Bhd	7,200	54,000
	13,200	99,000

iii) Transaction with a corporate shareholder of the subsidiary Company:

	Group/Company	
	2018 **RM**	**2017** **RM**
Rental of equipment		
- Digital Paper Sdn Bhd	9,180	3,710
Sales of goods		
- Digital Paper Sdn Bhd	7,104,028	8,526,629
Render of services		
- Digital Paper Sdn Bhd	70,000	1,700,615
	7,183,208	10,230,954

iv) Transaction with a company director:

	Group	
	2018 **RM**	**2017** **RM**
Sales of kitchen appliances		
- Roy Ho Yew Kee	–	400

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year (cont'd):

v) Compensation of key management personnel

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Short term employee benefits	1,010,959	817,213	390,614	614,949
Post-employment benefits				
- Defined contribution plan				
- EPF	67,868	62,931	17,021	39,600
	1,078,827	880,144	407,635	654,549

Included in total key management personnel are:	**RM**	**RM**	**RM**	**RM**
Directors rumeneration				
- Company	799,487	767,738	407,635	654,549
- Subsidiary	279,340	112,406	–	–
	1,078,827	880,144	407,635	654,549

32. SEGMENTAL 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 Managing Director 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 (ICT) and related services and related services. equipment.	Provision of comprehensive range of ICT and other Technology information technology related services trading of hardware and software, rental including related activities
• Kitchen appliances	Provision of distributing and reselling of kitchen appliances and related services.

Other non-reportable segments comprise operations related to architectural and 3D interior design and image consultants' services, investment holding and building construction. None of these segments met the quantitative thresholds for reporting segments in 2018.

The accounting policies of the reportable segments are the same as described in Note 3.19 to the financial statements.

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32. SEGMENTAL INFORMATION (CONT'D)

There are varying levels of integration among reportable segments. This integration includes transfer of raw materials, shared managed services and financial resources. Inter-segment pricing is determined on negotiated basis in 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 Managing Director. 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 Managing Director.

Segment capital expenditure

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

a. Business segment

2018	ICT and related activities RM	Kitchen appliances RM	Others RM	Elimination RM	Total RM
Revenue					
Sales to external customers	24,957,218	1,405,958	653,510	–	27,016,686
Inter-segment revenue	–	–	1,232,580	(1,232,580)	–
Total revenue	24,957,218	1,405,958	1,886,090	(1,232,580)	27,016,686
Results					
Operating results	(9,170,064)	(1,239,742)	(13,599,182)	14,045,910	(9,963,078)
Interest income	166,529	–	918,482	(168,823)	916,188
Finance costs	(154,260)	(82,210)	–	–	(236,470)
Loss before taxation	(9,157,795)	(1,321,952)	(12,680,700)	13,877,087	(9,283,360)
Income tax expense	(163,681)	–	–	–	(163,681)
Non-controlling interest	–	–	–	(153,574)	(153,574)
Loss for the year	(9,321,476)	(1,321,952)	(12,680,700)	13,723,513	(9,600,615)
Assets					
Segment assets/ Total assets	47,623,617	12,476,828	81,053,494	(43,741,000)	97,412,939
Liabilities					
Segment liabilities/ Total liabilities	56,850,077	14,882,026	11,756,476	(64,514,589)	18,973,990

32. SEGMENTAL INFORMATION (CONT'D)

a. Business segment (cont'd)

2018	ICT and related activities RM	Kitchen appliances RM	Others RM	Elimination RM	Total RM
Other information					
Non-cash expenses					
Bad debt written off	17,306	2,024	–	–	19,330
Depreciation of property, plant and equipment	1,420,005	72,236	311,160	–	1,802,104
Plant and equipment written off	243,946	–	–	–	243,946
Impairment losses on:					
- amount due from:					
- an associated company	17,034	–	3,757	–	20,791
- a related companies	5,496,192	–	–	(5,496,192)	–
- other receivables	51,028	–	6,780	–	57,808
- trade receivables	471,777	124,464	2,924	–	599,165
- goodwill	–	–	–	3,641,592	3,641,592
- inventories	–	42,905	–	–	42,905
- investment in subsidiaries	–	–	5,431,246	(5,431,246)	–
- other investment	349,999	–	19,999	–	369,998
Loss on disposal of property, plant and equipment	400,525	–	–	–	458,388
Unrealised loss on foreign exchange loss	–	270	–	–	270
Non-cash income					
Gain on disposal of property, plant and equipment	–	65,000	–	–	65,000
Reversal of impairment loss on:					
- other receivables	170,000	–	34,000	–	204,000
- trade receivables	–	–	43,000	–	43,000
Unrealised gain on foreign exchange	29,284	–	–	–	29,284
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instrument and deferred tax assets	22,853,644	457,800	1,492,019	–	24,803,463

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32. SEGMENTAL INFORMATION (CONT'D)

a. Business segment (cont'd)

2017	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	(907,536)	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)
Loss before taxation	(1,289,112)	(1,822,457)	(1,434,317)	(239,674)	(4,785,560)
Income tax expense	(287,979)	–	(20,700)		(308,679)
Non-controlling interest	–	–	–	(107,556)	(107,556)
Loss for the year	(1,577,091)	(1,822,457)	(1,455,017)	(347,230)	(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

32. SEGMENTAL INFORMATION (CONT'D)

a. Business segment (cont'd)

2017	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 property, 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 on:					
- amount due from					
- an associated company	–	–	35	29,354	29,389
- a related companies	109,354	–	–	(109,354)	–
Loss on disposal of:					
- property, plant and equipment	12	2,242	–	–	2,254
- subsidiary company	–	–	–	316,424	316,424
Other deposit written off	–	5,000	–	–	5,000
Non-cash income					
Gain on disposal of:					
- property, plant and equipment	–	29,716	–	–	29,716
- 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 instrument and deferred tax assets	1,375,065	3,900,668	743	–	5,276,476

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(Cont'd)

32. SEGMENTAL INFORMATION (CONT'D)

a. Business segment (cont'd)

2018	ICT and related activities RM	Kitchen appliances RM	Others RM	Total RM
Capital expenditure	21,454,919	–	1,492,019	22,946,938
Investment property	–	457,800	–	457,800
Goodwill on consolidation	1,398,725	–	–	1,398,725
	22,853,644	457,800	1,492,019	24,803,463
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

b. Geographical segments

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

Major customers

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

	Revenue		Segment
	2018 RM	2017 RM	
All common control companies of:			
- Customer A	7,104,028	8,526,629	ICT
- Customer B	–	–	ICT
	7,104,028	8,526,629	

33. FINANCIAL INSTRUMENTS

The Group's and the Company's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

a) Categories of financial instruments

The table below provide 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")

33. FINANCIAL INSTRUMENTS (CONT'D)

a) Categories of financial instruments (cont'd)

	Carrying amount RM	L&R RM	AFS RM	FL RM
Group				
2018				
Financial assets				
Other investments	5,327,381	–	5,327,381	–
Trade receivables	5,791,963	5,791,963	–	–
Other receivables	5,204,600	5,204,600	–	–
Deposits with licensed banks	5,304,180	5,304,180	–	–
Cash and bank balances	18,239,095	18,239,095	–	–
	39,867,219	34,539,838	5,327,381	–
Financial liabilities				
Trade payables	(5,726,176)	–	–	(5,726,176)
Other payables and accruals	(2,916,195)	–	–	(2,916,195)
Bank overdrafts	(2,650,332)	–	–	(2,650,332)
Term loan	(3,582,002)	–	–	(3,582,002)
Finance lease liabilities	(2,584,753)	–	–	(2,584,753)
	(17,459,458)	–	–	(17,459,458)
Group				
2017				
Financial assets				
Other investments	2,131,001	–	2,131,001	–
Trade receivables	4,830,999	4,830,999	–	–
Other receivables	7,157,458	7,157,458	–	–
Deposits with licensed banks	5,105,894	5,105,894	–	–
Cash and bank balances	1,421,817	1,421,817	–	–
	20,647,169	18,516,168	2,131,001	–
Financial liabilities				
Trade payables	(2,085,538)	–	–	(2,085,538)
Other payables and accruals	(8,546,733)	–	–	(8,546,733)
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)
	(20,706,503)	–	–	(20,706,503)

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33. FINANCIAL INSTRUMENTS (CONT'D)

a) Categories of financial instruments (cont'd)

	Carrying amount RM	L&R RM	AFS RM	FL RM
Company				
2018				
Other investments	213,864	–	213,864	–
Other receivables	228,311	228,311	–	–
Amount due from subsidiary companies	42,700,486	42,700,486	–	–
Deposits with licensed banks	3,858,660	3,858,660	–	–
Cash and bank balances	10,399,550	10,399,550	–	–
	57,400,871	57,187,007	213,864	–
Financial liabilities				
Other payables and accruals	(184,530)	–	–	(184,530)
Amount due to subsidiary companies	(842,110)	–	–	(842,110)
	(1,026,640)	–	–	(1,026,640)
Company				
2017				
Other investments	1,781,001	–	1,781,001	–
Other receivables	719,545	719,545	–	–
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	–	–
	21,094,556	19,313,555	1,781,001	–
Financial liabilities				
Other payables and accruals	(481,075)	–	–	(481,075)
Amount due to subsidiary companies	(842,597)	–	–	(842,597)
	(1,323,672)	–	–	(1,323,672)

35. FINANCIAL RISK MANAGEMENT POLICIES

The Group's and the Company's policies in respect of the major areas of treasury activity are as follows:-

(a) Credit Risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

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

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

Group 2018	Gross Amount RM	Individual Impairment RM	Carrying Value RM
Not past due	3,009,803	–	3,009,803
Past due:			
1 to 30 days past due date	1,582,576	–	1,582,576
more than 30 days past due	4,511,089	(3,311,505)	1,199,584
	9,103,468	(3,311,505)	5,791,963

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

35. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

Group 2017	Gross Amount RM	Individual Impairment RM	Carrying Value RM
Not past due	1,870,909	–	1,870,909
Past due:			
1 to 30 days past due date	1,854,581	–	1,854,581
more than 30 days past due	3,817,849	(2,712,340)	1,105,509
	7,543,339	(2,712,340)	4,830,999

At the end of reporting year, 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 year, 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 reporting year, 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 subsidiary companies.

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

	Company	
	2018 RM	2017 RM
As at beginning of the year/period	7,449,902	7,449,902
Addition	6,590,144	–
As at end of the year/period	14,040,046	7,449,902

35. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

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 RM6,232,334 (2017: RM13,251,772 representing the outstanding banking facilities of the subsidiaries as at the end of the reporting year.

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

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

(b) 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.

35. FINANCIAL RISK MANAGEMENT POLICIES CONT'D)

(b) 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 payments:

Group	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2018							
Non-derivative financial liabilities							
Trade payable	5,726,176	–	5,726,176	5,726,176	–	–	–
Other payables and accruals	2,916,195	–	2,916,195	2,916,195	–	–	–
Bank overdraft	2,650,332	7.85	2,650,332	2,650,332	–	–	–
Term loan	3,582,002	4.85	4,079,712	627,648	627,648	1,882,944	941,472
Finance lease liabilities	2,584,753	2.41 - 7.84	3,292,022	1,319,266	1,265,485	–	–
	17,459,458		18,664,437	13,239,617	1,893,133	1,882,944	941,472
2017							
Non-derivative financial liabilities							
Trade payable	2,085,538	–	2,085,538	2,085,538	–	–	–
Other payables and accruals	8,546,733	–	8,546,733	8,546,733	–	–	–
Bank overdraft	1,995,844	7.85	1,995,844	1,995,844	–	–	–
Term loan	4,002,474	4.85	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

35. FINANCIAL RISK MANAGEMENT POLICIES CONT'D)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM
2018				
Non-derivative financial liabilities				
Other payables and accruals	184,530	–	184,530	184,530
Amount due to a subsidary companies	842,110	–	842,110	842,110
	1,026,640		1,026,640	1,026,640
2017				
Non-derivative financial liabilities				
Other payables and accruals	481,075	–	481,075	481,075
Amount due to a subsidary companies	842,597	–	842,597	842,597
	1,323,672		1,323,672	1,323,672

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

35. FINANCIAL RISK MANAGEMENT POLICIES CONT'D)

(c) 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.

(i) Foreign 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").

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposures to interest rate risk arise mainly from interest-bearing financial liabilities. The Group's and the Company's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group and the Company will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:

	Group	
	2018 Increase/ (Decrease) RM	**2017 Increase/ (Decrease) RM**
Effect on Profit After Taxation		
Increase of 100 bp	48,923	59,983
Decrease of 100 bp	(48,923)	(59,983)

36. CONTINGENT LIABILITIES

	Group		Company	
Group	2018 RM	2017 RM	2018 RM	2017 RM
Unsecured				
Corporate guarantees issued to banks for finance lease facility granted to a subsidiary company	–	–	565,460	565,460
Corporate guarantees issued to a leasing company for finance lease facility granted to a subsidiary company	–	–	2,601,668	3,356,616
	–	–	3,167,128	3,922,076
Secured				
Bank guarantee issued in favour of third parties by a licensed bank through utilising part of the subsidiary company's credit facility	52,731	52,731	–	–
Fixed deposit pledged to bank for credit facilities granted to subsidiary companies	3,858,660	4,329,696	3,858,660	4,329,696
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
	8,911,391	9,382,427	8,858,660	9,329,696

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

37. CAPITAL MANAGEMENT

The Group and the Company manages its capital by maintaining an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in the economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group and the Company manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

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

The debt-to-equity ratio of the Group and of the Company at the end of the reporting year was as follow:-

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Total interest bearing borrowings	8,817,087	10,074,232	–	–
Total equity	75,830,827	39,150,235	72,238,488	38,163,122
Debt-to-equity ratio	0.12	0.26	–	–

38. SIGNIFICANT EVENTS DURING THE YEAR

(a) Issuance of Shares

On 8 May 2017, the Company has completed the renounceable right issue up to 1,251,171,308 new shares ("Rights Shares") at an issue price RM0.05 per Right Share together with up to 625,585,654 free warrants ("Warrants B") on the basis of two (2) Right Shares together with one (1) free Warrant B for every two (2) existing share held by the entitled shareholders on 29 March 2017.

On 7 July 2017 and 28 July 2018, the Company has alloted 73,500,000 new ordinary shares pursuant to the exercise of share options granted under its Share Issuance Scheme ("SIS") at an exercise price RM0.05 per ordinary share.

(b) SIS Offered

On 26 May 2017, the Company has offered share options to eligible employees under its SIS with an offer of options of 315,000,000 at an exercise price of RM0.0455 per ordinary share. On 23 June 2017, the Company has revised the exercise price of RM0.0455 to RM0.05 per ordinary share.

(c) Consolidation of Shares

On 15 September 2017, the Company has completed a share consolidation of every four (4) Ordinary Shares into one (1) Ordinary Share. The Company's issued share capital has been consolidated from 1,711,609,680 Ordinary Shares (equivalent to RM94,796,584) to 427,902,420 Ordinary Shares (equivalent to RM94,796,584) on that day.

38. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D)

(d) Acquisition of subsidiaries

On 4 April 2017, the Company acquired 100% equity interest in Key Alliance Officeworks Sdn Bhd ("KAOSB") comprising 2 ordinary shares for purchase consideration of RM 2. Intended principal activity of KAOSB is to carry on the business of shared office space. The acquisition is in line with the Group's strategy of expanding its business activities to incorporate co-working/shared office space and the incubator project to enhance the performance of the Group.

On 19 May 2017, a wholly-owned subsidiary of the Company, DVM Innovate Sdn Bhd ("DVMI") has entered into Share Acquisition Agreement ("SAA") with a third party for the acquisition of 100% equity interest in Progenet Sdn Bhd ("PSB") comprising 150,000 ordinary shares for a total purchase consideration of RM1,500,000. PSB is principally involved in the business of computer networking and system consultants, supply equipment and cabling. The acquisition is anticipated PSB existing business which will provide synergistic and leveraged opportunities for the Group to expand its ICT exposure into the newly launched Digital Free Trade Zone based E-Commerce industry as well as providing an established platform to handle cloud computing and data centre business.

(e) Incorporation of subsidiary

On 4 July 2017, the Company incorporated a new wholly-owned subsidiary of DVMI where DVMI is a wholly-owned subsidiary of the Company namely Progenet Innovations Sdn Bhd ("PISB"). PISB is a private limited company incorporated in Malaysia with an issued share capital of RM1 and subsequently the issued share capital of PISB increased to RM5,000,000.

39. SUBSEQUENT EVENTS

a) SIS Offered

On 25 April 2018, the Company has offered share options to eligible employees under its SIS with an offer of options of 100,000,000 at an exercise price of RM0.065 per ordinary share.

b) Private placement

On 12 March 2018, the Company had announced its proposal to implement a private placement of new ordinary shares in the Company of up to ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares) ("Private Placement").

On 15 March 2018, Bursa Malaysia Securities Berhad ("Bursa Securities") approved the listing and quotation up to 42,790,200 new ordinary shares to be issued pursuant to the Private Placement.

On 12 April 2018, the Company announced to fix the issue price of RM0.0615 each.

On 20 April 2018, the Company completed the Private Placement exercise following the listing and quotation of 42,790,000 placement shares on the ACE Market of Bursa Securities.

c) Disposal of subsidiaries

On 9 April 2018, the Company announced its internal restructuring by way of the wholly owned subsidiary, DVM Innovate Sdn Bhd ("DVMI") will transfer the entire 80% equity interest representing 800 ordinary shares in Progenet Innovations Sdn Bhd ("PGI") to the Company at the original cost of investment of RM4,000,000. Upon completion of the Internal Restructuring, PGI will become a subsidiary of the Company. Following the completion of internal restructuring plan, DVMI has become dormant and inactive subsidiary.

On 6 June 2018, the Company has disposed 100% equity interest in DVMI for a cash consideration of RM1.

Notes to the Financial Statements
for the financial year ended 31 March 2018
(Cont'd)

40. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFIT OR LOSS

The breakdown of the accumulated losses of the Group and of the Company at end of financial year/period, 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:

	2018 RM	2017 RM
Group		
Total accumulated losses of the Group:		
- realised	(68,769,017)	(34,140,344)
- unrealised	(484,648)	(484,648)
	(69,253,665)	(34,624,992)
Toral share of accumulated losses of an associate company	(253,253)	(253,253)
Less: Consolidation adjustments	32,331,754	18,693,223
Total accumulated lossess	(37,175,164)	(16,185,022)
Company		
Total accumulated losses of the Company:		
- realised	(40,767,503)	(16,670,165)
- unrealised	–	(501,970)
Total accumulated losses	(40,767,503)	(17,172,135)

The determination of realised and unrealised profits is based on 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, issued by Malaysian Institute of Accountants on 20th December 2010.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on the date of these financial statements.

ANALYSIS OF SHAREHOLDINGS
As at 6 July 2018

Issued and Paid Up Share Capital	470,711,670
Class of Shares	Ordinary shares
Voting Right	One vote per ordinary share
Number of Shareholders	5,367

Distribution of Shareholdings

Size of shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 99	370	6.89	17,459	0.00
100 - 1,000	733	13.66	329,571	0.07
1,001 - 10,000	1,487	27.71	7,055,076	1.50
10,001 - 100,000	2,251	41.94	85,830,626	18.24
100,001 – 23,535,582 (less than 5% of the shares)	524	9.76	295,513,938	62.78
Above 23,535,583 (5% and above of issued shares)	2	0.04	81,965,000	17.41
Total	**5,367**	**100.00**	**470,711,670**	**100.00**

Substantial Shareholders' Shareholdings

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
UOBM Nominee (Tempatan) Sdn BHd *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	50,515,000	10.73	–	–
Citigroup Nominees (Asing) Sdn Bhd *UBS AG FOR MAYBANK KIM ENG SECURITIES PTE LTD*	31,450,000	6.68	–	–

Directors' Shareholdings

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Roy Ho Yew Kee	–	–	–	–
Dato' Zaidi Bin Mat Isa @ Hashim	–	–	–	–
Ong Gim Hai	–	–	–	–
Lee Kien Fatt	–	–	–	–

Analysis of Shareholdings
As at 6 July 2018
(Cont'd)

List of Top 30 Shareholder as at 6 July 2018

	Names	Shares	%
1	UOBM Nominee (Tempatan) Sdn BHd *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	50,515,000	10.73
2	Citigroup Nominees (Asing) Sdn Bhd *UBS AG FOR MAYBANK KIM ENG SECURITIES PTE LTD*	31,450,000	6.68
3	MIDF Amanah Investment Nominees (Asing) Sdn Bhd *FOR MEMBERS ONE PTY LTD FOR MEMBERS ONE VENTURES FUND*	18,600,000	3.95
4	M&A Nominee (Asing) Sdn Bhd *SANSTON FINANCIAL GROUP LIMITED FOR ACE SOLUTION INVESTMENTS LIMITED*	17,408,125	3.70
5	Cartaban Nominees (Asing) Sdn Bhd *EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE (EFGBHK-ASING)*	17,000,000	3.61
6	Acme Sky Sdn Bhd	16,955,000	3.60
7	M&A Nominee (Tempatan) Sdn Bhd *SANSTON FINANCIAL GROUP LIMITED FOR DIGITAL PAPER SDN BHD*	15,043,713	3.20
8	HSBC Nominees (Asing) Sdn Bhd *BNP PARIBAS SECS SVS PARIS FOR GLOBAL PRIME PARTNERS LTD*	8,593,100	1.83
9	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR PIONG YON WEE*	8,550,000	1.82
10	Macotrade Sdn Bhd	7,041,500	1.50
11	UOBM Nominees (Asing) Sdn Bhd *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	6,500,000	1.38
12	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LAI YEE VOON*	3,891,000	0.83
13	Chew Chee Peng	3,845,000	0.82
14	SJ Sec Nominees (Asing) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR MEJORITY SECURITIES PTY. LTD*	3,800,000	0.81
15	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LAI TZE JIN*	3,350,000	0.71
16	Maybank Securities Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR RAJA ZAINAL ABIDIN BIN RAJA HUSSIN (REM 672)*	3,000,000	0.64
17	Maybank Nominees (Tempatan) Sdn Bhd *TAN WAI HENG*	3,000,000	0.64
18	Kenanga Nominees (Tempatan) Sdn Bhd *RAJUTEN TRADE SDN BHD FOR ER SOON PUAY*	3,000,000	0.64
19	Affin Hwang Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (M09)*	2,750,000	0.58
20	Su Ming Yaw	2,500,000	0.53
21	Toh Ean Hai	2,500,000	0.53
22	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LAI YEE LING*	2,350,050	0.50
23	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR PANG KIA FATT*	2,121,200	0.45
24	Affin Hwang Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LEE POOI LING (LEE4962C)*	2,000,000	0.42
25	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB FOR TEO AH SENG (PB)*	1,937,900	0.41
26	Loh Keng Ong	1,750,000	0.37
27	Lee Kim Hong	1,650,000	0.35
28	CIMSEC Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LU YIENG LUNG (KUCHING-CL)*	1,617,500	0.34
29	Citigroup Nominees (Asing) Sdn Bhd *EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C NR)*	1,525,000	0.32
30	Ngiam Ai Jee	1,400,000	0.30
	Total shares	**245,644,088**	**52.19**

ANALYSIS OF WARRANT B HOLDINGS
As at 6 July 2018

Number of Warrants issued	102,381,807
No. of Warrants Unexercised	102,381,807
Exercise Price	RM0.05
Number of Warrant Holders	1,321

Distribution of Warrant B Holdings

Size of Warrant Holdings	No. of Holders	% of Holders	No. of Warrants Held	% of Warrants Held
1 - 99	100	7.57	4,007	0.00
100 - 1,000	106	8.02	52,370	0.05
1,001 - 10,000	370	28.01	1,604,269	1.57
10,001 - 100,000	559	42.32	20,450,079	19.97
100,001 – 5,119,089 (less than 5% of the shares)	185	14.00	70,507,882	68.87
5,119,090 and above (5% and above of issued shares)	1	0.08	9,763,200	9.54
Total	**1,321**	**100.00**	**102,381,807**	**100.00**

Substantial Warrant B Holders' Warrant Holdings

Name	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
Teo Ah Seng	9,673,200	9.54	–	–

List of Top 30 Warrant B Holders as at 6 July 2018

	Names	Warrants Held	%
1	Teo Ah Seng	9,763,200	9.54
2	An Choi Kin	3,321,700	3.24
3	Maybank Nominees (Tempatan) Sdn Bhd *TAN WAI HENG*	2,000,000	1.95
4	Tham Fong Soon	1,775,000	1.73
5	Yap Chee Kuan	1,768,225	1.73
6	Cimsec Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR TAN LEE KEONG (BTINGGI-CL)*	1,700,000	1.66
7	Roslan Bin Zainal	1,645,000	1.61
8	Maybank Nominees (Tempatan) Sdn Bhd *TAY SOO CHENG*	1,500,000	1.47
9	Goh Kha Mooi	1,500,000	1.47
10	Mohd Aizuddeen Bin Mohd Zaiddeen	1,282,900	1.25
11	Alliancegroup Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (100378)*	1,250,000	1.22

Analysis of Warrant B Holdings
As at 6 July 2018
(Cont'd)

List of Top 30 Warrant B Holders as at 6 July 2018 (Cont'd)

	Names	Warrants Held	%
12	Affin Hwang Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (M09)*	1,250,000	1.22
13	Cimsec Nominees (Tempatan) Sdn BHd *CIMB FOR TEO AH SENG (PB)*	1,218,950	1.19
14	Low Sian Hai	1,137,500	1.11
15	RHB Capital Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR SUKESHAH BIN SUBRAMANIAM @ OSMAN*	1,087,500	1.06
16	Ong Chai Hong	1,050,000	1.03
17	Ee Sheau Sheng	1,000,000	0.98
18	Yap Kow Chai	1,000,000	0.98
19	Lim Yoke Chin	1,000,000	0.98
20	Lim Yoon Leng	1,000,000	0.98
21	Tok Boon Seong	860,900	0.84
22	Tay Tian Sen	808,100	0.79
23	Lau Jit Weng	800,500	0.78
24	Chan Cheng Woon	800,000	0.78
25	Teo Hock Meng	760,400	0.74
26	Tan Seng Chee	750,000	0.73
27	Lee Soon Fah	700,000	0.68
28	Ng Choon Chuy	640,000	0.62
29	Public Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR SAM CHEE MENG (E-SKN)*	604,287	0.59
30	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB FOR LEE SOI GEK (PB)*	600,000	0.59
	Total Warrants	**44,574,162**	**43.54**

LIST OF PROPERTIES

Location	Description/ Existing Use	Area	Tenure	Approximate Age of Property (years)	Fair Value as at 31.03.2018 (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	14	9,000,000	2004 (A) 14.5.2018 (V)
Unit No. B19 Level: G (Ground Floor), Level: L1 (First Floor), Level: L2 (Second Floor), Level: L3 (Third Floor), Level: L4 (Forth Floor), Block B19 situated in Aurora Place @ Bukit Jalil, Kuala Lumpur	Office	6,055 sq. ft.	Freehold	N/A	4,578,000	2014 (A) N/A (V)
Unit No. B20 Level: G (Ground Floor), Level: L1 (First Floor), Level: L2 (Second Floor), Level: L3 (Third Floor), Level: L4 (Forth Floor), Block B20 situated in Aurora Place @ Bukit Jalil, Kuala Lumpur	Office	6,055 sq. ft.	Freehold	N/A	4,578,000	2014 (A) N/A (V)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting ("15th AGM") of KEY ALLIANCE GROUP BERHAD ("KAG" or "the Company") will be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor on Wednesday, 5 September 2018 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of Directors and Auditors thereon.

2. To approve the payment of shortfall of Directors' fees of RM8,000 for the financial year ended 31 March 2018. **(Ordinary Resolution 1)**

3. To approve Directors' fees up to RM 237,000 for the financial year ending 31 March 2019 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 Mr Ong Gim Hai, the Director who retires in accordance with Article 81 of the Constitution of the Company. **(Ordinary Resolution 3)**

5. To re-elect the following Directors who retire in accordance with Article 88 of the Constitution of the Company:-
   i) Dato' Zaidi Bin Mat Isa @ Hashim **(Ordinary Resolution 4)**
   ii) Mr Lee Kien Fatt **(Ordinary Resolution 5)**

6. To re-appoint Messrs. Afrizan Tarmili Khairul Azhar as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

As Special Business

To consider and if thought fit, to pass the following resolutions with or without any modifications as resolutions:-

7. **Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016 ("the Act")** **(Ordinary Resolution 7)**

   "THAT, subject always to the Act, the Constitution of the Company and the approvals and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be 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 during the preceding twelve (12) months does not exceed ten percent (10%) of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Board of Directors be also empowered to obtain approval for the listing of and quotation for the additional shares so issued in Bursa Malaysia Securities Berhad ("Bursa Securities")."

8. 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 2018

NOTES:-

1. Only depositors whose names appear in the Record of Depositors as at 28 August 2018 shall be regarded as members and be entitled to attend, participate, speak and vote at 15th AGM.

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 Act. 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. Any alterations in the Proxy Form must be initialed by the member.

6. 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.

7. 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 Securities requires all resolutions set out in the Notice of 15th AGM to vote by poll.

EXPLANATORY NOTES TO THE AGENDA

8. **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.

9. **Item 3 of the Agenda - Ordinary Resolution no. 2**
   Approval of Directors' fees for the financial year ending 31 March 2019

   Directors' fees approved for the financial year ended 31 March 2018 was RM248,000. The Directors' fees proposed for the financial year ending 31 March 2019 are calculated based on the number of scheduled Board and Committee Meetings for 2019 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 monthly basis and/or as and when required. 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.

Notice of Annual General Meeting
(Cont'd)

10. **Item 7 of the Agenda - Ordinary Resolution no. 7**
    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 15th AGM to allot and issue shares in the Company up to an amount not exceeding in total of ten percent (10%) of the issued shares (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 25 August 2017 which will expire at the conclusion of the 15th AGM of the Company.

    (c) Pursuant to the previous mandate, the Company had issued and listed a total of 42,790,000 ordinary shares representing 10% of the issued and paid-up share capital of the Company on Bursa Securities via private placement exercise which was completed on 20 April 2018. The proceeds thereof were fully utilised in the following manner:

Purpose	**Proposed Utilisation**
(i) Repayment of borrowings (ii) Estimated expenses for the Proposed Private Placement	2,551,585 80,000
Total	2,631,585

    (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.

11. **ANNUAL REPORT**

    The Annual Report for the financial year ended 31 March 2018 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within 4 market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at www.kag.com.my.

    Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact Shareworks Sdn. Bhd. (229948-U) at telephone no. 03-62011120 or email your request to sharereg@shareworks.com.my.

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 15th AGM of the Company.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of proceeds raised

Save as disclosed below, there were no other proceeds raised from corporate proposal during FY2018.

Rights issue

On 8 May 2017, the Rights Issue with Warrants was completed with the listing and quotation of Rights Shares and Warrants on the ACE Market of Bursa Securities. As at 31 March 2018, the status utilisation of the proceeds raised is as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Unutilised RM'000
Construction works for the Pano Project*	35,000	(963)	34,037
Working capital	5,203	(5,203)	–
Estimated expenses for the corporate exercises	750	(750)	–

* *Proceeds of up to RM25 million will be allocated for construction works. The Company will allocate up to an additional RM10 million for the construction works to act as a buffer to cater for any delay in the project schedule/progress payments and related expense. Any unutilized balance from this RM10 million will be allocated for working capital.*

2. Material contracts

There were no material contracts including contracts relating to any loans entered into by the Group involving Directors' or substantial shareholders' interest, either still subsisting at the end of FY2018 or entered into since the end of the previous financial period ended 31 March 2017.

3. Options, warrants or convertible securities

During FY2018, the Company issued:

a) 819,054,853 new ordinary shares at RM0.05 per ordinary share and 409,527,425 Warrants B as well as 14,615,906 additional Warrants A arising from Rights issue with Warrants;

b) 73,500,000 new ordinary shares at RM0.05 per ordinary share pursuant to the SIS for a total cash consideration RM3,675,000; and

c) 427,902,420 consolidated shares, adjustment number of 76,253,585 Warrants A and adjusted number of 102,381,807 Warrants B arising from the completion of Share Consolidation.

The details of the issued capital of the Company as at 31 March 2018 are as follows:

	No. of Shares	RM
As at 01 April 17	819,054,853	40,952,743
Ordinary shares issued pursuant to the Rights Issue	819,054,853	40,952,743
Ordinary shares issued pursuant to the SIS	73,500,000	3,675,000
Share consolidation	(1,283,707,286)	–
Transfer pursuant to the Act	–	9,216,098
As at 31 March 2018	427,902,420	94,796,584

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

Additional Compliance Information
(Cont'd)

4. Audit and Non-Audit Fees

During FY2018, non-audit fees incurred for services rendered to the Company and/or its subsidiaries by the Company's external auditors, Messrs. Afrizan Tarmili Khairul Azhar were as follows:

	The Company RM	**The Group RM**
Audit fees	21,600	129,580
Non audit fees	30,000	30,000

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

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

CDS Account No.:

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 ....

or failing him/her*, the CHAIRMAN OF THIS MEETING as my/our* proxy to vote for me/us* and on my/our* behalf at the Fifteenth Annual General Meeting of the Company to be held at Level 4, Manara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor on Wednesday, 5 September 2018 at 11.00 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1.	Approval of shortfall of Directors' fees of RM8,000 for the financial year ended 31 March 2018		
2.	Approval of Directors' fees for the financial year ending 31 March 2019		
3.	Re-election of Mr Ong Gim Hai		
4.	Re-election of Dato' Zaidi Bin Mat Isa @ Hashim		
5.	Re-election of Mr Lee Kien Fatt		
6.	Re-appointment of Messrs Afrizan Tarmili Khairul Azhar as Auditors and to authorize the Directors to fix their remuneration		
7.	Renewal of authority for Directors to issue shares pursuant to Section 75 of the Companies Act 2016		

Please indicate with an "X" or "√" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given the proxy may 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 2018

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

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 28 August 2018 shall be regarded as members and be entitled to attend, participate, speak and vote at the Fifteenth (15th) Annual General Meeting ("AGM").*

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.*

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5. *Any alterations in the Proxy Form must be initialled by the member.*

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7. *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 15th AGM to vote by poll.*

Personal Data Privacy

By submitting the proxy form, the member or proxy accepts and agrees to the collection, use and disclosure of their personal data by the Company (or its agents or service providers) for the purpose of preparation and compilation of documents relating to the 15th AGM (including any adjournment thereof).

Fold this flap for sealing

Then fold here

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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