DGSB

DIVERSIFIED GATEWAY SOLUTIONS BERHAD
(Company No. 675362-P)

ANNUAL REPORT 2014

STEADFAST and RESILIENT

BUSINESS SEGMENTS

DIGITAL & INFRASTRUCTURE SERVICES

Provision of a comprehensive range of tele/data communication and networking solutions and services.

DGB

Diversified Gateway Berhad

BUSINESS PERFORMANCE SERVICES

Provision of integrated business solutions based on SAP software.

ISS CONSULTING
INTEGRATED SOFTWARE SOLUTIONS

ISS Consulting (Malaysia) Sdn Bhd
ISS Consulting (S) Pte Ltd
ISS Consulting (Thailand) Ltd

TRADING & DISTRIBUTION SERVICES

Distribution and maintenance of computer networking, network security, storage and network management solutions.

RRSB

Rangkaian Ringkas Sdn Bhd

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CORPORATE PROFILE

DIVERSIFIED GATEWAY SOLUTIONS BERHAD (DGSB) GROUP OF COMPANIES OPERATES THREE DISTINCT SEGMENTS OF TECHNOLOGY BUSINESS – DIGITAL & INFRASTRUCTURE SERVICES, TRADING & DISTRIBUTION SERVICES AND BUSINESS PERFORMANCE SERVICES.

Through its wholly-owned subsidiary, Diversified Gateway Berhad (DGB), it has extensive experience and success in providing a comprehensive suite of communications network-related services such as requirement studies, network design, installation, maintenance, consultancy, project management and operations and management for large carrier and enterprise networks in Malaysia. DGB operates through its own nationwide service centres providing localised support for its customers across Malaysia. DGB has recently ventured into providing iMedia Digital Signage Solutions as part of the growth strategy for the company.

In the network equipment distribution business, Rangkaian Ringkas Sdn Bhd (RRSB) distributes carrier grade anti-DDoS systems, enterprise networking and security solutions and management technologies and network intelligence optimisation through its value-added partners, solutions partners and enterprise application providers. RRSB is an authorised value-added distributor of NS Focus and Ruijie Networks. RRSB is currently negotiating business partnerships with regional distributors such as Synet Global Pte Ltd as it prepares itself for a more aggressive growth strategy.

In the Business Performance Services area, DGSB's Integrated Software Solutions (ISS), with offices in Thailand, Singapore and Malaysia, focuses primarily on implementing SAP software for customers, addressing their enterprise resource planning needs.

Digital & Infrastructure Services (DGB)

> Core and Long Haul Network Solution

An integrated carrier grade solution offered to service providers and/or large enterprises for backbone or transport services over IP, Ethernet (Packet-based) or SONET, SDH, WDM (Optical-based).

Packet-based solutions allow our customers to confidently offer private lines, VPN and advance services on a single integrated backbone while SONET and SDH technologies are primarily used to support traditional TDM voice and emerging packet solutions and additional services which are not supported by packet solutions such as Television Distribution, Fibre Channel Storage and many installed security systems. These networks can further leverage on the bandwidth and distance extensions provided by an underlying DWDM network.

> Wireless Connectivity Solutions

Wireless connectivity solutions offered include high speed broadband wireless from 52Mbps up to 1.25Gbps for both Enterprise LAN and Service Provider mobile wireless networks, together with metro access. The solution is based on FSO (Free Space Optic Technology) and is ideal to deliver the speed of fibre with the flexibility of wireless connectivity for distances of 10m to 5km.

Further, digital microwave radio/spread spectrum transmission technology is also offered as a wireless connectivity solution. This solution caters for both voice and data application over public or private networks. The advantage of deploying digital microwave radio technology is that it delivers very low bit error rate links that are highly immune to interference.

The applications supported over the wireless network include wireless local loop (WLL), Wide Area Networking (WAN) and Metropolitan Area Networking (MAN). The high performance links offered are ideal for frame relay applications and last mile feeders into optical and satellite networks. The obvious advantages of wireless connectivity are less time-consuming and more cost-effective as compared to fibre trenching.

> Wide Area Networking (WAN)

Our expertise in networking solutions includes providing data communication solutions that support several networking technologies such as ATM, Frame Relay, IP and Voice on a single platform, more aptly known as convergence technology.

The technologies and solutions offered are ideal for both enterprises and service providers for access adaptation or backbone switching. In detail, it supports core connectivity and allows revenue generating services to be technically and commercially deployed in the most effective manner.

The services supported under this platform are Intranet services, Internet access, extranets, next-generation wireless networks including TDMA, GSM, GPRS, UMTS, CDMA radio technologies and packet voice networking.

CORPORATE PROFILE
(CONTINUED)

> Service Provider Network Solutions

Our expertise in networking solutions includes providing revenue generating solutions to service providers in the area of Storage Area Network (SAN) and SAN Storage for mission critical customers, especially in the financial industry where business continuity is of the utmost importance in the event of a crisis. This service can be delivered via DWDM technology.

The optical network technology and solutions offered also enable service providers to offer data, VOIP (Voice over IP), voice and multimedia centric applications, broadcast, IP Video, Ethernet VPN and even broadband solutions via readily available infrastructure.

> Local Area Network (LAN) Solutions

We also focus on delivering a complete wired and wireless LAN solution to our customers in the areas of Structured Cabling and LAN switching (2 tier or 3 tier network topology). The structured cabling encompasses both the horizontal cabling (Cat.5e and Cat.6 UTP cabling) and vertical fibre optic cabling (single mode and multi-mode).

Together with LAN switching, we also provide network performance monitoring and bandwidth management solutions that ensure the smooth operation of networks. Further, we also offer network security solutions such as multi-tiered firewall architecture, Web Application Firewall (WAF), Anti-DDoS System (ADS) and also IDS (Intrusion Detection System) as well as IPS (Intrusion Prevention System) against virus attacks, worms and hackers.

Physical encryption devices to encrypt and ensure secured data and voice communication between point to point and multipoint are also available in the form of fax, telephone, mobile phone, modem, leased line, ISDN encryption device with SBLH, 256 bit encryption algorithms.

> Support Services

DGB provides a wide range of support services options for customers to choose from in accordance with their needs and budgets.

a. *Maintenance Services*

We offer flexible maintenance services for customers who have requirement constraints as well as budget constraints. Our options include differing radius coverage, response times, and number of spares coverage as well as number of days and/or hours of coverage (option to include Saturday, Sunday or even Public Holidays).

We are one of the few integration companies in Malaysia that operates our own service centres across the country. Our service teams are hired and trained with the necessary technological skills by our principals and consultants in order to provide maintenance and support to our customers on a 24-hours basis, if necessary. We also offer a response time of between 2 to 4 hours, one of the fastest in the IT industry.

The products that we support range from modems (standalone or rack mount), PCs, Point-of-Sale, Servers to network equipment such as network switches, routers, wireless equipment and optical switches covering customer headquarters, state branches, as well as agents on a nationwide basis. We currently maintain networks deployed by Internet Service Providers (ISPs), Financial Service Institutions, Telco Providers, Insurance companies, Banks and Oil & Gas companies.

We also cater to customers who require Preventive Maintenance for their systems on a monthly, quarterly or half-yearly basis. The scope of work here encompasses checking and running diagnostic tests on machines to ensure that parts are working correctly and potential problems are eradicated or minimised.

b. Technical Services

Services such as installation, testing, demonstrations, commissioning, network management, performance tuning as well as monitoring are also available. Our engineers are skilled across a wide range of hardware and software (SCO Unix, HP Unix, NT etc.) and are more technology oriented rather than product oriented. This makes them versatile in solving problems in a multi-vendor environment.

CORPORATE PROFILE
(CONTINUED)

> **iMedia Digital Signage Solutions**

The traditional media industry is experiencing dramatic changes as a result of Internet-based multimedia information broadcasting technology. To capitalise on these trends, DGB is engaged in the media cloud business (iMedia) to innovatively combine cloud services with digital media broadcasting, to form a new-age cloud that combines traditional network media, outdoor media and mobile media to form a common new Digital Signage platform.

By utilising the cloud service features, DGB's iMedia Digital Signage Solution provides cost-effective, easy-to-manage, rich service broadcasting and operating solutions for SMEs, Corporates and Media Operators that easily provide content to digital display screens at different physical locations. Digital signage solutions can be widely used in various industries, including government, banks, hotels, shopping malls, hospitals, schools and public transportation. The iMedia solution is available for sustained use and on demand, and is compatible with a range of multimedia and mobile broadcasting terminals, such as digital signage, TV screens, mobile phone, digital pad, and so on.

Trading & Distribution Services (RRSB)

> **NS Focus**

NSFOCUS Information Technology Co Ltd is a proven global leader in providing enterprise-level network security solutions and services. Its strategy is to provide the most competitive security solutions and services for customers and to be the world's most reliable network security company. NSFOCUS is dedicated to providing carrier-grade solutions for anti-DDoS, Web security, and enterprise-level network security.

For over 10 years, NSFOCUS' research and development teams have been studying DDoS attacks and how to prevent them. This long-term commitment has helped its customers maintain high levels of business operations and ensure that their online business systems remain available. The NSFOCUS Anti-DDoS System (ADS) helps customers identify and fend off a wide variety of attacks, from simple network layer attacks to more sophisticated and potentially damaging application-layer attacks; all the while allowing legitimate traffic access to critical systems.

> **Ruijie Networks**

Founded in 2000, Ruijie Networks is a world-leading IP solutions and product supplier. Based on its leading research and development capability, Ruijie Networks has become one of the top suppliers of a full range of networking products worldwide. Its product line spans routers, switches, data centre switches, wireless, security gateways and application software. All of these are widely deployed in government, financial services, education, healthcare, enterprises and telecom carriers.

Business Performance Services (ISS)

ISS offers a wide range of SAP services, often tailored to our clients' needs, primarily in the following areas:

- Spot consulting covering functional and technical reviews for SAP software and fit analysis
- SAP implementation ranging from single entity to multiple entities across different geographies
- SAP-certified help desk services, supporting customers with services ranging from 1st level support to remote installation and development of enhancements
- SAP software version upgrade and migration services

In addition to the above, ISS undertakes custom development of specialised business functions not addressed well by SAP.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Independent
Non-Executive Chairman
Dato' Mah Siew Kwok

Executive Director
and Chief Executive Officer
Mr Lau Chi Chiang

Independent
Non-Executive Directors
Mr Hoe Kah Soon
Mr Chan Hiok Khiang
En Ahmad Bin Khalid

BOARD COMMITTEES

Audit Committee
Mr Hoe Kah Soon (Chairman)
Mr Chan Hiok Khiang
En Ahmad Bin Khalid

Nomination Committee
Mr Chan Hiok Khiang (Chairman)
Mr Hoe Kah Soon
En Ahmad Bin Khalid

Remuneration Committee
Dato' Mah Siew Kwok (Chairman)
Mr Chan Hiok Khiang
Mr Lau Chi Chiang

Executive Committee
Dato' Gan Nyap Liou @ Gan Nyap Liow
Mr Monteiro Gerard Clair
Mr Lau Chi Chiang

COMPANY SECRETARIES

Ms Lim Shook Nyee
[MAICSA No. 7007640]

Ms Ng Kam May
[MAICSA No. 7020575]

SHARE REGISTRAR

Bina Management (M)
Sdn Bhd (50164 V)
Lot 10, The Highway Centre
Jalan 51/205, 46050 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7784 3922
Fax : +603 7784 1988

AUDITORS

Crowe Horwath
Level 16, Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : +603 2788 9999
Fax : +603 2788 9998

REGISTERED OFFICE

16th Floor, KH Tower
8 Lorong P. Ramlee
50250 Kuala Lumpur
Tel : +603 2078 4488
Fax : +603 2070 6893

HEAD OFFICE

Level 16, Menara Maxisegar
Jalan Pandan Indah 4/2
Pandan Indah
55100 Kuala Lumpur
Tel : +603 4291 9233
Fax : +603 4291 7633

STOCK EXCHANGE LISTING

ACE Market
Bursa Malaysia Securities Berhad

PRINCIPAL BANKERS

Public Bank Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Hong Leong Islamic Bank Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Berhad

WEBSITE ADDRESS

www.dgsbgroup.com

CORPORATE STRUCTURE

Diversified Gateway Solutions Berhad

100%	Diversified Gateway Berhad	Active
100%	ISS Consulting (Malaysia) Sdn Bhd	Active
100%	ISS Consulting (S) Pte Ltd	Active
100%	Rangkaian Ringkas Sdn Bhd	Active
49%	ISS Consulting (Thailand) Ltd	Active
100%	Ledge Consulting Pte Ltd	Inactive
100%	Cogent Business Solutions (S) Pte Ltd	Inactive
100%	PT ISS Consulting Indonesia	Inactive
70%	Cogent Consulting Sdn Bhd	Inactive

Active

Inactive

CHAIRMAN'S STATEMENT

BRIEF SUMMARY

The financial year ended 31 March 2014 continues to see Diversified Gateway Solutions Berhad (DGSB) reporting a profit. The Digital & Infrastructure Services segment continues to contribute positively to the Group's financials while the Business Performance Services segment, having been reorganised and still under constant review, is positioning itself for growth. The Trading & Distribution Services segment, which began operations in the final quarter of the preceding year, continues to show promise as it contributed positively to both revenue and profit for the Group. All in all, the Group ended the year with positive results.

PERFORMANCE

As Chairman, I am pleased to announce that the Group's revenue and profit before tax for the financial year ended 31 March 2014 (FYE2014) remain constant as per the preceding financial year at RM76.3 million and RM3.2 million respectively. Reduced impairment losses on goodwill and improved gross profit margins across the Group contributed to the Group's profit before tax remaining constant, despite the increase in employee benefits of the Group. The increase in employee benefits was mainly attributable to the expansion in headcount of the Group's Thai subsidiary. This is positive news for the Group as the Group continues to maintain its profitability and growth path.

CORPORATE PROPOSALS

On 26 March 2012, the Company announced its proposal to undertake a Renounceable Rights Issue of up to 338,969,273 new ordinary shares of RM0.10 each in DGSB together with up to 338,969,273 Free Detachable Warrants (Warrants) at an issue price of RM0.10 per Rights Share on the basis of one (1) Rights Share for every four (4) existing ordinary shares of RM0.10 each held in DGSB (DGSB Shares) together with one (1) free Warrant for every one (1) Rights Share subscribed at an entitlement date, to be determined later by the Board (Rights Issue with Warrants).

On 4 April 2014, the Company has decided not to proceed with the Rights Issue with Warrants, as it is the Board's intention to maximise the funds to be raised from the Rights Issue with Warrants rather than based on a minimum subscription level.

Saved as disclosed above, there were no other corporate proposals announced or outstanding for the year.

PROSPECTS

The Government's National Broadband initiatives under the 10th Malaysia Plan continue to encourage capital spending in the communication sub-sector of the Information, Communications & Technology (ICT) sector. Key industry players continue to upgrade and expand their network and broadband coverage. With this, the DGSB Group continues to translate such initiatives into business opportunities.

In addition, in the Business Performance Services segment, the Group's Thai subsidiary has seen a steady growth in its business footprint in Thailand. The DGSB Group is waiting to translate such expansion into positive contributions to the Group's results.

The Group will continue to proactively identify new synergistic businesses while keeping close view on its existing operations.

APPRECIATION AND ACKNOWLEDGEMENT

I would like to take this opportunity to thank the Management team for their commitment to the Group and in serving our customers, and their continuing efforts in improving the overall business performance of the Company. I would also like to thank the Directors who have each contributed in helping the Company continue on its steady growth path.

Appreciation must also be extended to the employees of the DGSB Group for their continuous effort and selfless contribution to the Company.

Last but most definitely not least, to our customers, shareholders, business partners and associates, I thank you for your unwavering faith in the DGSB Group and we very much look forward to your continuous support in the coming years.

Thank you.

Dato' Mah Siew Kwok
CHAIRMAN

Date: 21 July 2014

PROFILE OF DIRECTORS

DATO' MAH SIEW KWOK

- Age 66, Malaysian
- Chairman of the Board, Non-Independent Non-Executive Director
- Appointed to the Board as Non-Independent Non-Executive Chairman on 1 August 2013
- Currently Chairman of the Remuneration Committee

Dato' Mah qualified in law and was called to the English Bar in 1972. He was the founder and senior partner of Messrs Mah & Partners in 1975, specialising in Corporate Law, Banking Law and Land Law. He remained in practice for ten years before venturing into the commercial sector.

From 1983 to 1994 he served as Managing Director of South Malaysia Industries Berhad. Since 1994, Dato' Mah has been involved in the Information Technology sector where his last executive role was as Executive Vice Chairman & Chief Executive Officer of Formis Resources Berhad. He is also Deputy Chairman of Chong Hwa Independent High School and a member of the Board of Trustees of Kwan Inn Teng Foundation.

In addition to the directorships he holds in various private companies, Dato' Mah currently serves as a Non-Executive Vice Chairman of Formis Resources Berhad and as a Director of Ho Hup Construction Company Berhad and Kian Joo Can Factory Berhad.

MR LAU CHI CHIANG

- Age 50, Malaysian
- Executive Director and Chief Executive Officer
- Appointed as Chief Executive Officer on 14 April 2010 and as Executive Director on 6 March 2012
- Currently a member of the Remuneration Committee and the Executive Committee

Mr Lau graduated with a BA (Hons) from Universiti of Malaya, Malaysia and went on to obtain his Masters of Business Administration from Southern Cross University, Australia.

He started his career in 1989 as an Account Manager at Innovest Systems and Services Sdn Bhd moving on to Digital Transmission Systems Sdn Bhd in 1991 as a General Sales Manager.

In 1997, he joined Diversified Gateway Berhad (DGB) and currently also serves as Managing Director of DGB. He is also Deputy Chairman, Public Relations and Tourism Committee of Chinese Chamber of Commerce & Industry of Kuala Lumpur & Selangor.

MR HOE KAH SOON

- Age 55, Malaysian
- Independent Non-Executive Director
- Appointed to the Board on 6 March 2012
- Currently Chairman of the Audit Committee and a member of the Nomination Committee

Mr Hoe holds a Bachelor of Accounting Degree from University Malaya, with a first class honours. After graduating in 1982, he joined Arthur Andersen (Audit Division) where he successfully completed his MACPA examinations. In 1984, he transferred to its Consulting Division (which eventually became Accenture) and was admitted to global partnership in 1995. During his 23 years at Accenture, he specialised in programme managing large scale business systems integration projects. He also assumed several leadership positions including Country Managing Partner Taiwan, member of the Accenture Global People Matters (HR) advisory committee and Head of Malaysia Resources Operating Group.

He is currently an Independent Non-Executive Director of IFCA MSC Berhad.

PROFILE OF DIRECTORS
(CONTINUED)

MR CHAN HIOK KHIANG

- Age 58, Malaysian
- Independent Non-Executive Director
- Joined the Board on 1 December 2011
- Currently a member of the Audit Committee and Remuneration Committee and Chairman of the Nomination Committee

Mr Chan graduated from Imperial College, London with a 1st Class Honours BSc (Eng) degree. He was also awarded the Sarawak Shell Scholarship for his studies at Imperial College from 1976 to 1979.

With over 25 years of experience in management and engineering consulting, he was formerly a consulting partner with Accenture, the largest global management consulting firm. While with the firm, he was the head of Products Industry for Malaysia and Thailand with special emphasis on automotive and health care. He spent a total of 21 years with Accenture in KL and Singapore, serving in a variety of industries and management positions. His responsibilities included staff training, recruitment and business process consulting for Malaysia and eCommerce in Asia.

As a management consultant, he led and managed large IT systems implementation projects, developed business and technology strategy for large enterprises and led numerous business consulting engagements. Between 2000 and 2002, he was one of the general partners dealing with venture capital investments and corporate development work for Accenture in Asia Pacific.

Between 2005 and 2009, he served as an independent director with IFCA MSC Sdn Bhd. Mr Chan currently serves as an Independent Non-Executive Director of Microlink Solutions Berhad.

EN AHMAD BIN KHALID

- Age 63, Malaysian
- Independent Non-Executive Director
- Joined the Board on 1 June 2013
- Currently a member of the Audit Committee and Nomination Committee

En Ahmad started his career in banking and subsequently moved to the telecommunications industry. He has attended numerous professional courses and seminars both abroad and locally. For the past 30 years, he has held various top management positions in the banking and telecommunications sectors.

He is currently a Director of Formis Resources Berhad, Watta Holdings Berhad, Formis Holdings Berhad and Diversified Gateway Berhad.

Save where disclosed above, none of the Directors has:

- any family relationship with any Director and/or major shareholder of the Company
- any conflict of interest with the Company
- any conviction for offences within the past 10 years other than traffic offences

NOTICE OF NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of the Company will be held at Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur on Monday, 15 September 2014 at 10.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2014 together with the Reports of the Directors and Auditors thereon. ***Resolution 1***

2. To approve payment of Directors' fees amounting to RM404,288 for the financial year ended 31 March 2014. ***Resolution 2***

3. To re-elect the following Directors retiring pursuant to Article 111 of the Company's Articles of Association and being eligible, offered themselves for re-election:

   (a) Lau Chi Chiang ***Resolution 3***
   (b) Hoe Kah Soon ***Resolution 4***

4. To re-appoint Messrs Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. ***Resolution 5***

AS SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

   AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 ***Resolution 6***

   "THAT subject always to the Companies Act, 1965 and the approvals of the relevant authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

6. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

   PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ***Resolution 7***

   "THAT the Company and/or its subsidiaries be and is/are hereby authorised to enter into recurrent related party transactions from time to time with Related Parties who may be a Director, a major shareholder of the Company and/or its subsidiaries or a person connected with such a Director or major shareholder, as specified in section 2.3 of Part B of the Statement / Circular to Shareholders dated 20 August 2014 subject to the following:-

NOTICE OF NINTH ANNUAL GENERAL MEETING
(CONTINUED)

i) the transactions are of a revenue or trading in nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries and are transacted on terms consistent or comparable with market or normal trade practices and/or based on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and

ii) disclosure is made in the annual report of the aggregate value of transactions conducted during the financial year pursuant to the shareholders' mandate in accordance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

THAT the mandate given by the shareholders of the Company shall only continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the "Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); unless revoked or varied by Ordinary Resolution of the shareholders of the Company in general meeting, whichever is the earlier;

AND THAT the Directors of the Company be authorised to complete and do such acts and things as they may consider expedient or necessary to give effect to the shareholders' mandate."

7. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ***Resolution 8***

"THAT, subject to the provisions of the Companies Act ("Act"), 1965, Part IIIA of the Companies Regulations 1966, the Articles of Associations of the Company, Chapter 12 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, orders, requirements, rules and regulations, guidelines issued by the relevant authorities at the time of purchase, the Company be and is hereby authorised to allocate an amount not exceeding the total audited retained profits and/or share premium account of the Company for the purpose of purchasing such amount of ordinary shares of RM0.10 each ("DGSB Shares") in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at the time of purchase ("Proposed Renewal of Share Buy-Back Authority");

AND THAT the Directors of the Company be and are hereby authorised to decide in their absolute discretion to deal with any DGSB Shares purchased by the Company pursuant to the Proposed Renewal of Share Buy-Back Authority, whereby the DGSB Shares purchased may be dealt with in the following manner:-

(i) cancelled; or
(ii) retained as treasury shares for distribution as dividend and/or resold on Bursa Securities and/or cancelled subsequently; or
(iii) partly retained and partly cancelled; or
(iv) such other manner as may be permitted by the Act; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities and any other relevant authority for the time being in force;

NOTICE OF NINTH
ANNUAL GENERAL MEETING
(CONTINUED)

AND FURTHER THAT the Directors of the Company be and are hereby authorised to carry out the Proposed Renewal of Share Buy-Back Authority immediately upon the passing of this resolution, which shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of DGSB at which the ordinary resolution for the Proposed Renewal of Share Buy-Back Authority is passed, at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
(iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of DGSB in a general meeting,

whichever occur first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors of the Company deem fit and expedient in the best interest of the Company and to give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

8. To transact any other business of which due notice shall have been given.

By Order of the Board

LIM SHOOK NYEE [MAICSA No. 7007640]
NG KAM MAY [MAICSA No. 7020575]
Company Secretaries

Kuala Lumpur
20 August 2014

NOTES:

i) A member entitled to attend and vote at the meeting may appoint another person as his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.

ii) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.

iii) 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. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of the attorney.

v) The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof shall be deposited at the Registered Office of the Company at 16th Floor, KH Tower, 8 Lorong P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time for holding of the meeting or adjourned meeting.

vi) Only members whose names appears in the Record of Depositors on 9 September 2014 shall be entitled to attend, speak and vote at this meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

NOTICE OF NINTH ANNUAL GENERAL MEETING
(CONTINUED)

NOTES ON SPECIAL BUSINESS:

i) Resolution pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution 6 is a renewal of the general mandate for the issue of new ordinary shares in the Company which was approved at the last Annual General Meeting ("AGM") of the Company held on 12 September 2013. The Company did not issue any new shares after the previous mandate was obtained at the last AGM.

This resolution, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors consider it to be in the best interest of the Company. Any delay arising from and cost involved in convening a general meeting to approve such issuance of shares should be eliminated. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

ii) Resolution pertaining to the Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

For Resolution 7, further information on the Recurrent Related Party Transactions is set out in Part B of the Statement/Circular to Shareholders dated 20 August 2014 which is dispatched together with the Company's Annual Report 2014.

iii) Resolution pertaining to the Proposed Renewal of Authority for the Company to Purchase its Own Shares of the Company

For Resolution 8, further information on the Proposed Renewal of Share Buy-Back Authority is set out in Part A of the Statement/Circular to Shareholders dated 20 August 2014 which is dispatched together with the Company's Annual Report 2014.

STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS (THE BOARD) OF DIVERSIFIED GATEWAY SOLUTIONS BERHAD (THE COMPANY) CONTINUES TO MAINTAIN A HIGH STANDARD OF CORPORATE GOVERNANCE by adopting the substance and spirit of the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (MCCG 2012) wherever possible and to ensure that effective self-regulatory controls exist throughout the Group to safeguard the Group's assets.

The Board especially recognises the importance of good corporate governance in building and enhancing long-term shareholder value and financial performance of the Group.

The Board has endeavoured to comply with the relevant Principles and Recommendations as set out in the MCCG 2012 and the extent of its compliance is set out below.

THE BOARD

Roles and Responsibilities

The Board is responsible for the overall governance of the Group by ensuring that the strategic guidance and succession plan of the Group, the effective monitoring of management goals, and accountability to the Group and shareholders as well as ensuring that the Group's internal controls, risk management and reporting procedures are well in place. The Board members exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied, through compliance with relevant rules and regulations, directives and guidelines. The Board members are attentive in applying high ethical standards in their decision-making, taking into account the interests of all stakeholders.

The core responsibilities of the Board include reviewing and approving the Group's business strategies and plans, significant policies and monitoring the Management's performance in implementing them. The Board assumes the six principal responsibilities specified in the MCCG 2012 when discharging its leadership and control responsibilities.

The Board recognises the importance of attracting and retaining key management personnel and as such has made concerted efforts to identify and groom middle management at all key areas as an integral part of the management succession plan. The plan also includes offering a competitive remuneration package to and providing training and career development opportunities for employees in all key functions of the Group's operations.

The Board has established four (4) Committees, namely the Audit Committee, the Executive Committee, the Remuneration Committee and the Nomination Committee (collectively referred to as Board Committees), each with specific authorities and responsibilities, to assist the Board to discharge its duties and responsibilities effectively. The Board Committees operate within clearly defined terms of reference and have the authority to examine particular issues delegated to them and report back to the Board with their recommendations and comments. The ultimate responsibility for the final decision on all significant matters proposed by the Board Committees, however, lies with the Board as a whole.

The current compositions of the Board Committees are as set out on page 5 of this Annual Report.

Composition and Board Balance

The Board consists of five (5) members -

3 (THREE) Independent Non-Executive Directors

1 (ONE) Non-Independent Non-Executive Chairman

1 (ONE) Executive Director

This composition complies with the ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Securities) (ACE Market Listing Requirements) which requires at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is higher, to be independent Directors. The Board, through annual review by the Nomination Committee, viewed the current Board composition to be appropriate in terms of its membership and size.

The Board's composition has the mix of knowledge, skill, expertise and strength in those qualities which are relevant and which enable the Board to carry out its responsibilities in an effective and competent manner. There is also a balance in the Board with the presence of Independent Non-Executive Directors of the necessary calibre and experience to carry sufficient weight in the Board's decisions. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important to provide an independent view, advice and judgment and to take into account the interest of the Group, its shareholders, employees and communities in which the Group conducts its business. The profiles of the members of the Board are presented on pages 8 to 9 of this Annual Report.

Board Charter

The Board has established a Board Charter as a key point of reference to clarify the roles and responsibilities of the Board. The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available for reference at the Company's website at www.dgsbgroup.com.

Directors' Code of Ethics

The Board observes a code of ethics in accordance with the code of conduct expected of Directors as set out in the Company's Directors' Code of Ethics established by the Companies Commission of Malaysia.

In line with good governance and transparency, a Whistle-Blowing Policy has been adopted by the Company which sets out the principle and grievance procedures for employees to raise genuine concerns of possible improprieties perpetrated within the Group. Both the Code of Ethics and the Whistle-Blowing Policy are available for reference at the Company's website at www.dgsbgroup.com.

Sustainability

The Board believes that sustainable corporate success requires the highest standard of corporate behaviour including measuring up to public expectations on environmental and social responsibilities. Good corporate governance through the practice of accountability, honesty and transparency coupled with effective adoption of corporate social responsibility (CSR) will ensure the Group's sustainability in the competitive corporate world and have a positive influence on the Group's business strategy and performance in the short-term and long-term. The Group emphasises CSR on four (4) focal areas, namely the workplace, the community, the environment and the marketplace. Our sustainability strategy aims to deliver lasting value for our shareholders and stakeholders.

The CSR statement is set out on page 25 of this Annual Report.

Supply of Information and Company Secretaries

The Board has full and unrestricted access to all information within the Company and the Group as well as the advice and services of Senior Management and the Company Secretaries in carrying out their duties.

The Company Secretaries play an advisory role to the Board on matters pertaining to compliance of procedures, rules and regulatory requirements. Deliberations at meetings on issues discussed and decisions made, were properly recorded and kept.

The Board may consult with other Group employees and seek additional information where appropriate. Likewise, the Directors have access to independent professional advice whenever such services are needed to assist them in carrying out their duties, at the Company's expense. Any such requests shall be forwarded to the Chairman for approval.

STRENGTHEN COMPOSITION

Nomination Committee

The Nomination Committee (NC) is comprised entirely of Independent Non-Executive Directors. The NC recommends to the Board suitable candidates for appointment as Directors, and filling the vacant seats of the Board Committees. Meetings of the NC are held as and when required, and at least once a year. The current NC Chairman is independent and able to contribute effectively to the NC in view of his wide and vast boardroom experience. In evaluating the suitability of candidates, the NC considers the following factors before recommending to the Board for appointment:

- skills, knowledge, expertise and experience;
- time commitment to effectively discharge his/her role as a director;
- character, integrity and competence; and
- in the case of candidates for the position of Independent Non-Executive Directors, the NC shall also evaluate the candidates' ability to discharge such responsibilities / functions as are expected from Independent Non-Executive Directors.

The NC has a formal assessment mechanism to assess the effectiveness of the Board as a whole and the contribution of each individual director. During the financial year, the NC conducted the annual review of the Board's effectiveness as a whole, the performance of the Board Committees and the performance assessment of each individual Director.

Based on the annual review carried out, the NC is satisfied that the size of the Board is optimum and that there is an appropriate mix of skills and core competencies in the composition of the Board. The current composition of the NC is as set out on page 5 of this Annual Report.

During the financial year ended 31 March 2014, three (3) NC meetings were held.

STATEMENT ON CORPORATE GOVERNANCE
(CONTINUED)

STRENGTHEN COMPOSITION (CONT'D)

Nomination Committee (Cont'd)

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

Re-election

In accordance with the Company's Articles of Association, one third (1/3) of the Directors for the time being shall retire from office and be eligible for re-election, provided always that all Directors shall retire from office once at least three (3) years but shall be eligible for re-election. The Directors to retire in that particular year shall be those who have been longest in office since their last election.

The Articles of Association of the Company further provides that Directors who are appointed by the Board to fill a casual vacancy or as an addition to the existing Board are subject to re-election by the shareholders at the next Annual General Meeting following their appointment.

Remuneration Committee

The Remuneration Committee comprises two (2) Non-Executive Directors and one (1) Executive Director. The Remuneration Committee is entrusted under its Terms of Reference to assist the Board, amongst others, to carry out annual review of salaries, incentive arrangements and other employment conditions of the Executive Director. Meetings of the Remuneration Committee are held as and when required, and at least once a year. The Remuneration Committee met once during the financial year ended 31 March 2014 to review the remuneration of the Executive Director.

The current composition of the Remuneration Committee is as set out on page 5 of this Annual Report.

Remuneration Policy and Procedure

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors of the calibre needed to lead the Group successfully.

The remuneration of the Executive Director is structured so as to link rewards to corporate and individual performance. In the case of the Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.

The Remuneration Committee reviews and recommends to the Board the remuneration package of the Executive Director. It is the responsibility of the entire Board to approve the remuneration of the Executive Director. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. The Executive or Non-Executive Directors play no part in the decision making with regards to their own remuneration.

The fees of the Directors are subject to approval of shareholders at the Annual General Meeting. The Non-Executive Directors are also paid meeting attendance allowance for each Board meeting, Board Committees meeting and Shareholders meeting that they attended.

The remuneration for Executive and Non-Executive Directors paid/payable by the Group for the financial year under review is as set out in the accompanying table:

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' Salaries and Other Emoluments	1,977,916*	48,000*
Directors' Fees	-	404,288*

Remuneration Band (in RM per annum)	Executive Directors	Non-Executive Directors
Below 50,000	1*	-
50,001 – 100,000	-	4*
100,001 – 150,000	-	1
900,001 – 950,000	1*	-
1,050,001 – 1,100,000	1	-

* Inclusive of Directors who had retired / resigned during the financial year ended 31 March 2014

STATEMENT ON CORPORATE GOVERNANCE
(CONTINUED)

REINFORCE INDEPENDENCE

Annual Assessment of Independent Directors

The NC is responsible for assessing the independence of Independent Directors annually based on their independent and constructive views, deliberations and contributions during the Board meetings. The criteria for assessing independence developed by the NC will be applied upon admission, annually and when any new interest or relationship develops.

Tenure of Independent Directors and Shareholders' Approval for Retaining Independent Director who has served for more than nine (9) years

The NC and the Board have upon their annual assessment, concluded that the Independent Non-Executive Directors continue to demonstrate conduct and behavior that are essential indicators of independence, and that they continue to fulfill the definition of independence as set out in the ACE Market Listing Requirements.

One of the recommendations of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. None of the Independent Non-Executive Directors of the Company have exceeded the term of nine (9) years.

Positions of Chairman and Executive Director/Chief Executive Officer

The Non-Executive Chairman presides over all meetings of the Board. The roles and responsibilities of the Non-Executive Chairman and the Executive Director/Chief Executive Officer are clearly established, each having separate and clearly defined scope of responsibilities and authority. The division of roles and responsibilities ensures that there is no excessive concentration of power in these positions.

The Executive Director/Chief Executive Officer has overall responsibility for the operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions. The Non-Executive Chairman is responsible for the leadership of the Board, ensuring its effectiveness and ensuring that proper strategy and business conduct are proposed to the Board for deliberation. He is constantly in touch with and maintains regular dialogue with the Executive Director/Chief Executive Officer.

The Board consists of a majority of Independent Non-Executive Directors where the Chairman is not an Independent Director. This composition meets the recommendation in the MCCG 2012.

FOSTER COMMITMENT

Time Commitment

The Board meets at least four (4) times a year with additional meetings convened as and when necessary. The Agenda and Board papers for each meeting are circulated in advance before each meeting to the Board members. Urgent papers may be presented for tabling at the Board meetings under supplemental agenda. All deliberations by the Board, including issues discussed and decisions made are recorded by the Company Secretaries in the minutes of meetings which are properly kept and produced for inspection, if required.

The Board members also deliberate, and in the process, evaluate the feasibility of business propositions and corporate proposals as well as any principal risks that would have significant impact on the Group's business and the measures to mitigate such risks.

Senior Management, if necessary, may be invited to attend these meetings to explain and clarify matters being tabled.

During the financial year ended 31 March 2014, the Board met five (5) times during which it reviewed and approved various issues including the quarterly financial results of the Group for the announcements to Bursa Securities as well as the business performance of the Group. Details of the attendances of the Directors at the Board meetings during the financial year ended 31 March 2014 are provided below:

Directors	Total Meetings Attended
Mr Lau Chi Chiang	5 out of 5
Mr Hoe Kah Soon	5 out of 5
Mr Chan Hiok Khiang	4 out of 5
En Ahmad Bin Khalid (Appointed w.e.f. 1 June 2013)	4 out of 4
Dato' Mah Siew Kwok (Appointed w.e.f. 1 August 2013)	3 out of 3
Dato' Gan Nyap Liou @ Gan Nyap Liow (Resigned w.e.f. 1 August 2013)	2 out of 2
Mr Robin Lim Jin Hee (Retired on 12 September 2013)	2 out of 3
Ms Neo Poh Lian (Resigned w.e.f. 1 December 2013)	4 out of 4

STATEMENT ON CORPORATE GOVERNANCE
(CONTINUED)

FOSTER COMMITMENT (CONT'D)

Time Commitment (Cont'd)

All Directors have complied with the minimum 50 percent attendance requirement at Board meetings during the financial year ended 31 March 2014 as stipulated by the ACE Market Listing Requirements. As such, the Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities.

The Directors observe the recommendation of the MCCG 2012 that they are required to notify the Chairman of the Board before accepting any new directorships and to indicate the time expected to be spent on the new appointment. Generally, Directors are at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Company and do not adversely affect the Director's performance as a member of the Board.

Directors' Training

The Company recognises the importance of continuous professional development and training for its Directors. The Directors are mindful of the need for continuous training to keep abreast of new developments and are encouraged to attend forums, seminars, workshops and conferences facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors. All the Directors of the Company have completed the Mandatory Accreditation Training Programme prescribed under the ACE Market Listing Requirements.

During the financial year ended 31 March 2014, all the Directors had attended training covering a broad range of areas such as taxation, audit committee conference, corporate governance, capital market as well as training organised by Bursa Securities.

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

UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board acknowledges its responsibility for ensuring that the Company's and the Group's financial statements present a true and fair view of the state of affairs and are prepared in accordance with the Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

The Board is also committed to providing the highest level of disclosure possible to ensure integrity and consistency of the financial reports. In preparing the financial statements, the Board considers that the Group had used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Board has established an Audit Committee (AC), comprising wholly Independent Non-Executive Directors. One of the key responsibilities of the AC is to ensure that the financial statements of the Company comply with the Financial Reporting Standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

The Board upholds the integrity of financial reporting by the Company. As such, it has established procedures in assessing the suitability and independence of the external auditors. The AC undertakes an annual assessment of the suitability and independence of the external auditors in accordance with the Board's Auditor Independence Policy. Having satisfied itself with their performance and fulfilment of criteria as set out in the Policy, the AC will recommend the re-appointment of the external auditors to the Board, upon which the shareholders' approval will be sought at the Annual General Meeting.

In this regard, in May 2014, the AC assessed the independence of Messrs Crowe Horwath (CH) as external auditors of the Company and reviewed the level of non-audit services to be rendered by CH to the Company for the financial year ended 31 March 2014. The AC was satisfied with CH's technical competency and audit independence.

The external auditors continue to report to members of the Company on their findings from the audit on statutory financial statements which are included as part of the Company's financial reports. The Company has always maintained a formal and transparent relationship with the external auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

STATEMENT ON CORPORATE GOVERNANCE
(CONTINUED)

It is the policy of the AC to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the Group's financial statements. These meetings are held without the presence of the Executive Director.

A summary of the activities of the AC during the financial year are set out in the AC Report on page 24 of this Annual Report.

RECOGNISE AND MANAGE RISKS

Risk Framework

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

Internal Audit Function

The Internal Audit function of the Group is undertaken by the ultimate holding company's internal auditor. The ultimate holding company has outsourced the internal audit function to a professional firm. The internal auditor performs its functions with impartiality, proficiency and due professional care. It undertakes regular monitoring of the Group's key controls and procedures, which is an integral part of the Group's system of internal control.

The internal audit reports are presented to the AC for its review and deliberation. The AC will be briefed on the progress made in respect of each recommendation, and of each corrective measure taken as recommended by the audit findings. The internal auditors report directly to the AC to ensure independence.

Details of the Group's internal control systems and the state of internal controls are further elaborated under Risk Management and Internal Control, which has been reviewed by the Company's external auditors, provided separately on pages 20 to 22 of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the importance of communication and proper dissemination of information to its shareholders and investors. Through extensive disclosures of appropriate and relevant information, the Company aims to effectively provide shareholders and investors with information to fulfill transparency and accountability. In this respect, the Company keeps shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.

Shareholders and members of the public may also access information on the Group's operations and activities, and press releases, announcements, financial information, etc from the corporate website www.dgsbgroup.com

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Dialogue between shareholders and the Company is fostered at the Annual General Meeting (AGM) and any other meetings of the shareholders, including any Extraordinary General Meeting. At such meetings, individual shareholders may raise questions or concerns with regard to the Company as a whole. Shareholders are also encouraged to participate in question and answer sessions. The Board, Senior Management and relevant advisors are on hand to answer questions raised and provide clarifications as required. Where appropriate, the Board will undertake to provide written answers to any questions that cannot be readily answered at the meeting.

The Board will also ensure that each item of special business included in the notice of meeting is accompanied by a full explanation of the effects of a proposed resolution to facilitate understanding and evaluation of the issues involved.

COMPLIANCE STATEMENT

This Statement on the Company's corporate governance practices is made in compliance with the ACE Market Listing Requirements.

This Statement was approved by the Board of Directors on 21 July 2014.

RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (Board) acknowledges the importance of maintaining a sound system of internal control and effective risk management as part of its ongoing efforts to practice good corporate governance. The Board is committed to practicing good standards of corporate governance and observing best practices, and will continue to improve on current practices. The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 March 2014.

BOARD RESPONSIBILITIES

The Board affirms its responsibilities for the Group's system of internal control, which includes the establishment of an effective control environment and appropriate internal control framework as well as review its adequacy and integrity. This system is designed to identify and manage risk facing the business and covers financial, organisational, operational and compliance controls to safeguard shareholders' investment and the Group's assets.

Due to limitations inherent in any internal control system, such a system is designed to manage, rather than to eliminate the risk of failure to achieve the Group's business objectives and corporate objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement, losses or fraud.

The Board confirms that the Management of the Group constantly reviews the system of internal control and implements appropriate measures to improve the system as and when the Management finds that the system is lacking in terms of compliance.

The Management of the Group is responsible for identifying and assessing the risks that are attributable to the area of business and for formulating appropriate controls to mitigate the risk. They are also responsible for creating a risk-awareness culture and for building the necessary knowledge for risk management. They also have the responsibility of managing risks and setting internal controls associated with the operations, ensuring compliance with applicable laws and regulations.

The significant risk areas and controls are communicated to the Board which meets regularly during the year to ensure that all the directors maintain a full and effective control over all significant strategic and operational issues.

Key elements of the Group's internal control system include:

- Organised and defined management structure of the Group including areas of responsibility, segregation of authorities and limits clearly set out.
- Clearly defined delegation of responsibilities by Board committees as well as the management of head office and companies within the Group including authorisation levels for all aspects of the businesses.
- Risk profiles are reviewed periodically for relevance and applicability as well as tracking of criticality of likelihood and impact of occurrence.
- Standard Operating Procedures used by operating units. These processes are reviewed on a regular basis to reflect changing risks or to resolve any operational deficiencies. It is also to promote efficiency and accountability for the Group.
- Segregation of duties to reduce the potential for error and to prevent collusion.
- Training and development programmes have been established to ensure that staff are kept up-to-date with the technology in order to remain relevant and competitive in the Information Technology industry in line with achieving the Group's business objectives.
- All significant contracts and legally enforceable agreements are vetted by the Group's Legal Department.
- Monthly Group meetings are held to monitor the performance of each operating unit against budget through monthly operations review meetings including discussion of any significant issues with heads of operating units. Group Senior Management also reviews, discusses and plans the operational, financial and strategic issues affecting the Group with all matters arising promptly and efficiently dealt with.
- Regular departmental meetings at operating units where operational and financial issues are deliberated.
- Established strategic business plan and budgeting process where all operating units prepare budgets every year, for approval at company level, before being reviewed by the Executive Commitee and/or the Board.
- Periodic reviews by the outsourced internal auditor to assess the adequacy and integrity of internal controls, as well as the extent of compliance with established procedures and advising management on areas of improvement.

RISK MANAGEMENT AND INTERNAL CONTROL
(CONTINUED)

- Quarterly performance reports, benchmarked against budgets and objectives, are provided to directors and discussed at the Audit Committee (AC) and/or Board meetings.

- An independent Audit Committee comprising non non-executive members of the Board, all being independent directors.

Governance Mechanism

In the last quarter of the financial year end, individual Heads of Operating Units Companies meet with the overall business sector Chief Operating Officer to review/discuss/revisit business objectives and strategies for the coming year business plan. Once the plan has been agreed upon, one month before the financial year end, Heads of Operating Units of the respective subsidiaries present their business plan for the new financial year to the Senior Management and Directors for adoption and thereafter to the Board for their review and approval. Upon approval, the business plan for the year, operational and financial budgets are then conveyed to all employees of the respective subsidiaries to execute the company's strategy for the new financial year.

Senior Management will conduct a mid-year review by sector by assessing each company's progress against the budgeted business plan and financial budget. This review provides a forum for all to raise their concerns and suggestions, for periodical monitoring of performance and for major variances to be followed up. Management recommendations are immediately adopted in the required areas. Senior Management will also, during the financial year, discuss with the respective Head of Operating Units issues and challenges that the company faces, and advise on action plans required.

Enterprise Risk Management Framework (ERM)

The Group, through its ultimate holding company, has in place a Risk Policy Document (RPD) which incorporates, amongst others, a structured process for identifying, evaluating and prioritising risks as well as clearly defining the risk responsibilities and escalation process of significant risks and an ERM oversight framework. This RPD is reassessed to ensure the Group's objectives / strategies meet the dynamics of its operating environment.

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of one subsidiary of the Group. Detailed areas of review are matched against the Risk Profiles and assessment, if any, as confirmation of material risks being covered and any changes to the audit focus will be discussed with the management of the Group for concurrence.

Monitoring reports are presented to the AC and thereafter to the Board for the required review and approvals. Management also has a process in place to conduct follow-up updates on its risk assessment yearly or when there is a significant change to the Group's risk profile or business environment.

Assurance Mechanism

(i) Internal Audit Function

The internal audit function of the Group is undertaken by the ultimate holding company's outsourced internal auditor. The ultimate holding company has outsourced the internal audit function to a professional firm. The internal audit function provides the AC and the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

Its principal responsibility is to undertake regular and systematic reviews of the system of internal control, risk management and governance processes and report on findings to the AC on a quarterly basis. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group.

One (1) internal audit review has been conducted and improvement opportunities were reported at the Group's quarterly Board meetings. The fee for this internal audit review conducted amounting to RM50,000 was borne by the ultimate Holding Company.

(ii) Audit Committee

The AC is empowered by the Board with responsibilities relating to the Group's accounting and reporting practices as well as with the duty of reviewing and monitoring the effectiveness and adequacy of the Group's system of internal controls and to ensure that an appropriate mix of techniques is used to obtain the level of assurance required by the Board.

The AC periodically receives and assesses reports from the independent assurance functions of the Group. The Internal Audit function provides the AC with an assessment on the adequacy and integrity of the Group's system of internal control via reports from visits conducted at various operating units.

RISK MANAGEMENT AND INTERNAL CONTROL
(CONTINUED)

Assurance Mechanism (Cont'd)

(ii) Audit Committee (Cont'd)

The external auditor provides assurance in the form of their annual statutory audit of the financial statements. Areas for improvement identified during the course of the statutory audit by the external auditor are brought to the attention of the AC through management letters, or are articulated at the AC meetings.

The AC has met with the external auditor twice during the financial year without the presence of Executive Directors.

Convening as a minimum on a quarterly basis, the Committee monitors and reviews the implementation of safeguards as well as the implementation and progress of any remedial action recommended so as to ensure that the risk management and control processes in relation to the Group are always in place.

Commentary on Adequacy and Effectiveness

The risk management and internal control systems described above have been in place for the year under review and up to the approval of this statement for inclusion in the annual report.

In making this statement, the Board has received assurance from the CEO and Group Chief Financial Officer that the risk management and internal control systems are operating adequately and effectively in all material aspects for the reporting.

For the financial year under review, the Board is of the opinion that the above monitoring and reporting processes provide an adequate form of checks and balances as well as constitute a sufficient platform for timely and continuous identification of the Group's principal risks. These processes are adequate and sound to provide reasonable assurance in safeguarding shareholders' investments, the interests of customers, regulators and employees, the Group's assets and other stakeholders' interests as well as in addressing key risks impacting the business operations of DGSB. There was no major internal control weakness identified that may result in any material loss or uncertainty that would require disclosure in the Annual Report. The Group will continue to take measures to strengthen the internal control and risk management environment.

This statement has been prepared in line with the Listing Requirements of Bursa Malaysia Securities Malaysia.

AUDIT COMMITTEE REPORT

THE AUDIT COMMITTEE (AC) COMPRISES THREE (3) MEMBERS, ALL OF WHOM ARE INDEPENDENT NON-EXECUTIVE DIRECTORS, INCLUDING THE AC CHAIRMAN. The current composition of the AC is set out on page 5 of this Annual Report.

Terms of Reference

In performing its duties and discharging its responsibilities, the AC is guided by its Terms of Reference.

Objectives

The primary objective of the AC is to assist the Board of Directors in the following responsibilities relating to the Group:

a. To provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly relating to business ethics, policies and practices and financial management and control;

b. To provide greater emphasis on the audit functions by increasing the objectivity and independence of external and internal auditors and providing a forum for discussion that is independent of the Management; and

c. To maintain a direct line of communication between the Board and the external auditors, internal auditors and Management, through regularly scheduled meetings.

Roles and Responsibilities

The roles and responsibilities of the AC are:

(a) To review with the external auditor:

- (i) the audit plan, its scope and nature;
- (ii) the audit report;
- (iii) the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- (iv) the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with the Management encountered during the audit.

(b) To review the adequacy of the scope, functions, competency and resources and set the standards of the internal audit function.

(c) To recommend measures to be taken by the Board of Directors on the effectiveness of the system of internal control, management information and risk management practices of the Group.

(d) To review the internal audit programme, and the results, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

(e) To take cognisance of resignation of the outsourced internal audit service provider and provide an opportunity for them to explain the reasons for resigning.

(f) To review with Management:

- (i) audit reports and Management letters issued by the external auditors and the implementation of audit recommendations;
- (ii) interim financial information; and
- (iii) the assistance given by the officers of the Company to external auditors.

(g) To discuss problems and reservations arising from interim and final audits, and any matter the auditor may wish to discuss (in the absence of Management where necessary).

(h) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the Annual Report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(i) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:

- (i) changes in or implementation of major accounting policy and practices;
- (ii) significant and / or unusual matters arising from the audit;
- (iii) the going concern assumption; and
- (iv) compliance with accounting standards and other legal requirements.

(j) To consider the appointment and / or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors of the Company.

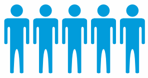
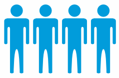
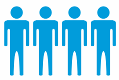
AUDIT COMMITTEE REPORT
(CONTINUED)

Roles and Responsibilities (Cont'd)

(k) To verify the allocation of options pursuant to a share scheme for employees as being in compliance with the criteria for allocation of options under the share scheme, at the end of each financial year.

Meetings

During the financial year, the AC held a total of five (5) meetings. Details of attendance are as follows:

Committee Members	Total Meetings Attended
Mr Hoe Kah Soon	 out of 5
Mr Chan Hiok Khiang	 out of 5
En Ahmad Bin Khalid (Appointed w.e.f. 01.06.2013)	 out of 4

Summary of Activities

The following is a summary of the main activities carried out by the AC during the financial year ended 31 March 2014:

- Reviewed and recommended the quarterly financial results and the annual audited financial statements of the Company and the Group to the Board of Directors for consideration and approval;
- Reviewed and recommended the appointment of the external auditor, Messrs Crowe Horwath to the Board of Directors for consideration;
- Reviewed with the external auditor the scope of work, audit plan and fees for the statutory audit and thereafter recommended to the Board of Directors for approval;
- Reviewed the status report and recommendations for corrective action plans submitted by the internal auditor and received regular updates on the implementation by the Group of the corrective action plans;
- Discussed any pertinent points/reservations on issues arising from audit of the Company's accounts which the external auditor may have to raise to the AC, in the absence of the executive Board members;
- Reviewed related party transactions within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of Management integrity;
- Reviewed with the external auditor and the internal auditor on issues affecting the operations of the Group as well as the necessary remedial actions and thereafter reported the same to the Board of Directors; and
- Reported to the Board of Directors on its activities, any significant issues and results.

Internal Audit Function

The Internal Audit function of the Group is undertaken by the ultimate holding company's internal auditor. The ultimate holding company has outsourced the internal audit function to a professional firm. The Internal Audit function supports the AC and the Board with much of the assurance it requires regarding the adequacy and integrity of the sound system of internal control.

During the financial year ended 31 March 2014, the internal auditor provided the AC with report on the state of internal control of one of the operating subsidiaries within the Group and the extent of compliance of the subsidiary with the Group's established policies and procedures as well as relevant statutory requirements. The AC reviewed the report prepared by the internal auditor and carried out the recommendations as deemed fit and continuously monitored the state of internal control of the Group and reported the status of the progress of its recommendations to the Board on a regular basis.

Further details of the Group Internal Audit function are set out in Risk Management and Internal Control on pages 20 to 22 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

THE BOARD OF DIVERSIFIED GATEWAY SOLUTIONS BERHAD GROUP (GROUP) RECOGNISES THE IMPORTANCE OF PLAYING ITS PART AS A SOCIALLY RESPONSIBLE CORPORATE CITIZEN in the workplace, community, environment and marketplace. It is committed to ensuring that the interests of our stakeholders including customers, employees, shareholders and communities are taken care of.

Good corporate governance through the practice of accountability, honesty and transparency, coupled with effective adoption of corporate social responsibility (CSR) will ensure sustainability in the competitive corporate world and positive influence on the Group's business strategy and performance in the short-term and long-term. The Group emphasises CSR in four (4) key areas, namely the workplace, the community, the environment and the marketplace.

The Workplace

The Group acknowledges and fully supports the importance of having a good and safe working environment. We believe also that effective control of occupational and industrial hazards will secure the safety, health and welfare of our employees.

The Group recognises its workforce as valuable human capital, essential for the sustainable success of its operations. Motivating, developing and providing relevant training to the workforce is a continuous and unrelenting corporate responsibility. All employees in the Company are encouraged to seek self-improvement through training programmes provided by the Group, not only to improve their skills but also to prepare themselves for advancement in their career when opportunities arise.

The Community

As a good corporate citizen, the Group acknowledges its responsibilities to work in partnership with the community. During the financial year under review, the Group made a contribution to Limbs for Life, a community service project by Bandar Utama Buddhist Society which provides sustainable and comprehensive support to amputees in Malaysia.

The Group welcomes students to participate in its internship programme. They will be provided with monthly allowances and upon completion of the programme, certain students will also be offered employment.

The Environment

The Group is fully committed to ensuring that its processes are managed, maintained and refined in line with its business needs to meet all legal and regulatory commitments with regards to the environment. These processes are to ensure that the environment is protected for future generations and the sustainability of local communities is safeguarded.

The Group recognises the importance of reducing wastage and conserving energy and protecting the environment. Therefore, we encourage all our staff to adopt eco-friendly practices such as the efficient utilisation of stationery, water, electricity as well as recycling.

The Marketplace

The Company has zero tolerance for fraudulent and unethical practices and conduct in all its business dealings with its stakeholders and within the Company. This culture of ethical business practices is proactively managed at all levels.

To live out this commitment, the Group has implemented a compliance and ethics programme, namely, a framework of internal controls, processes and principles that combine to provide reasonable assurance of the Group's compliance to regulatory requirements, as well as the Group's corporate policies.

Conclusion

The Group views CSR as a contribution to society, the environment and human capital that will enable our organisation to generate value and in turn share with the providers of these values. The Group is committed to continue its efforts and to further be involved in and contribute to the four focal areas so that sustainable value is channelled to society at large.

STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made in accordance with the applicable approved accounting standards and the provisions of the Companies Act, 1965, which give a true and fair view of the state of affairs of the Group at the end of the financial year and of the results and cash flows of the Group for the financial year.

In preparing the financial statements, the Directors have :

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards and provisions of the Companies Act, 1965 have been followed; and
- based such statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility of ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965; applicable approved accounting standards and other regulatory provisions.

The Directors have overall responsibilities for taking such steps that are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding whilst the principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Profit/(Loss) after taxation for the financial year	1,605,389	(1,608,733)
Non-controlling interests	(2,545)	-
Profit/(Loss) attributable to owners of the Company	1,602,844	(1,608,733)

DIVIDENDS

No dividend was paid since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

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 of the Company.

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the Directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

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

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 35 to the financial statements. At the date of this report, there does not exist:-

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

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

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

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT
(CONTINUED)

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

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

DIRECTORS

The Directors who served since the date of the last report are as follows:-

Dato' Mah Siew Kwok	(Appointed on 1 August 2013)
Lau Chi Chiang	
Chan Hiok Khiang	
Hoe Kah Soon	
Ahmad Bin Khalid	
Dato' Gan Nyap Liou @ Gan Nyap Liow	(Resigned on 1 August 2013)
Robin Lim Jin Hee	(Retired on 12 September 2013)
Neo Poh Lian	(Resigned on 1 December 2013)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors holding office at the end of the financial year in shares of the Company during the financial year are as follows:-

	Number Of Ordinary Shares Of RM0.10 Each			
	At 1.4.2013/Date of appointment	**Bought**	**Sold**	**At 31.3.2014**
The Company				
Direct Interests				
Dato' Mah Siew Kwok	16,670,092	-	-	16,670,092
Lau Chi Chiang	70,925,000	-	-	70,925,000
Ahmad Bin Khalid	30,001	-	-	30,001
Indirect Interests				
Dato' Mah Siew Kwok	813,923,401	-	-	813,923,401
Lau Chi Chiang*	40,000	-	-	40,000

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS' INTERESTS (CONT'D)

	Number Of Ordinary Shares of RM0.50 Each			
	At 1.4.2013/Date of appointment	**Bought**	**Sold**	**At 31.3.2014**
The Ultimate Holding Company				
Formis Resources Berhad				
Direct Interests				
Dato' Mah Siew Kwok	62,144,024	1,570,000	-	63,714,024
Lau Chi Chiang	4,015,000	2,700,000	-	6,715,000
Chan Hiok Khiang	1,500,000	1,500,000	(1,155,000)	1,845,000
Ahmad Bin Khalid	50,001	-	-	50,001
Indirect Interest				
Lau Chi Chiang*	40,000	-	-	40,000

	Number Of Warrants 2011/2016			
	At 1.4.2013/Date of appointment	**Bought**	**Sold**	**At 31.3.2014**
The Ultimate Holding Company				
Formis Resources Berhad				
Direct Interests				
Dato' Mah Siew Kwok	11,170,569	-	-	11,170,569
Lau Chi Chiang	250,000	618,489	-	868,489

	Number Of Warrants 2013/2018			
	At 1.4.2013/Date of appointment	**Addition**	**Sold**	**At 31.3.2014**
The Ultimate Holding Company				
Formis Resources Berhad				
Direct Interests				
Dato' Mah Siew Kwok	15,877,502	-	-	15,877,502
Lau Chi Chiang	-	1,350,000	(750,000)	600,000
Chan Hiok Khiang	-	750,000	-	750,000

	Number Of Options over ordinary shares of RM0.50 each			
	At 1.4.2013/Date of appointment	**Granted**	**Exercised/ Lapsed**	**At 31.3.2014**
The Ultimate Holding Company				
Formis Resources Berhad				
Dato' Mah Siew Kwok	-	100,000	-	100,000
Ahmad Bin Khalid	-	100,000	-	100,000

* Deemed interested by virtue of indirect shareholdings held by his spouse.

Save for the above, the other Directors holding office at the end of the financial year had no interests in the ordinary shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any benefits which may be deemed to have arisen by virtue of the remuneration received and receivable by the Directors from the related corporations in their capacity as Directors/ Executives of those corporations.

Neither during nor at the end of the financial year, were the Group and the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

HOLDING COMPANIES

The immediate and ultimate holding companies are Formis Holdings Bhd and Formis Resources Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, respectively. Both the aforesaid holding companies are incorporated in Malaysia.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 37 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE REPORTING PERIOD

The significant event subsequent to the reporting period is disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 21 JULY 2014

Dato' Mah Siew Kwok

Lau Chi Chiang

STATEMENT BY DIRECTORS

We, Dato' Mah Siew Kwok and Lau Chi Chiang, being two of the Directors of Diversified Gateway Solutions Berhad, state that, in the opinion of the directors, the financial statements set out on pages 36 to 92 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2014 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 39, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 21 JULY 2014

Dato' Mah Siew Kwok **Lau Chi Chiang**

STATUTORY DECLARATION

I, Voon Siew Moon, being the Officer primarily responsible for the financial management of Diversified Gateway Solutions Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 92 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 abovenamed
at Kuala Lumpur in the Federal Territory
on this 21 July 2014

Voon Siew Moon

Before me
Lai Din (W-668)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF DIVERSIFIED GATEWAY SOLUTIONS BERHAD

Report on the Financial Statements

We have audited the financial statements of Diversified Gateway Solutions Berhad, which comprise the statements of financial position as at 31 March 2014 of the Group and of the Company, and 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 financial year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 36 to 92.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DIVERSIFIED GATEWAY SOLUTIONS BERHAD

(CONTINUED)

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 39 on Page 93 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Chong Tuck Wai
Approval No: 3023/03/15 (J)
Chartered Accountant

Kuala Lumpur
21July 2014

STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2014

		The Group		The Company	
		2014	**2013**	**2014**	**2013**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	**-**	-	**115,376,302**	111,052,112
Property, plant and equipment	6	**1,808,564**	1,563,334	**-**	-
Deferred tax assets	7	**242,066**	22,600	**-**	-
Goodwill on consolidation	8	**8,025,125**	8,675,125	**-**	-
		10,075,755	10,261,059	**115,376,302**	111,052,112
CURRENT ASSETS					
Inventories	9	**10,591,879**	12,157,898	**-**	-
Trade receivables	10	**15,366,725**	8,392,344	**-**	-
Other receivables, deposits and prepayments	11	**14,010,221**	12,585,101	**-**	100
Amount owing by subsidiaries	12	**-**	-	**610,275**	5,763,090
Amount owing by related companies	13	**6,596,307**	10,862,843	**-**	-
Current tax assets		**1,524,492**	377,329	**161,007**	-
Cash and cash equivalents	14	**17,543,381**	18,293,754	**92,716**	3,422
		65,633,005	62,669,269	**863,998**	5,766,612
TOTAL ASSETS		**75,708,760**	72,930,328	**116,240,300**	116,818,724
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	**135,587,709**	135,587,709	**135,587,709**	135,587,709
Share premium	16	**-**	-	**15,246,120**	15,246,120
Reserves	17	**(97,719,864)**	(98,809,501)	**(54,137,540)**	(52,528,807)
Equity attributable to owners of the Company		**37,867,845**	36,778,208	**96,696,289**	98,305,022
Non-controlling interests		**21,403**	18,858	**-**	-
TOTAL EQUITY		**37,889,248**	36,797,066	**96,696,289**	98,305,022
NON-CURRENT LIABILITIES					
Long-term borrowings	18	**492,372**	272,089	**-**	-
Provision for post-employment benefits	23	**1,210,331**	190,739	**-**	-
Deferred tax liabilities	7	**12,200**	-	**-**	-
		1,714,903	462,828	**-**	-

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

STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2014
(CONTINUED)

		The Group		The Company	
		2014	**2013**	**2014**	**2013**
	Note	**RM**	**RM**	**RM**	**RM**
CURRENT LIABILITIES					
Trade payables	24	**7,459,834**	5,986,091	**-**	-
Other payables and accruals	25	**12,151,949**	11,538,192	**933,506**	977,794
Amount owing to subsidiaries	12	**-**	-	**18,530,505**	17,535,908
Amount owing to related companies	13	**2,323,917**	2,508,306	**-**	-
Amount owing to ultimate holding company	26	**3,229,649**	1,353,034	**80,000**	-
Current tax payable		**21,050**	271,564	**-**	-
Short-term borrowings	18	**10,918,210**	14,013,247	**-**	-
		36,104,609	35,670,434	**19,544,011**	18,513,702
TOTAL LIABILITIES		**37,819,512**	36,133,262	**19,544,011**	18,513,702
TOTAL EQUITY AND LIABILITIES		**75,708,760**	72,930,328	**116,240,300**	116,818,724
NET ASSETS PER SHARE (SEN)	27	**2.79**	2.71		

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

		The Group		The Company	
		2014	2013	2014	2013
	Note	RM	RM	RM	RM
REVENUE	28	**76,287,000**	76,067,527	**1,000,000**	10,000,000
CHANGES IN INVENTORIES		**(387,191)**	4,586,781	**-**	-
PURCHASES		**(35,229,655)**	(45,440,216)	**-**	-
DIRECT EXPENSES		**(4,120,055)**	(4,020,610)	**-**	-
OTHER INCOME		**2,265,326**	2,010,800	**726,575**	295,135
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	6	**(592,844)**	(672,168)	**-**	-
EMPLOYEE BENEFITS	29	**(25,952,557)**	(19,633,306)	**(43,237)**	(29,584)
OTHER OPERATING EXPENSES		**(7,910,301)**	(8,250,091)	**(2,836,873)**	(3,442,782)
FINANCE COSTS		**(1,205,094)**	(1,472,506)	**(520,358)**	(641,823)
PROFIT/(LOSS) BEFORE TAX	30	**3,154,629**	3,176,211	**(1,673,893)**	6,180,946
INCOME TAX EXPENSE	31	**(1,549,240)**	(2,303,718)	**65,160**	(2,500,000)
PROFIT/(LOSS) AFTER TAX		**1,605,389**	872,493	**(1,608,733)**	3,680,946
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX					
Item that may be reclassified subsequently to profit or loss					
- Foreign currency translation differences		**(513,207)**	40,938	**-**	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		**1,092,182**	913,431	**(1,608,733)**	3,680,946
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO:-					
Owners of the Company		**1,602,844**	899,176	**(1,608,733)**	3,680,946
Non-controlling interests		**2,545**	(26,683)	**-**	-
		1,605,389	872,493	**(1,608,733)**	3,680,946
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:-					
Owners of the Company		**1,089,637**	940,114	**(1,608,733)**	3,680,946
Non-controlling interests		**2,545**	(26,683)	**-**	-
		1,092,182	913,431	**(1,608,733)**	3,680,946
EARNINGS PER SHARE (SEN)					
Basic	32	**0.12**	0.07		
Diluted	32	**Not applicable**	Not applicable		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	← Non-distributable		→	Distributable			
	Share Capital RM	Reverse Acquisition Reserve RM	Exchange Translation Reserve RM	Retained Profits RM	Attributable To Owners Of The Company RM	Non-Controlling Interests RM	Total Equity RM
The Group							
Balance at 1.4.2012	135,587,709	(115,766,900)	204,112	15,813,173	35,838,094	45,541	35,883,635
Profit/(Loss) after tax for the financial year	-	-	-	899,176	899,176	(26,683)	872,493
Other comprehensive income for the financial year, net of tax: - Foreign currency translation	-	-	40,938	-	40,938	-	40,938
Total comprehensive income/(loss) for the financial year	-	-	40,938	899,176	940,114	(26,683)	913,431
Balance at 31.3.2013/ 1.4.2013	135,587,709	(115,766,900)	245,050	16,712,349	36,778,208	18,858	36,797,066
Profit after tax for the financial year	-	-	-	1,602,844	1,602,844	2,545	1,605,389
Other comprehensive loss for the financial year, net of tax: - Foreign currency translation	-	-	(513,207)	-	(513,207)	-	(513,207)
Total comprehensive (loss)/income for the financial year	-	-	(513,207)	1,602,844	1,089,637	2,545	1,092,182
Balance at 31.3.2014	**135,587,709**	**(115,766,900)**	**(268,157)**	**18,315,193**	**37,867,845**	**21,403**	**37,889,248**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

	← Non-distributable	→	Distributable	
	Share Capital RM	**Share Premium RM**	**Accumulated Losses RM**	**Total Equity RM**
The Company				
Balance at 1.4.2012	135,587,709	15,246,120	(56,209,753)	94,624,076
Profit after tax for the financial year/ Total comprehensive income for the financial year	-	-	3,680,946	3,680,946
Balance at 31.3.2013/1.4.2013	135,587,709	15,246,120	(52,528,807)	98,305,022
Loss after tax for the financial year/ Total comprehensive loss for the financial year	-	-	(1,608,733)	(1,608,733)
Balance at 31.3.2014	**135,587,709**	**15,246,120**	**(54,137,540)**	**96,696,289**

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

		The Group		The Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before tax		**3,154,629**	3,176,211	**(1,673,893)**	6,180,946
Adjustments for:-					
Allowance for impairment losses on:					
- goodwill	8	**650,000**	2,253,250	**-**	-
- amount owing by subsidiaries		**-**	-	**-**	2,032,951
- trade receivables	10	**446,680**	235,423	**-**	-
- investment in subsidiaries	5	**-**	-	**1,898,290**	-
Bad debts recovered		**(195,773)**	-	**-**	-
Bad debts written off		**14,733**	10,005	**-**	-
Depreciation of property, plant and equipment	6	**592,844**	672,168	**-**	-
Dividend income		**-**	-	**(1,000,000)**	(10,000,000)
Interest expense		**1,012,788**	1,413,328	**504,776**	638,674
Interest income		**(196,417)**	(367,200)	**-**	-
Inventories written off		**1,178,829**	252,977	**-**	-
Loss on disposal of property, plant and equipment		**-**	27,574	**-**	-
Property, plant and equipment written off		**422,861**	47,208	**-**	-
Provision for post-employment benefits	23	**1,042,804**	93,765	**-**	-
Unrealised loss on foreign exchange		**348,345**	316,886	**550,421**	-
Unrealised gain on foreign exchange		**(7,949)**	(278,155)	**(361,778)**	(288,825)
Waiver of debts		**-**	(93,345)	**-**	-
Writeback of impairment losses on:					
- trade receivables	10	**(520,394)**	(714,564)	**-**	-
- amount owing by subsidiaries	12	**-**	-	**(232,162)**	-
Operating profit/(loss) before working capital changes		**7,943,980**	7,045,531	**(314,346)**	(1,436,254)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

		The Group		The Company	
	Note	**2014 RM**	**2013 RM**	**2014 RM**	**2013 RM**
BALANCE BROUGHT FORWARD		**7,943,980**	7,045,531	**(314,346)**	(1,436,254)
Decrease/(Increase) in inventories		**387,191**	(4,586,781)	**-**	-
(Increase)/Decrease in trade and other receivables		**(8,500,173)**	1,169,758	**100**	1,035,545
Decrease/(Increase) in amount owing by related companies/subsidiary companies		**4,266,537**	95,925	**-**	(602,000)
Increase/(Decrease) in trade and other payables		**2,208,441**	(4,045,141)	**(44,288)**	275,585
Increase in amount owing to ultimate holding company		**-**	672,953	**-**	-
Decrease in amount owing to related companies		**(470,873)**	(627,654)	**-**	-
CASH FROM/(FOR) OPERATIONS		**5,835,103**	(275,409)	**(358,534)**	(727,124)
Income tax paid		**(3,319,597)**	(1,947,109)	**-**	-
Income tax refund		**155,881**	-	**154,153**	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES		**2,671,387**	(2,222,518)	**(204,381)**	(727,124)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
(Advances to)/Repayment from subsidiaries		**-**	-	**(475,725)**	245,576
Dividend received - net of tax		**-**	-	**750,000**	7,500,000
Interest received		**196,417**	367,200	**-**	-
Placement of fixed deposits pledged		**(2,368,391)**	(176,957)	**-**	-
Purchase of property, plant and equipment	6	**(531,562)**	(453,757)	**-**	-
Proceeds from disposal of property, plant and equipment		**-**	250,998	**-**	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		**(2,703,536)**	(12,516)	**274,275**	7,745,576
BALANCE CARRIED FORWARD		**(32,149)**	(2,235,034)	**69,894**	7,018,452

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

		The Group		The Company	
		2014	**2013**	**2014**	**2013**
	Note	**RM**	**RM**	**RM**	**RM**
BALANCE BROUGHT FORWARD		**(32,149)**	(2,235,034)	**69,894**	7,018,452
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Interest paid		**(1,012,788)**	(1,413,328)	**(504,776)**	(638,674)
Drawdown/(Repayment) of short-term borrowings		**(151,383)**	1,877,895	**-**	-
Drawdown of hire purchase payables		**-**	327,500	**-**	-
Advances from holding company		**1,814,361**	-	**-**	-
Advances from related companies		**71,593**	-	**-**	-
Advances from/(Repayment to) subsidiaries		**-**	-	**444,176**	(6,701,664)
Advances from ultimate holding company		**-**	-	**80,000**	-
Repayment of hire purchase payables		**(570,840)**	(397,603)	**-**	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		**150,943**	394,464	**19,400**	(7,340,338)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**118,794**	(1,840,570)	**89,294**	(321,886)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**(1,886,994)**	(146,831)	**3,422**	325,308
FOREIGN EXCHANGE TRANSLATION DIFFERENCES		**(344,641)**	100,407	**-**	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	14(b)	**(2,112,841)**	(1,886,994)	**92,716**	3,422

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

1. GENERAL INFORMATION

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

Registered office	: 16th Floor, KH Tower, 8 Lorong P. Ramlee, 50250 Kuala Lumpur.
Principal place of business	: Level 16, Menara Maxisegar, Jalan Pandan Indah 4/2, Pandan Indah, 55100 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 21 July 2014.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding whilst the principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interests in Other Entities

MFRS 13 Fair Value Measurement

MFRS 119 (2011) Employee Benefits

MFRS 127 (2011) Separate Financial Statements

MFRS 128 (2011) Investments in Associates and Joint Ventures

Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance

3. BASIS OF PREPARATION (CONT'D)

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Annual Improvements to MFRSs 2009 – 2011 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements except as follows:-

MFRS 10 replaces the consolidation guidance in MFRS 127 and IC Interpretation 112. Under MFRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control. There is no material impact on the financial statements of the Group upon its initial application.

MFRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. MFRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there is no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

MFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. MFRS 13 has been applied prospectively as of the beginning of the current financial year and there is no financial impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 7 (Disclosures - Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact on the financial statements of the Group upon its initial application.

MFRS 119 changes the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments also require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. There is no financial impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There will be no financial impact on the financial statements of the Group upon its initial application other than the presentation format of the statements of profit or loss and other comprehensive income.

The Annual Improvements to MFRSs 2009 - 2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 (2009) Financial Instruments	)
MFRS 9 (2010) Financial Instruments	) To be
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	) announced) by MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	))
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2014
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010). Generally, MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories - those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There will be no material impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 119 simplify the accounting treatment of contributions from employees and third parties to defined benefit plans. Contributions that are independent of the number of years of service shall be recognised as a reduction in the service cost in the period in which the related service is rendered. For contributions that are dependent on the number of years of service, the Company is required to attribute those contributions to periods of service using either based on the plan's contribution formula or on a straight-line basis, as appropriate. There will be no material impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. There will be no financial impact on the financial statements of the Group upon its initial application.

3. BASIS OF PREPARATION (CONT'D)

The amendments to MFRS 136 the requirement to disclose the recoverable amount when a cash-generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives but there has been no impairment. There will be no financial impact on the financial statements of the Group upon its initial application.

3.3 REVERSE ACQUISITION

In prior financial years, the Company acquired 630,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Diversified Gateway Berhad ("DGB") for a purchase consideration of RM110,000,000 satisfied entirely by the issuance of 1,100,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share.

Upon completion of the acquisition of DGB, the Company became the legal holding company of DGB whereas the former shareholders of DGB to whom the 1,100,000,000 shares were allotted became the majority shareholders of the Company, controlling about 59.6% of the issued and paid-up share capital of the Company. Furthermore, the Company's key executive management are those of DGB. In accordance with MFRS 3 Business Combinations, the substance of such *business combination* between the Company and DGB constituted a reverse acquisition whereby the acquirer and acquiree of the transaction for accounting purposes should be DGB (i.e. the legal subsidiary, accounting parent) and the Company (i.e. the legal holding company, the accounting subsidiary) respectively.

Under the reverse acquisition accounting, the consolidated financial statements, although issued under the name of the legal holding company, i.e. the Company, represent a continuation of the financial statements of the legal subsidiary, i.e. DGB. Accordingly, the consolidated financial statements set out on pages 36 to 92 together with the notes there to cover DGB (as the accounting acquirer) and the Company together with its other subsidiaries (as the accounting acquiree).

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and 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 Group and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) 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 commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group 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 depreciable 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.

(b) Income Taxes

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(c) 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.

(d) Impairment of Trade and Other 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 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.

(e) Write-down of Inventories

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

(f) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, 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.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(a) 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 interests 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 interests 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.

(b) 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 this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, 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.

(c) Changes 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.

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period except for those business combinations that occurred before the date of transition (1 January 2012) which are treated as assets and liabilities of the Company and are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statements of financial position when the Group 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 holders of financial instruments classified as equity are charged directly to equity.

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

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/ deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investment, loans and receivables financial assets, or available-for-sale financial assets, 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 on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

As at the end of the reporting period, 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 period, 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 short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(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 period. 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 Group's right to receive payments is established.

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 period, there were no financial assets classified under this category.

(b) Financial Liabilities

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

Fair value through profit or 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

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

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new 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 of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 PROVISIONS

Provisions are recognised when the Group 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 reporting period and adjusted to reflect the current best estimate. Where 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.

4.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. 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 principal annual rates used for this purpose are:-

Computer hardware and software	20%
Furniture and fittings	10% - 15%
Motor vehicles	20%
Office equipment	15% - 20%
Renovation	10% - 15%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period 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 Group 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 or 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 Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

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 asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(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 period 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 cost to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss.

In respect of assets other than goodwill, and 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 amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.10 ASSETS 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 the policy set out in Note 4.8 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 are recognised in profit or loss over the period of the respective hire purchase agreements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 OPERATING LEASES

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments are made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line method over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

4.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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 maturity periods of three months or less.

For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and exclude deposits pledged to secure banking facilities.

4.13 INCOME TAXES

Income taxes for the year comprise current and deferred tax.

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

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 liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses 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 losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period 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 utilised.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when 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 and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

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

4.15 INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost of computer hardware, software and spare parts are determined on a specific identification basis while cost of other inventories is determined on the first-in-first-out basis. Cost of inventories comprises the original costs of purchase plus direct expenses incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

4.16 OPERATING SEGMENTS

Following the adoption of MFRS 8 Operating Segments, operating segments are defined as components of the Group that:-

(i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(ii) operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

(iii) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:-

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all the operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:-

    (i) the combined reported profit of all the operating segments that did not report a loss; and

    (ii) the combined reported loss of all the operating segments that reported a loss.

(c) Its assets are ten (10) per cent or more of the combined assets of all the operating segments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 OPERATING SEGMENTS (CONT'D)

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.17 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 period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

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

(c) Termination Benefits

Termination benefits are payments due to employees as a result of the termination of employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are recognised as a liability and an expense when the Group has a detailed formal plan for termination with no realistic possibility of withdrawal. In the case of voluntary redundancy, the benefits are accounted for based on the number of employees expected to accept the offer.

Where termination benefits fall due more than twelve (12) months after the end of the reporting period, they are discounted to present value based on market yields at the end of the reporting period of government securities, which have currency and terms consistent with the currency and estimated terms of the obligations.

(d) Defined Benefit Plan

The Group operates an unfunded defined benefit plan for eligible employees of the Group.

The amount recognised as a liability in respect of the defined benefit plan is the present value of the defined benefit obligations at the end of the reporting period adjusted for unrecognised actuarial gains and losses and unrecognised past services cost.

The Group determines the present value of the defined benefit obligations with sufficient regularity such as the amounts recognised in the financial statements do not differ materially from the amount that would be determined at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 EMPLOYEE BENEFITS (CONT'D)

(d) Defined Benefit Plan (Cont'd)

The present value of the defined benefit obligations and the related current services cost and past services cost are determined using the projected unit credit method. The rate used to discount the obligations is based on market yields at the end of the reporting period of government securities which have currency and terms consistent with the currency and estimated terms of the obligations.

Actuarial gains and losses may result from changes in the present value of the defined benefits obligations. They are recognised under other comprehensive income over the expected average remaining working lives of the employees participating in that plan when the net cumulative unrecognised actuarial gains and losses exceed the 10% of the present value of the defined benefits obligations at that date.

4.18 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 a reporting 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 entity.
(v) The entity is a post-employment benefit plan for the benefit of 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 influenced by, that person in their dealings with the entity.

4.19 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 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, eiwther 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.

4.21 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 of returns and trade discounts.

(b) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Interest Income

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

(d) Dividend Income

Dividend income from other investments is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

5. INVESTMENTS IN SUBSIDIARIES

	The Company 2014 RM	2013 RM
Unquoted shares, at cost		
At 1.4.2013/2012	149,750,849	149,626,037
Addition during the financial year	6,222,480	124,812
	155,973,329	149,750,849
Less: Accumulated impairment losses on investments in subsidiaries	(40,597,027)	(38,698,737)
At 31.3.2014/2013	115,376,302	111,052,112
Accumulated impairment losses on investments in subsidiaries:-		
At 1.4.2013/2012	(38,698,737)	(38,698,737)
Addition during the financial year	(1,898,290)	-
At 31.3.2014/2013	(40,597,027)	(38,698,737)

The details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2014	2013	Principal Activities
ISS Consulting (Malaysia) Sdn. Bhd. ("ISS(M)")	Malaysia	100%	100%	Advisers and consultants for computer software solutions.
ISS Consulting (S) Pte. Ltd. ("ISS(S)")^	The Republic of Singapore	100%	100%	Advisers and consultants for computer software solutions.
ISS Consulting (Thailand) Ltd. ("ISS(T)")#	Thailand	*49%	*49%	Advisers and consultants for computer software solutions.
PT ISS Consulting Indonesia ("ISS(I)")^	Indonesia	100%	100%	Inactive
Ledge Consulting Pte. Ltd. ("Ledge")^	The Republic of Singapore	100%	100%	Inactive
Cogent Consulting Sdn. Bhd. ("Cogent(M)")	Malaysia	70%	70%	Inactive
Cogent Business Solutions (S) Pte. Ltd. ("Cogent(S)")^	The Republic of Singapore	100%	100%	Inactive
Diversified Gateway Berhad ("DGB")	Malaysia	100%	100%	Provision of computer networking solutions and system integration.
Rangkaian Ringkas Sdn. Bhd. ("RRSB")	Malaysia	100%	100%	Distribution and maintenance of computer networking, network security, storage and network management solutions.

^ These subsidiaries were audited by other firms of chartered accountants.

This subsidiary was audited by a member firm of Crowe Horwath International of which Crowe Horwath is a member.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

* In accordance with the Memorandum and Articles of Association of ISS(T), one voting right is attached to every one ordinary share and one voting right is attached to every five preference shares. Based on the existing total issued and paid-up share capital of ISS(T) of 24,500 ordinary shares of THB100 each and 25,500 preference shares of THB100 each, the total voting rights are 29,600 comprising 24,500 voting rights for ordinary shares and 5,100 voting rights for preference shares. Diversified Gateway Solutions Berhad holds 24,500 ordinary shares which carry with them 24,500 voting rights or 82.77% of the total voting rights in ISS(T). As Diversified Gateway Solutions Berhad has control over ISS(T), ISS(T) is consolidated into the Group.

Based on the Group's equity interest in the ordinary shares of ISS(T), the Group's share in the result of ISS(T) is 100%.

The Company has assessed the recoverable amount of investments in subsidiaries and determined that an impairment loss should be recognised as the recoverable amount was lower than the carrying amount. The recoverable amount of the cash-generating unit was determined using the value-in-use approach, and this was derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by the management covering a period of 5 years.

6. PROPERTY, PLANT AND EQUIPMENT

	At 1.4.2013 RM	Additions RM	Disposals /Written Off RM	Depreciation Charge RM	Translation Difference RM	At 31.3.2014 RM
The Group						
Net Book Value						
Computer hardware and software	330,179	403,258	-	(157,587)	(10,541)	565,309
Furniture and fittings	60,627	7,369	(6,154)	(32,846)	(1,084)	27,912
Motor vehicles	677,956	855,964	(368,052)	(289,353)	-	876,515
Office equipment	441,104	5,360	(2,318)	(105,114)	(204)	338,828
Renovation	53,468	-	(46,337)	(7,944)	813	-
	1,563,334	1,271,951	(422,861)	(592,844)	(11,016)	1,808,564

NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

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

	At 1.4.2012 RM	Additions RM	Disposals /Written Off RM	Depreciation Charge RM	Translation Difference RM	At 31.3.2013 RM
The Group						
Net Book Value						
Computer hardware and software	442,077	186,665	-	(306,206)	7,643	330,179
Furniture and fittings	87,080	12,921	-	(41,394)	2,020	60,627
Motor vehicles	676,126	472,949	(278,572)	(192,547)	-	677,956
Office equipment	428,433	126,072	(650)	(113,280)	529	441,104
Renovation	103,435	14,150	(46,558)	(18,741)	1,182	53,468
	1,737,151	812,757	(325,780)	(672,168)	11,374	1,563,334

The Group	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
2014			
Computer hardware and software	3,746,826	(3,181,517)	565,309
Furniture and fittings	426,529	(398,617)	27,912
Motor vehicles	1,309,851	(433,336)	876,515
Office equipment	1,683,129	(1,344,301)	338,828
Renovation	70,959	(70,959)	-
	7,237,294	(5,428,730)	1,808,564
2013			
Computer hardware and software	4,159,625	(3,829,446)	330,179
Furniture and fittings	540,255	(479,628)	60,627
Motor vehicles	958,582	(280,626)	677,956
Office equipment	1,777,967	(1,336,863)	441,104
Renovation	393,121	(339,653)	53,468
	7,829,550	(6,266,216)	1,563,334

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

The Group made the following cash payments to purchase property, plant and equipment during the financial year:-

	The Group	
	2014 RM	2013 RM
Cost of property, plant and equipment purchased	1,271,951	812,757
Financed by hire purchase arrangements	(740,389)	(359,000)
Cash payments for purchase of property, plant and equipment	531,562	453,757

At the end of the reporting period, the carrying amount of property, plant and equipment acquired under hire purchase arrangements was RM1,091,715 (2013 - RM563,360).

7. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2014 RM	2013 RM
At 1.4.2013/2012	22,600	66,380
Recognised in profit or loss (Note 31)	210,739	(43,780)
Translation difference	(3,473)	-
At 31.3.2014/2013	229,866	22,600
Represented by:-		
Deferred tax assets	242,066	22,600
Deferred tax liabilities	(12,200)	-
At 31.3.2014/2013	229,866	22,600

Deferred tax assets/(liabilities) are attributable to the following:-

	The Group	
	2014 RM	2013 RM
Other deductible temporary differences	242,066	22,600
Accelerated capital allowances over depreciation	(12,200)	-

The amount of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:-

	The Group	
	2014 RM	2013 RM
Unutilised tax losses	50,092,478	48,006,595
Unabsorbed capital allowances	929,133	903,600
At 31.3.2014/2013	51,021,611	48,910,195

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Deferred tax assets of certain subsidiaries have not been recognised as it is not probable that taxable profit of the subsidiaries will be available against which deductible temporary differences can be utilised.

The deductible temporary differences do not expire under current tax legislation.

8. GOODWILL ON CONSOLIDATION

	The Group	
	2014	**2013**
	RM	**RM**
Cost		
At 1.4.2013/2012	17,668,326	17,668,326
Accumulated impairment losses:-		
At 1.4.2013/2012	(8,993,201)	(6,739,951)
Addition during the financial year	(650,000)	(2,253,250)
At 31.3.2014/2013	(9,643,201)	(8,993,201)
	8,025,125	8,675,125

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

	The Group	
	2014	**2013**
	RM	**RM**
ISS(S)	2,287,421	2,937,421
ISS(T)	5,737,704	5,737,704
	8,025,125	8,675,125

Goodwill is stated at cost and reviewed for impairment annually.

For the purpose of impairment testing, goodwill is allocated to groups of companies acquired ("the Units") at which the goodwill is monitored for internal management purposes.

Impairment loss on goodwill amounting to RM650,000 relates to a subsidiary, ISS(S) which was recognised during the financial year due to its declining business operations.

<u>Key assumptions for the value-in-use calculation</u>

The recoverable amount of a cash-generating unit is determined using the value-in-use approach, and this is derived from the present value of the future cash flows from this segment computed based on the projections of financial budgets approved by management covering a period of five years.

8. GOODWILL ON CONSOLIDATION (CONT'D)

Key assumptions for the value-in-use calculation (Cont'd)

The key assumptions used in the determination of the recoverable amount are as follows:-

	ISS(S) %	ISS(T) %
Gross profit margin	27	22
Growth rate	10	10
Discount rate	8.1	8.1

	Item	Basis of assumptions
(i)	Budgeted gross profit margin	The basis used to determine the value assigned to the budgeted gross profit margin is based on the expected efficiency improvements and cost saving measures.
(ii)	Growth rate	The growth rates used are based on the most recent financial budgets approved by the management covering a five year period based on the expected projection of revenue.
(iii)	Discount rate	Reflects specific risks relating to the relevant operating segments.

9. INVENTORIES

	The Group 2014 RM	The Group 2013 RM
At Cost		
Computer hardware and software	2,655,640	4,545,580
Computer spares	7,936,239	7,612,318
	10,591,879	12,157,898

The cost of inventories of the Group recognised as an expense during the financial year amounted to RM36,795,675 (2013: RM41,106,412).

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10. TRADE RECEIVABLES

	The Group	
	2014 RM	**2013 RM**
Trade receivables	16,336,302	11,133,960
Allowance for impairment losses:-		
At 1.4.2013/2012	(2,741,616)	(5,941,455)
Addition during the financial year	(446,680)	(235,423)
Writeback during the financial year	520,394	714,564
Write-off during the financial year	1,607,963	2,754,055
Translation difference	90,362	(33,357)
At 31.3.2014/2013	(969,577)	(2,741,616)
	15,366,725	8,392,344

The Group's normal trade credit terms range from 30 days to 60 days from the date of invoice. Other credit terms are assessed and approved on a case-by-case basis.

Included in the trade receivables was an amount of RM647,585 (2013 - Nil) which one of its foreign subsidiary, ISS(T) has assigned its rights over collection to factoring company in accordance with the factoring agreement with interest as stipulated in the agreement. If the assignee is unable to make collection from ISS(T)'s trade receivables, ISS(T) agrees to pay the outstanding debt balances to the assignee as disclosed in Note 22 to the financial statements.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Other receivables	7,927,774	6,606,238	-	100
Deposits	397,937	402,186	-	-
Prepayments	5,684,510	5,576,677	-	-
	14,010,221	12,585,101	-	100

12. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2014	**2013**
	RM	**RM**
Amount owing by subsidiaries	18,518,136	23,903,113
Less : Allowance for impairment losses	(17,907,861)	(18,140,023)
	610,275	5,763,090
Allowance for impairment losses:-		
At 1.4.2013/2012	(18,140,023)	(16,107,072)
Addition during the financial year	-	(2,032,951)
Writeback during the financial year	232,162	-
At 31.3.2014/2013	(17,907,861)	(18,140,023)

The amounts owing by/(to) the subsidiaries represent advances and payments on behalf which are unsecured, interest-free and collectible/repayable on demand in cash and cash equivalents except for a total amount of RM7,045,267 (2013 - RM9,591,880) owing to a subsidiary which bears interest of 8.1% (2013 - 8.1%) per annum.

13. AMOUNTS OWING BY/(TO) RELATED COMPANIES

	The Group	
	2014	**2013**
	RM	**RM**
Amount owing by:		
- Trade	6,596,307	10,862,843
Amount owing to:		
- Trade	506,571	762,553
- Non-trade	1,817,346	1,745,753
	2,323,917	2,508,306

The trade amount is subject to the normal trade credit terms ranging from 30 to 60 days from the date of invoice. The amount owing is to be settled in cash and cash equivalents.

The non-trade amount owing to related companies of the Group and the Company represent advances and payments on behalf which are unsecured, interest-free and repayable on demand in cash and cash equivalents.

14. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	5,740,752	7,115,357	92,716	3,422
Fixed deposits with licensed banks	11,587,629	10,813,199	-	-
Short-term commercial papers	215,000	365,198	-	-
	17,543,381	18,293,754	92,716	3,422

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14. CASH AND CASH EQUIVALENTS (CONT'D)

(a) Fixed deposits with licensed banks of the Group at the end of the reporting period totalling RM11,340,118 (2013 - RM8,971,727) are pledged to the banks for credit facilities granted to certain subsidiaries.

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:-

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash and bank balances	5,740,752	7,115,357	92,716	3,422
Fixed deposits with licensed banks	11,587,629	10,813,199	-	-
Short-term commercial papers	215,000	365,198	-	-
Bank overdrafts (Note 19)	(8,316,104)	(11,209,021)	-	-
	9,227,277	7,084,733	92,716	3,422
Less: Deposits pledged to licensed banks	(11,340,118)	(8,971,727)	-	-
	(2,112,841)	(1,886,994)	92,716	3,422

15. SHARE CAPITAL

	The Group		The Company	
	2014	2013	2014	2013
	Number Of Shares		RM	RM
Ordinary Shares of RM0.10 each:-				
Authorised	5,000,000,000	5,000,000,000	500,000,000	500,000,000
Issued and Fully Paid-Up	1,355,877,090	1,355,877,090	135,587,709	135,587,709

16. SHARE PREMIUM

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

17. RESERVES

		The Group		The Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Non-distributable:-					
Foreign exchange translation reserve	17.1	(268,157)	245,050	-	-
Reverse acquisition reserve	17.2	(115,766,900)	(115,766,900)	-	-
		(116,035,057)	(115,521,850)	-	-
Distributable:-					
Retained profits/ (Accumulated losses)		18,315,193	16,712,349	(54,137,540)	(52,528,807)
		(97,719,864)	(98,809,501)	(54,137,540)	(52,528,807)

17.1 FOREIGN EXCHANGE TRANSLATION RESERVE

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entities or the foreign operations. It is not distributable by way of dividends.

17.2 REVERSE ACQUISITION RESERVE

The reverse acquisition reserve represents the difference between the nominal value of DGB and the total value of the enlarged issued and paid-up share capital of the Company of RM0.10 each at par after the reverse acquisition by DGB as explained in Note 3.3 to the financial statements.

18. BORROWINGS

Total borrowings

	The Group	
	2014 RM	2013 RM
Bank overdrafts (Note 19)	8,316,104	11,209,021
Hire purchase payables (Note 20)	711,278	541,728
Trust receipts (Note 21)	1,735,615	2,534,587
Factoring loan (Note 22)	647,585	-
	11,410,582	14,285,336

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(CONTINUED)

18. BORROWINGS (CONT'D)

	The Group	
	2014 RM	2013 RM
Non-current		
Hire purchase payables (Note 20)	492,372	272,089
Current		
Bank overdrafts (Note 19)	8,316,104	11,209,021
Hire purchase payables (Note 20)	218,906	269,639
Trust receipts (Note 21)	1,735,615	2,534,587
Factoring loan (Note 22)	647,585	-
	10,918,210	14,013,247

19. BANK OVERDRAFTS

At the end of the reporting period, the bank overdrafts of the Group bore an effective interest rate of 8.71% (2013 - 8.10%) per annum and are secured by:-

(a) a pledge of a fixed deposit of RM6,612,336 by way of Memorandum of Deposit and Letter of Set-Off;

(b) a personal guarantee of two directors of the Company; and

(c) a corporate guarantee of the ultimate holding company.

20. HIRE PURCHASE PAYABLES

	The Group	
	2014 RM	2013 RM
Minimum hire purchase payments:		
- not later than one year	254,911	291,534
- later than one year and not later than five years	530,926	290,670
	785,837	582,204
Future finance charges	(74,559)	(40,476)
Present value of hire purchase payables	711,278	541,728
Current portion:		
- not later than one year (Note 18)	218,906	269,639
Non-current portion:		
- later than one year and not later than five years (Note 18)	492,372	272,089
	711,278	541,728

20. HIRE PURCHASE PAYABLES (CONT'D)

The weighted average effective interest rate of the hire purchase payables at the end of the reporting period was 3.25% (2013 – 3.12%) per annum.

21. TRUST RECEIPTS

At the end of the reporting period, the trust receipts bore an effective interest rate of 8.10% (2013 – 8.10%) per annum and are secured by:-

(a) a personal guarantee of two directors of the Company;

(b) a corporate guarantee of the immediate holding company; and

(c) a corporate guarantee of the penultimate holding company.

22. FACTORING LOAN

At the end of the reporting period, the factoring loan bore an interest rate at Minimum Overdraft Rate in Thailand ("MOR")+1.00% (2013 – Nil) per annum and is secured by the pledge of fixed deposits of RM385,545 and the transfer of the right of the claim of collections from trade receivables as disclosed in Note 10 to the financial statements.

23. PROVISION FOR POST-EMPLOYMENT BENEFITS

A subsidiary operates an unfunded defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to post-employment benefits calculated by reference to their length of services and earnings.

The subsidiary made defined benefit plan in accordance with severance payment as the labour law in Thailand which entitled retired employee within work service period in various rates, such as more than 10 years to receive severance payment not less than 300 days or 10 months of the last month salary.

The amount recognised in the statements of financial position is as follows:-

	The Group	
	2014	**2013**
	RM	**RM**
Present value of unfunded defined benefit obligations	1,210,331	190,739

The total expense recognised in the profit or loss is as follows:-

	The Group	
	2014	**2013**
	RM	**RM**
Current service cost	1,042,804	93,765

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23. PROVISION FOR POST-EMPLOYMENT BENEFITS (CONT'D)

The movements during the financial year in the amount recognised in the statements of financial position in respect of the post-employment benefit plan are as follows:-

	The Group	
	2014	**2013**
	RM	**RM**
Balance as at 1.4.2013/2012	190,739	87,346
Amount recognised in the profit or loss	1,042,804	93,765
Translation difference	(23,212)	9,628
Balance as at 31.3.2014/2013	1,210,331	190,739

The key assumptions used for this actuarial valuation (presented by the weighted average) are as follows:-

Discount rate	4.09%
Salary increase rate	5.00%
Annual voluntary resignation rate	0.00% - 18.00%
Mortality rate	Thai Mortality table of 2008
Normal retirement age	55 years

24. TRADE PAYABLES

The normal credit terms granted to the Group range from 30 to 60 days from the date of invoice

25. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Other payables and accruals	5,068,273	4,907,427	933,506	977,794
Unearned revenue	6,743,247	6,292,470	-	-
Refundable deposits	340,429	338,295	-	-
	12,151,949	11,538,192	933,506	977,794

Unearned revenue represents advance billings for maintenance services.

26. AMOUNT OWING TO ULTIMATE HOLDING COMPANY

The amount owing to the ultimate holding company of the Group represents management fee payable and payments on behalf which are unsecured, interest-free and repayable on demand in cash and cash equivalents.

27. NET ASSETS PER SHARE

The net assets per share of the Group for the current financial year is calculated based on the net assets value at the end of the reporting period of RM37,867,845 (2013 - RM36,778,208) divided by the number of ordinary shares in issue at the end of the reporting period of 1,355,877,090 (2013 - 1,355,877,090) shares.

28. REVENUE

Revenue of the Group represents billings for the sale of computer hardware, software and accessories, project management, consultancy, maintenance and software support services rendered less discounts and service tax.

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Sale of computer hardware, software and accessories	49,091,677	49,973,524	-	-
Project management, consultancy, maintenance and software support services	27,195,323	26,094,003	-	-
Dividend received from a subsidiary	-	-	1,000,000	10,000,000
	76,287,000	76,067,527	1,000,000	10,000,000

29. EMPLOYEE BENEFITS

The total employee benefits recognised in the statements of profit or loss and other comprehensive income are as follows:-

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Salaries, wages, bonuses and allowances	22,536,748	17,435,813	-	-
Defined contribution plan	1,373,461	1,225,159	-	-
Other employee benefits	2,042,348	972,334	43,237	29,584
	25,952,557	19,633,306	43,237	29,584

Included in the employee benefits of the Group are Executive Directors' remuneration totalling RM1,952,720 (2013 - RM1,547,840).

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30. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit/(loss) before tax is arrived at after charging:-				
Allowance for impairment losses on:				
- goodwill	650,000	2,253,250	-	-
- amount owing by subsidiaries	-	-	-	2,032,951
- trade receivables	446,680	235,423	-	-
- investment in subsidiaries	-	-	1,898,290	-
Auditors' remuneration:				
- current financial year	146,804	139,620	17,000	17,000
- underprovision in the previous financial year	17,253	22,004	13,000	11,000
Bad debts written off	14,733	10,005	-	-
Depreciation of property, plant and equipment	592,844	672,168	-	-
Directors' fees	404,288	458,006	404,288	458,006
Directors' non-fee emoluments	2,039,375	1,622,849	86,655	75,009
Interest expense	1,012,788	1,413,328	504,776	638,674
Inventories written off	1,178,829	252,977	-	-
Loss on disposal of property, plant and equipment	-	27,574	-	-
Loss on foreign exchange:				
- realised	160,067	172,599	-	418,742
- unrealised	348,345	316,886	550,421	-
Property, plant and equipment written off	422,861	47,208	-	-
Rental of office	824,674	951,369	-	-
Rental of office equipment	12,361	8,433	-	-
And crediting:-				
Bad debts recovered	195,773	-	-	-
Dividend income	-	-	1,000,000	10,000,000
Gain on foreign exchange:				
- realised	508,045	357,895	494,413	6,310
- unrealised	7,949	278,155	361,778	288,825
Waiver of debts	-	93,345	-	-
Writeback of impairment losses on:				
- trade receivables	520,394	714,564	-	-
- amount owing by subsidiaries	-	-	232,162	-
Interest income	196,417	367,200	-	-

31. INCOME TAX EXPENSE

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Current tax expense based on profit for the financial year:				
- Malaysian income tax	1,655,398	2,049,435	88,993	2,500,000
- Foreign income tax	190,332	303,407	-	-
	1,845,730	2,352,842	88,993	2,500,000
Overprovision in the previous financial year:				
- Malaysian income tax	(85,047)	(23,194)	(154,153)	-
- Foreign income tax	(704)	(69,710)	-	-
	(85,751)	(92,904)	(154,153)	-
Deferred tax (Note 7):-				
Relating to originating and reversal of temporary differences				
- Malaysian tax	(210,739)	43,780	-	-
	1,549,240	2,303,718	(65,160)	2,500,000

The Malaysian income tax is calculated at the statutory tax rate of 25% (2013 - 25%) of the estimated taxable profit for the fiscal year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

A reconciliation of the income tax expense applicable to the profit/(loss) before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit/(loss) before tax	3,154,629	3,176,211	(1,673,893)	6,180,946
Tax at the statutory tax rate of 25%	788,657	794,053	(418,473)	1,545,237
Tax effects in respect of:-				
Non-taxable income	(281,641)	(178,713)	(134,483)	(73,784)
Non-deductible expenses	811,881	1,446,813	641,949	1,028,547
Utilisation of deferred tax assets previously not recognised	-	(86,367)	-	-
Deferred tax assets not recognised during the financial year	274,966	374,786	-	-
Differential in tax rates	(59,797)	2,700	-	-
Others	100,925	43,350	-	-
	1,634,991	2,396,622	88,993	2,500,000
Overprovision in the previous financial year	(85,751)	(92,904)	(154,153)	-
Income tax expense for the financial year	1,549,240	2,303,718	(65,160)	2,500,000

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32. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing profit after tax and non-controlling interests for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2014	**2013**
Profit attributable to Owners of the Company (RM)	1,602,844	899,176
Weighted average number of ordinary shares in issue	1,355,877,090	1,355,877,090
Basic earnings per ordinary share (sen)	0.12	0.07

The fully diluted earnings per share for the Group is not presented as there were no potential dilutive ordinary shares in issue as at the end of the reporting period.

33. SIGNIFICANT RELATED PARTY DISCLOSURES

33.1 IDENTITIES OF RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if a group or a company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Group and the Company.

33.2 In addition to the information detailed 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:-

	The Group	
	2014 RM	**2013 RM**
Sale of goods and services to related companies	15,667,094	17,121,711
Purchase of goods and services from related companies	171,406	406,201
Management fees to ultimate holding company	480,000	480,000

33.3 COMPENSATION OF KEY MANAGEMENT PERSONNEL

The compensation of Directors and other key management personnel during the financial year are as follows:-

	The Group		The Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Directors' fees	404,288	458,006	404,288	458,006
Salaries and other short term employee benefits	3,379,347	2,928,591	86,655	75,009

34. OPERATING SEGMENTS

34.1 REPORTING FORMAT

The primary segment reporting format is determined to be business segments as the Group's risks and returns are affected predominantly by differences in the products and services rendered by the Group. Secondary information is reported geographically.

34.2 BUSINESS SEGMENTS

During previous financial year, the Group's reportable segments, which are its strategic business segments were identified as Distribution, Networks and Solutions. From the beginning of the current reporting period, the Group has reorganised the structure of its business segments. These business segments offer different products and services, and are managed separately. For each of the strategic business segment, the Chief Executive Officer reviews internal management reports on at least a quarterly basis.

Arising from the reorganisation, the Group's reportable segments have changed as follows:-

Business Performance Services	-	Provision of business performance improvement related services
Trading & Distribution Services	-	Distribution and reselling of hardware and software and related services
Digital & Infrastructure Services	-	Provision of a comprehensive range of tele/data communication, networking solutions and related services

Other non-reportable segments comprise operations related to investment holding.

2014	Digital & Infrastructure Services RM	Business Performance Services RM	Trading & Distribution Services RM	Others RM	Elimination RM	Total RM
Revenue						
External sales	35,192,524	34,557,147	6,537,329	-	-	76,287,000
Inter-segment sales	2,039,995	-	-	1,000,000	(3,039,995)	-
Total	37,232,519	34,557,147	6,537,329	1,000,000	(3,039,995)	76,287,000
Results						
Segment results						3,971,000
Interest expense						(1,012,788)
Interest income						196,417
Profit before tax						3,154,629
Tax expense						(1,549,240)
Profit for the year						1,605,389
Other information						
Segment assets	42,067,657	20,441,008	2,658,483	8,775,054	-	73,942,202
Deferred tax assets						242,066
Current tax assets						1,524,492
Consolidated total assets						75,708,760

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34. OPERATING SEGMENTS (CONT'D)

34.2 BUSINESS SEGMENTS (CONT'D)

2014	**Digital & Infrastructure Services RM**	**Business Performance Services RM**	**Trading & Distribution Services RM**	**Others RM**	**Elimination RM**	**Total RM**
Segment liabilities	16,161,793	17,566,240	6,025	2,841,873	-	36,575,931
Deferred tax liabilities						12,200
Current tax payable						21,050
Provision for post-employment benefits						1,210,331
Consolidated total liabilities						37,819,512
Capital expenditure	921,076	348,575	2,300	-	-	1,271,951
Depreciation	412,690	174,192	460	5,502	-	592,844
Non-cash expenses other than depreciation	1,636,955	1,812,071	-	655,245	-	4,104,271
2013						
Revenue						
External sales	45,446,572	29,753,512	867,443	-	-	76,067,527
Inter-segment sales	868,590	756,393	-	10,000,000	(11,624,983)	-
Total	46,315,162	30,509,905	867,443	10,000,000	(11,624,983)	76,067,527
Results						
Segment results						4,222,339
Interest expense						(1,413,328)
Interest income						367,200
Profit before tax						3,176,211
Tax expense						(2,303,718)
Profit for the year						872,493
Other information						
Segment assets	45,418,958	18,253,562	179,231	8,678,648	-	72,530,399
Deferred tax assets						22,600
Current tax assets						377,329
Consolidated total assets						72,930,328

34. OPERATING SEGMENTS (CONT'D)

34.2 BUSINESS SEGMENTS (CONT'D)

2013	Digital & Infrastructure Services RM	Business Performance Services RM	Trading & Distribution Services RM	Others RM	Elimination RM	Total RM
Segment liabilities	19,189,268	15,499,825	4,072	977,794	-	35,670,959
Current tax payable						271,564
Provision for post-employment benefits						190,739
Consolidated total liabilities						36,133,262
Capital expenditure	602,980	209,777	-	-	-	812,757
Depreciation	323,336	348,832	-	-	-	672,168
Non-cash expenses other than depreciation	453,358	437,713	-	2,253,250	-	3,144,321

34.3 GEOGRAPHICAL SEGMENTS

2014	Revenue RM	Segment assets RM	Segment liabilities RM	Capital expenditure RM	Depreciation RM
Malaysia	43,534,210	54,375,724	20,300,419	923,376	445,548
Singapore	5,981,280	2,754,870	3,629,858	59,428	12,520
Thailand	26,771,510	16,167,823	11,735,390	289,147	134,776
Indonesia	-	643,785	910,264	-	-
	76,287,000	73,942,202	36,575,931	1,271,951	592,844
2013					
Malaysia	51,328,514	56,475,731	22,979,636	628,770	468,940
Singapore	5,067,838	3,497,174	4,237,967	-	21,869
Thailand	19,671,175	11,842,128	7,444,376	183,987	181,359
Indonesia	-	715,366	1,008,980	-	-
	76,067,527	72,530,399	35,670,959	812,757	672,168

NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

34. OPERATING SEGMENTS (CONT'D)

34.4 MAJOR CUSTOMERS

The following are major customers and a related company with revenue equal to or more than 10% of Group revenue arising from sales by the Digital and Infrastructure Services segment:-

	Revenue	
	2014	**2013**
	RM	**RM**
Formis Network Services Sdn Bhd	15,066,016	17,325,297
D.G.KOM Sendirian Berhad	-	11,648,138
Digi Telecommunications Sdn Bhd	-	7,948,761

35. CONTINGENT LIABILITIES

	The Company	
	2014	**2013**
	RM	**RM**
Corporate guarantees given to financial institutions for facilities granted to a subsidiary		
- Secured	16,100,000	3,300,000

36. FINANCIAL INSTRUMENTS

The Group'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 financial performance.

36.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk, based on the carrying amounts as at the end of the reporting period is as follows:-

The Group In RM 2014	**Singapore Dollar**	**United States Dollar**	**Thai Baht**	**Indonesian Rupiah**	**Euro**	**Australian Dollar**	**Ringgit Malaysia**	**Total**
Financial assets								
Trade receivables	589,253	3,215	6,897,221	-	-	-	7,877,036	15,366,725
Other receivables and deposits	71,294	-	2,941,642	629,234	-	-	4,683,541	8,325,711
Cash and cash equivalents	936,395	9,690	2,634,216	3,272	1,629	-	13,958,179	17,543,381
Amount owing by related companies	-	-	-	-	-	-	6,596,307	6,596,307
	1,596,942	12,905	12,473,079	632,506	1,629	-	33,115,063	47,832,124
Financial liabilities								
Amount owing to related companies	810,102	-	4,641	-	-	-	1,509,174	2,323,917
Amount owing to ultimate holding company	-	-	-	-	-	-	3,229,649	3,229,649
Trade payables	777,965	1,382,458	3,939,560	-	-	107,723	1,252,128	7,459,834
Other payables and accruals	1,964,010	-	4,784,613	910,264	-	-	4,493,062	12,151,949
Bank overdrafts	-	-	1,270,836	-	-	-	7,045,268	8,316,104
Hire purchase payables	-	-	195,368	-	-	-	515,910	711,278
Trust receipts	-	-	-	-	-	-	1,735,615	1,735,615
Factoring loan	-	-	647,585	-	-	-	-	647,585
Provision for post-employment benefits	-	-	1,210,331	-	-	-	-	1,210,331
	3,552,077	1,382,458	12,052,934	910,264	-	107,723	19,780,806	37,786,262
Net financial (liabilities)/assets	(1,955,135)	(1,369,553)	420,145	(277,758)	1,629	(107,723)	13,334,257	10,045,862
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	1,955,135	-	(420,145)	277,758	-	-	(13,334,257)	(11,521,509)
	-	(1,369,553)	-	-	1,629	(107,723)	-	(1,475,647)

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(CONTINUED)

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group In RM 2013	**Singapore Dollar**	**United States Dollar**	**Thai Baht**	**Indonesian Rupiah**	**Euro**	**Ringgit Malaysia**	**Total**
Financial assets							
Trade receivables	1,350,891	151,977	3,269,901	-	-	3,619,575	8,392,344
Other receivables and deposits	228,522	-	2,906,786	699,149	-	3,173,967	7,008,424
Cash and cash equivalents	758,254	10,760	2,682,692	3,686	1,810	14,836,552	18,293,754
Amount owing by related companies	-	-	-	-	-	10,862,843	10,862,843
	2,337,667	162,737	8,859,379	702,835	1,810	32,492,937	44,557,365
Financial liabilities							
Amount owing to related companies	778,546	-	42,540	-	-	1,687,220	2,508,306
Amount owing to ultimate holding company	-	-	-	-	-	1,353,034	1,353,034
Trade payables	1,183,071	1,833,081	1,682,318	178,290	-	1,109,331	5,986,091
Other payables and accruals	2,276,350	-	4,133,025	830,690	-	4,298,127	11,538,192
Bank overdrafts	-	-	1,586,493	-	-	9,622,528	11,209,021
Hire purchase payables	-	-	-	-	-	541,728	541,728
Trust receipts	-	-	-	-	-	2,534,587	2,534,587
Provision for post-employment benefits	-	-	190,739	-	-	-	190,739
	4,237,967	1,833,081	7,635,115	1,008,980	-	21,146,555	35,861,698
Net financial (liabilities)/assets	(1,900,300)	(1,670,344)	1,224,264	(306,145)	1,810	11,346,382	8,695,667
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	1,900,300	-	(1,224,264)	306,145	-	(11,346,382)	(10,364,201)
	-	(1,670,344)	-	-	1,810	-	(1,668,534)

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Company in RM	**Note**	**Singapore Dollar**	**Ringgit Malaysia**	**Total**
2014				
Financial asset				
Amount owing by subsidiaries	12	16,120,774	2,397,362	18,518,136
Financial liability				
Amount owing to subsidiaries		(14,046,027)	(4,484,478)	(18,530,505)
		2,074,747	(2,087,116)	(12,369)
2013				
Financial asset				
Amount owing by subsidiaries	12	19,987,727	3,915,386	23,903,113
Financial liability				
Amount owing to subsidiaries		(12,779,508)	(4,756,400)	(17,535,908)
		7,208,219	(841,014)	(6,367,205)

<u>Foreign currency risk sensitivity analysis</u>

Foreign currency risk arises from Group entities which have a Ringgit Malaysia functional currency. The exposure to currency risk of Group entities which do not have Ringgit Malaysia functional currency is not material and hence, sensitivity analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis (Cont'd)

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

	The Group		**The Company**	
	2014 Increase/ (Decrease) RM	**2013 Increase/ (Decrease) RM**	**2014 Increase/ (Decrease) RM**	**2013 Increase/ (Decrease) RM**
Effects on:	**Profit after tax**	**Profit after tax**	**Profit after tax**	**Profit after tax**
United States Dollar:				
- strengthened by 10%	(102,716)	(125,276)	-	-
- weakened by 10%	102,716	125,276	-	-
Singapore Dollar:				
- strengthened by 10%	-	-	155,606	540,616
- weakened by 10%	-	-	(155,606)	(540,616)
Effects on:	**Equity**	**Equity**	**Equity**	**Equity**
United States Dollar:				
- strengthened by 10%	(102,716)	(125,276)	-	-
- weakened by 10%	102,716	125,276	-	-
Singapore Dollar:				
- strengthened by 10%	-	-	155,606	540,616
- weakened by 10%	-	-	(155,606)	(540,616)

(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 exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 36.1(c) to the financial statements.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The Group's exposure to interest rate risk, based on the carrying amounts as at the end of the reporting period is as follows:-

	The Group	
	2014	**2013**
	RM	**RM**
Fixed rate instruments		
Fixed deposits with licensed banks	11,587,629	10,813,199
Hire purchase payables	(711,278)	(541,728)
	10,876,351	10,271,471
Floating rate instruments		
Short-term commercial papers	215,000	365,198
Bank overdrafts	(8,316,104)	(11,209,021)
Trust receipts	(1,735,615)	(2,534,587)
Factoring loan	(647,585)	-
	(10,484,304)	(13,378,410)

Interest rate risk sensitivity analysis

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

Cash flow sensitivity analysis for variable rate instruments
The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	The Group	
	2014	**2013**
	Increase/ (Decrease)	**Increase/ (Decrease)**
	RM	**RM**
Effects on:	**Profit after tax**	**Profit after tax**
Increase of 100 basis points (bp)	(78,632)	(100,338)
Decrease of 100 basis points (bp)	78,632	100,338

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
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36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(iii) Equity Price Risk

The Group does not have any quoted investments at the end of the reporting period and hence is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables and cash deposits. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets in the statement of financial position as at the end of the reporting period.

The exposure of credit risk for trade receivables at the end of the reporting period by geographical region is as follows:-

	The Group	
	2014 RM	2013 RM
Thailand	6,897,221	3,269,901
Singapore	589,253	1,350,891
Malaysia	7,880,251	3,771,552
	15,366,725	8,392,344

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables (including amounts owing by related companies) at the end of the reporting period is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2014				
Not past due	10,607,314	-	-	10,607,314
Past due:				
- less than 3 months	6,063,320	-	-	6,063,320
- 3 to 6 months	3,948,868	-	-	3,948,868
- over 6 months	2,313,107	(969,577)	-	1,343,530
	22,932,609	(969,577)	-	21,963,032
2013				
Not past due	15,107,022	-	-	15,107,022
Past due:				
- less than 3 months	3,084,150	-	-	3,084,150
- 3 to 6 months	526,435	-	-	526,435
- over 6 months	3,279,196	(2,741,616)	-	537,580
	21,996,803	(2,741,616)	-	19,255,187

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

There is no collective impairment allowance at the end of the reporting period which is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are past due but not impaired

The Group believes that no impairment loss is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

(CONTINUED)

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash and cash equivalents and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 years RM
2014						
Amount owing to related companies	-	2,323,917	2,323,917	2,323,917	-	-
Amount owing to ultimate holding company	-	3,229,649	3,229,649	3,229,649	-	-
Hire purchase payables	3.25	711,278	785,837	254,911	530,926	-
Bank overdrafts	7.47	8,316,104	8,316,104	8,316,104	-	-
Trust receipts	8.10	1,735,615	1,735,615	1,735,615	-	-
Factoring loan	MOR+1%	647,585	647,585	647,585		
Trade payables	-	7,459,834	7,459,834	7,459,834	-	-
Other payables and accruals	-	12,151,949	12,151,949	12,151,949	-	-
Provision for post-employment benefits	-	1,210,331	1,210,331	-	-	1,210,331
		37,786,262	37,860,821	36,119,564	530,926	1,210,331

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

The Group	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 years RM
2013						
Amount owing to related companies	-	2,508,306	2,508,306	2,508,306	-	-
Amount owing to ultimate holding company	-	1,353,034	1,353,034	1,353,034	-	-
Hire purchase payables	3.12	541,728	582,204	291,534	290,670	-
Bank overdrafts	8.10	11,209,021	11,209,021	11,209,021	-	-
Trust receipts	8.10	2,534,587	2,534,587	2,534,587	-	-
Trade payables	-	5,986,091	5,986,091	5,986,091	-	-
Other payables and accruals	-	11,538,192	11,538,192	11,538,192	-	-
Provision for post-employment benefits	-	190,739	190,739	-	-	190,739
		35,861,698	35,902,174	35,420,765	290,670	190,739

The Company	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM
2014				
Amount owing to subsidiaries	18,530,505	18,530,505	18,530,505	-
Amount owing to ultimate holding company	80,000	80,000	80,000	-
Other payables and accruals	933,506	933,506	933,506	-
	19,544,011	19,544,011	19,544,011	-
2013				
Amount owing to subsidiaries	17,535,908	17,535,908	17,535,908	-
Other payables and accruals	977,794	977,794	977,794	-
	18,513,702	18,513,702	18,513,702	-

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(CONTINUED)

36. FINANCIAL INSTRUMENTS (CONT'D)

36.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity. The Group has target gearing ratios ranging from 25% to 50% determined as the proportion of total borrowings to equity. The gearing ratios as at 31 March 2014 and 31 March 2013, which are within the Group's objectives for capital management, are as follows:-

	The Group	
	2014 RM	2013 RM
Total borrowings (Note 18)	11,410,582	14,285,336
Total equity	37,889,248	36,797,066
Gearing ratio	31.1%	38.8%

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

The Group is also required to maintain a maximum debt-to-equity ratio of 0.5 to comply with a bank covenant, failing which, the bank may call an event of default. The Group has complied with this requirement.

36.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Financial assets				
Loans and receivables financial assets				
Trade receivables	15,366,725	8,392,344	-	-
Other receivables and deposits	8,325,711	7,008,424	-	100
Amount owing by subsidiaries	-	-	610,275	5,763,090
Amount owing by related companies	6,596,307	10,862,843	-	-
Cash and cash equivalents	17,543,381	18,293,754	92,716	3,422
	47,832,124	44,557,365	702,991	5,766,612

36. FINANCIAL INSTRUMENTS (CONT'D)

36.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Financial liabilities				
Other financial liabilities				
Bank overdrafts	8,316,104	11,209,021	-	-
Hire purchase payables	711,278	541,728	-	-
Trust receipts	1,735,615	2,534,587	-	-
Factoring loan	647,585	-	-	-
Trade payables	7,459,834	5,986,091	-	-
Other payables and accruals	12,151,949	11,538,192	933,506	977,794
Amount owing to subsidiaries	-	-	18,530,505	17,535,908
Amount owing to ultimate holding company	3,229,649	1,353,034	80,000	-
Amount owing to related companies	2,323,917	2,508,306	-	-
Provision for post-employment benefits	1,210,331	190,739	-	-
	37,786,262	35,861,698	19,544,011	18,513,702

36.4 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values.

The carrying amounts of the financial instruments of the Group as at the end of the reporting period approximated their fair values due to the relatively short-term maturity of the financial instruments except as set out below:-

	2014		2013	
The Group	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Non-current portion:				
- Hire purchase payables	492,372	461,005	272,089	255,353

The fair value of the non-current hire purchase payables was determined using discounted cash flow technique. The discount rate used was based on the weighted average effective rate of the hire purchase payables of the Group of 3.25% (2013 - 3.12%) per annum. The fair values are included in level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
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37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 13 August 2013, the litigation between ISS(M) vs TSH Resources Berhad ("TSH") has been amicably resolved and both parties have jointly applied for an order for termination of the arbitration proceedings.

On 6 September 2013, the Arbitrator issued a Consent Award setting out the following agreed terms between ISS(M) and TSH:-

- ISS(M)'s claim is withdrawn with no liberty to file afresh;
- TSH's counterclaim is withdrawn with no liberty to file afresh;
- The arbitrator's fees and any other administrative costs payable to the Kuala Lumpur Regional Centre for Arbitration in relation to the arbitration shall be borne in equal proportions between the parties; and
- Both parties shall bear their own costs of the arbitration.

38. SIGNIFICANT EVENT SUBSEQUENT TO THE REPORTING PERIOD

On 26 March 2012, the Company announced its proposal to undertake a Renounceable Rights Issue of up to 338,969,273 new ordinary shares of RM0.10 each in the Company ("Rights Share") together with up to 338,969,273 free detachable warrants ("Warrants") at an issue price of RM0.10 per Rights Share on the basis of one (1) Rights Share for every four (4) existing shares held in the Company together with one (1) free warrant for every one (1) Rights Share subscribed at an entitlement date to be determined later by the Board of Directors ("Rights Issue with Warrants").

However, the Company has decided not to proceed with the Rights Issue with Warrants on 4 April 2014 as it is the Board's intention to maximise the funds to be raised from the Rights Issue with Warrants rather than based on a minimum subscription level.

39. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits/(accumulated losses) of the Group and the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
- Realised	27,762,509	25,635,414	(54,137,540)	(52,528,807)
- Unrealised	195,885	70,136	-	-
	27,958,394	25,705,550	(54,137,540)	(52,528,807)
Less: Consolidation adjustments	(9,643,201)	(8,993,201)	-	-
At 31 March 2014/2013	18,315,193	16,712,349	(54,137,540)	(52,528,807)

ANALYSIS OF SHAREHOLDINGS
AS AT 22 JULY 2014

Authorised Share Capital	:	RM500,000,000.00
Issued and Paid-up Share Capital	:	RM135,587,709.00 divided into 1,355,877,090 ordinary shares of RM0.10 each
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	1 vote per Ordinary Share
Number of Shareholders	:	7,321

DISTRIBUTION OF SHAREHOLDERS
according to statistical summary of the Record of Depositors as at 22 July 2014

Size of Holding	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 shares	516	7.05	22,127	0.00
100 to 1,000 shares	3,502	47.83	1,446,559	0.11
1,001 to 10,000 shares	1,589	21.70	8,764,748	0.65
10,001 to 100,000 shares	1,199	16.38	56,437,531	4.16
100,001 to less than 5% of issued shares	513	7.01	475,282,724	35.05
5% and above of issued shares	2	0.03	813,923,401	60.03
Total	7,321	100.00	1,355,877,090	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS
according to the Record of Depositors as at 22 July 2014

	Name	No. of Shares Held	%
1.	M & A Nominee (Tempatan) Sdn Bhd Insas Credit & Leasing Sdn Bhd for Formis Holdings Bhd	508,282,409	37.49
2.	Formis Holdings Bhd	305,640,992	22.54
3.	Lau Chi Chiang	66,000,000	4.87
4.	Robin Lim Jin Hee	44,101,000	3.25
5.	Christina Ingeburg Orth	17,118,394	1.26
6.	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mok E. King	12,757,000	0.94
7.	Ngo Tong Yong	11,812,500	0.87
8.	Tan Aik Ping	11,812,500	0.87
9.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Megat Najmuddin Bin Haji Megat Khas (MG0002-010)	11,307,853	0.83
10.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Kwok	10,392,935	0.77
11.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Tiang Chin (REM181)	9,575,000	0.71

ANALYSIS OF SHAREHOLDINGS
AS AT 22 JULY 2014
(CONTINUED)

LIST OF THIRTY LARGEST SHAREHOLDERS
according to the Record of Depositors as at 22 July 2014

	Name	No. of Shares Held	%
12.	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Hong Cheat	9,135,572	0.67
13.	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Chee & Sons Sdn Bhd	6,360,000	0.47
14.	Tio Sian Hooi	6,294,400	0.46
15.	Teng Theng Theng	5,140,900	0.38
16.	Quah Wui Heong @ Jimmy	5,000,000	0.37
17.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Chi Chiang	4,610,000	0.34
18.	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Tuck Choy	4,194,300	0.31
19.	Lai Kam Keong	4,000,000	0.30
20.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Munirah Binti Abdullah Ng	3,909,100	0.29
21.	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Kwok	3,196,295	0.24
22.	Maybank Nominees (Tempatan) Sdn Bhd Teoh Lay Ean	3,025,000	0.22
23.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Kwok	3,018,862	0.22
24.	Maybank Nominees (Tempatan) Sdn Bhd Chiam Guik Meng	2,975,000	0.22
25.	Chin Poh Ling	2,920,000	0.22
26.	Lim Keng Chuan	2,800,000	0.21
27.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Soon Lee (E-SS2)	2,611,000	0.19
28.	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Megat Najmuddin Bin Haji Megat Khas (MX3240)	2,500,000	0.18
29.	Toh Chee Chaw	2,465,000	0.18
30.	Yap Eng Huai	2,264,000	0.17
	Total	1,085,220,012	80.04

ANALYSIS OF SHAREHOLDINGS
AS AT 22 JULY 2014
(CONTINUED)

SUBSTANTIAL SHAREHOLDERS
according to the Register of Substantial Shareholders as at 22 July 2014

	Name	Direct Interest	%	Deemed Interest	%
		No. of Shares Held			
1.	Formis Holdings Bhd	813,923,401	60.03	-	-
2.	Formis Resources Berhad	-	-	813,923,401 (1)	60.03
3.	Dato' Mah Siew Kwok	16,670,092	1.23	813,923,401 (2)	60.03
4.	Lau Chi Chiang	70,925,000	5.23	40,000 (3)	0.003
5.	Red Zone Development Sdn Bhd	-	-	813,923,401 (2)	60.03
6.	Monteiro Gerard Clair	-	-	813,923,401 (4)	60.03
7.	Wong Kit-Leong	-	-	813,923,401 (4)	60.03
8.	Raymond Tan	860,000	0.06	813,923,401 (4)	60.03

DIRECTORS' INTERESTS IN THE COMPANY AND RELATED COMPANY
according to the Register of Directors' Shareholdings as at 22 July 2014

DIVERSIFIED GATEWAY SOLUTIONS BERHAD		Direct Interest	%	Deemed Interest	%
		No. of Shares Held			
1.	Dato' Mah Siew Kwok	16,670,092	1.23	813,923,401 (2)	60.03
2.	Lau Chi Chiang	70,925,000	5.23	40,000 (3)	0.003
3.	Hoe Kah Soon	-	-	-	-
4.	Chan Hiok Khiang	-	-	-	-
5.	Ahmad Bin Khalid	30,001	0.002	-	-

RELATED COMPANY		Direct Interest	%	Deemed Interest	%
		No. of Ordinary Shares Held			
Formis Resources Berhad - Ordinary Shares					
1.	Dato' Mah Siew Kwok	63,714,024	16.44	-	-
2.	Lau Chi Chiang	6,715,000	1.73	40,000 (3)	0.01
3.	Chan Hiok Khiang	1,845,000	0.48	-	-
4.	Ahmad Bin Khalid	50,001	0.01	-	-

ANALYSIS OF SHAREHOLDINGS
AS AT 22 JULY 2014
(CONTINUED)

RELATED COMPANY	No. of Warrants 2011/2016 Held Direct Interest	%	Deemed Interest	%
Formis Resources Berhad – Warrants 2011/2016				
1. Dato Mah Siew Kwok	11,170,569	10.49	-	-
2. Lau Chi Chiang	868,489	0.82	-	-

RELATED COMPANY	No. of Warrants 2013/2018 Held Direct Interest	%	Deemed Interest	%
Formis Resources Berhad – Warrants 2013/2018				
1. Dato' Mah Siew Kwok	15,877,502	19.10	-	-
2. Chan Hiok Khiang	750,000	0.90	-	-
3. Lau Chi Chiang	600,000	0.72	-	-

Notes:

(1) *Deemed interest by virtue of Formis Holdings Bhd ("FHB") being a wholly-owned subsidiary of Formis Resources Berhad ("FRB") pursuant to Section 6A of the Companies Act, 1965.*
(2) *Deemed interest by virtue of his/its substantial interest in FRB, the holding company of FHB pursuant to Section 6A of the Companies Act, 1965.*
(3) *Deemed interest by virtue of indirect shareholding of ordinary shares held by his spouse.*
(4) *Deemed interest by virtue of their substantial interest in Red Zone Development Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

OTHER
INFORMATION

Non-Audit Fees

Non-statutory audit fee of RM3,000.00 was paid/payable to the external auditors for the financial year ended 31 March 2014.

Material Contracts

There were no material contracts entered into by the Group and the Company involving the interest of its Directors and major shareholders of the Group and of the Company which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year.

Recurrent Related Party Transactions

At the Eighth Annual General Meeting of Diversified Gateway Solutions Berhad (DGSB) held on 12 September 2013, the Company had obtained the approval of the shareholders for the shareholders' mandate to allow the Company and its subsidiaries (Group) to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business, with related parties (Recurrent Transactions).

The said mandate takes effect on 12 September 2013 until the conclusion of the forthcoming Annual General Meeting of the Company.

In accordance with Paragraph 3.1.5 of the Guidance Note 8 of the ACE Market Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended (FYE) 31 March 2014 pursuant to the said shareholders' mandate are as follows:

<table>
<tr><th>Companies within the DGSB Group transacting with the Related Parties</th><th>Nature of transactions</th><th>Related Party</th><th>Interested Directors / Major Shareholders / Persons Connected</th><th>Aggregate Value of Transactions during the FYE 31.03.14 (RM)</th></tr>
<tr><td>• Diversified Gateway Berhad (DGB)
• ISS Consulting (Malaysia) Sdn Bhd [ISS (M)]
• ISS Consulting (S) Pte Ltd [ISS (S)]
• ISS Consulting (Thailand) Ltd [ISS (T)]</td><td>Supply of computer hardware and services by FNS to DGB, ISS (M), ISS (S) and ISS (T)</td><td rowspan="2">Formis Network Services Sdn Bhd (FNS) (1)</td><td rowspan="2">**Interested Director**
- Dato' Mah Siew Kwok (Dato' Mah) (10)

Interested Major Shareholders
- Formis Holdings Bhd (FHB) (8)
- Formis Resources Berhad (FRB) (9)
- Red Zone Development Sdn Bhd (RZD) (11)
- Monteiro Gerard Clair (12)
- Wong Kit-Leong (12)
- Raymond Tan (12)</td><td>-</td></tr>
<tr><td>• DGB
• ISS (M)</td><td>Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (M) to FNS</td><td>15,094,011.09</td></tr>
</table>

Recurrent Related Party Transactions (Cont'd)

Companies within the DGSB Group transacting with the Related Parties	Nature of transactions	Related Party	Interested Directors / Major Shareholders / Persons Connected	Aggregate Value of Transactions during the FYE 31.03.14 (RM)
• DGB • ISS (M) • ISS (S) • ISS (T)	Supply of computer hardware and services by FCS to DGB, ISS (M), ISS (S) and ISS (T)	Formis Computer Services Sdn Bhd (FCS) [2]	**Interested Director** - Dato' Mah [10] **Interested Major Shareholders** - FHB [8] - FRB [9] - RZD [11] - Monteiro Gerard Clair [12] - Wong Kit-Leong [12] - Raymond Tan [12]	-
• DGB • ISS (M)	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (M) to FCS			-
• DGB • ISS (M)	Supply of computer hardware and services by FSSB to DGB and ISS (M)	First Solution Sdn Bhd (FSSB) [3]		89,563.00
	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (M) to FSSB			-
• DGB • ISS (M)	Supply of computer hardware and services by ABS to DGB and ISS (M)	Applied Business Systems Sdn Bhd (ABS) [4]		66,042.97
	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (M) to ABS			-
• DGB • ISS (M)	Supply of computer hardware and services by FST to DGB and ISS (M)	Formis Systems & Technology Sdn Bhd (FST) [5]		15,800.00
	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (M) to FST			-
• DGB • ISS (M) • ISS (S) • ISS (T)	Supply of computer hardware, software and services by FSTech to DGB, ISS (M), ISS (S) and ISS (T)	Formis Software & Technologies Sdn Bhd (FSTech) [6]		-
• DGB • ISS (M)	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (M) to FSTech			-

OTHER INFORMATION
(CONTINUED)

Recurrent Related Party Transactions (Cont'd)

Companies within the DGSB Group transacting with the Related Parties	Nature of transactions	Related Party	Interested Directors / Major Shareholders / Persons Connected	Aggregate Value of Transactions during the FYE 31.03.14 (RM)
• DGB • ISS (M)	Supply of computer hardware and services by FAS to DGB and ISS (M)	Formis Advanced Systems Sdn Bhd (FAS) [7]	**Interested Director** - Dato' Mah [10] **Interested Major Shareholders** - FHB [8] - FRB [9] - RZD [11] - Monteiro Gerard Clair [12] - Wong Kit-Leong [12] - Raymond Tan [12]	-
	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (M) to FAS			-
• DGSB Group	Receiving of administrative and management support, training and other related services from FRB to DGSB Group	FRB [9]		480,000.00
• DGSB Group	Provision of network connectivity and bandwidth services and project management services in relation to telecommunications by FRB Group to DGSB Group	FRB Group [13]		-
	Supply of computer hardware, software and services by FRB Group to DGSB Group			-
	Supply of network and software solutions, network security, storage and network management solutions inclusive of technical / maintenance services by DGSB Group to FRB Group			256,357.00
• DGSB Group	Supply of network and software solutions inclusive of technical / maintenance services by DGSB Group to Ho Hup Group	Ho Hup Construction Company Berhad and its subsidiary companies (Ho Hup Group) [14]		-

OTHER INFORMATION
(CONTINUED)

Recurrent Related Party Transactions (Cont'd)

Companies within the DGSB Group transacting with the Related Parties	Nature of transactions	Related Party	Interested Directors / Major Shareholders / Persons Connected	Aggregate Value of Transactions during the FYE 31.03.14 (RM)
• DGSB Group	Provision of independent smart community network infrastructure, telecommunications and other related services by Fiber@Home to DGSB Group	Fiber At Home City Networks Sdn Bhd (Fiber@Home) (15)	**Interested Director** - Dato' Mah (10) **Interested Major Shareholders** - FHB (8) - FRB (9) - RZD (11) - Monteiro Gerard Clair (12) - Wong Kit-Leong (12) - Raymond Tan (12)	-
	Supply of network and software solutions, network security, storage and network management solutions inclusive of technical / maintenance services by DGSB Group to Fiber@Home			-
• DGB • ISS (M)	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (M) to CUSCAPI Group	Cuscapi Berhad and its subsidiary companies (CUSCAPI Group) (16)	Not Applicable	-
	Supply of network infrastructure and security solutions and services by CUSCAPI Group to DGB and ISS (M)			-

Notes:-

(1) *FNS is a related party to DGB, ISS (M), ISS (S) and ISS (T) through a common ultimate Major Shareholder, FRB. FNS is principally involved in the provision of information technology services in terms of hardware, software, consultancy and maintenance to telecommunications, oil and gas and government sectors.*

(2) *FCS is a related party to DGB, ISS (M), ISS (S) and ISS (T) through a common ultimate Major Shareholder, FRB. FCS is principally involved in the provision of computer technology and maintenance of computer hardware and software.*

(3) *FSSB is related party to DGB and ISS (M) through a common ultimate Major Shareholder, FRB. FSSB is principally engaged in the distribution and maintenance of computer hardware and software.*

(4) *ABS is a related party to DGB and ISS (M) through a common ultimate Major Shareholder, FRB. ABS is principally engaged in the distribution and maintenance of computer equipment and software.*

(5) *FST is a related party to DGB and ISS (M) through a common ultimate Major Shareholder, FRB. FST is principally engaged in the distribution and maintenance of computer hardware and software.*

(6) *FSTech is a related party to DGB, ISS (M), ISS (S) and ISS (T) through a common ultimate Major Shareholder, FRB. FSTech is principally involved in the development of application software, system integration services and the provision of hardware and software maintenance services.*

(7) *FAS is a related party to DGB and ISS (M) through a common ultimate Major Shareholder, FRB. FAS is principally involved in the provision of computer technology and maintenance of computer hardware and software.*

(8) *FHB is the holding company of FNS, FCS and FSSB and the major shareholder of DGSB.*

(9) *FRB is the holding company of FHB.*

OTHER INFORMATION
(CONTINUED)

Recurrent Related Party Transactions (Cont'd)

(10) Dato' Mah is the Non-Executive Vice Chairman of FRB and also a Major Shareholder of FRB by virtue of his direct interest in FRB. By virtue of his interests in FRB, Dato' Mah is deemed interested in the shares of FRB's subsidiary companies to the extent FRB has an interest. Dato' Mah direct and indirect interests in FRB, DGSB and Ho Hup as at 31 March 2014 are set out below:-

Name of Company	% of Interest	
	Direct	Indirect
FRB	16.45	-
DGSB	1.23	60.03[a]
Ho Hup	2.54	12.84[b]

(a) Deemed interest by virtue of his interest in FRB pursuant to Section 6A of the Companies Act, 1965 ("Act").
(b) Deemed interest by virtue of indirect shareholding held by his spouse and daughter and by virtue of his interest in FRB pursuant to Section 6A of the Act.

(11) RZD is a Major Shareholder of FRB. By virtue of its interests in FRB, RZD is deemed interested in the shares of FRB's subsidiary companies to the extent FRB has an interest. RZD's direct and indirect interests in FRB and DGSB as at 31 March 2014 are set out below:-

Name of Company	% of Interest	
	Direct	Indirect
FRB	20.04	-
DGSB	-	60.03[b]

(b) Deemed interest by virtue of its substantial interest in FRB, the holding company of FHB pursuant to Section 6A of the Act.

(12) Monteiro Gerard Clair, Wong Kit-Leong and Raymond Tan are Major Shareholders of FRB by virtue of their indirect interest through RZD. Monteiro Gerard Clair is also a director of FRB. By virtue of their deemed interests in FRB, they are deemed interested in the shares of FRB's subsidiary companies to the extent FRB has an interest. Their direct and indirect interests in FRB and DGSB as at 31 March 2014 are set out below:-

Name of Company	FRB		DGSB	
	% of Interest		% of Interest	
	Direct	Indirect	Direct	Indirect
Monteiro Gerard Clair	0.01	20.04[c]	-	60.03[d]
Wong Kit-Leong	-	20.04[c]	-	60.03[d]
Raymond Tan	0.04	20.04[c]	0.06	60.03[d]

(c) Deemed interest by virtue of his substantial interest in RZD pursuant to Section 6A of the Act.
(d) Deemed interest by virtue of their substantial interest in RZD, which in turn owned 20.04% equity interest in FRB, the holding company of FHB pursuant to Section 6A of the Act.

(13) FRB Group is a related party to DGSB Group through a common ultimate Major Shareholder, FRB.

(14) Ho Hup Group is a related party to DGSB Group through a common ultimate Major Shareholder, FRB. Ho Hup Group is principally involved in foundation engineering, civil engineering, building contracting works and hire of plant and machinery.

(15) Fiber@Home is a related party to DGSB Group through a common ultimate Major Shareholder, FRB. Fiber@Home is a 52.63% owned subsidiary of Continuous Network Advisers Sdn Bhd which in turn is a wholly-owned subsidiary of FRB. Fiber@Home is principally involved in the spearheading of information communication technology development in the areas of infrastructure, content and application and trading of computer equipment.

(16) CUSCAPI Group ceased to be a related party to DGB and ISS (M) upon the resignation of Dato' Gan as a Director of DGSB on 1 August 2013.

Form of Proxy

DIVERSIFIED GATEWAY SOLUTIONS BERHAD

(Company No. 675362-P)
(Incorporated in Malaysia)

I/We,.. NRIC No.: ....
of ....
being a member / members of DIVERSIFIED GATEWAY SOLUTIONS BERHAD, hereby appoint ....
.... NRIC No.: ....
of ....
or failing him/her, ... NRIC No.: ....
of ....
or failing whom, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Ninth Annual General Meeting of the Company, to be held at Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur on Monday, 15 September 2014 at 10.00 a.m. or at any adjournment thereof in the manner as indicated below:

Resolutions	For	Against
RESOLUTION 1		
RESOLUTION 2		
RESOLUTION 3		
RESOLUTION 4		
RESOLUTION 5		
RESOLUTION 6		
RESOLUTION 7		
RESOLUTION 8		

(Please indicate with an "X" in the spaces provided above to indicate how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy may vote as he or she thinks fit, or at his or her discretion, abstains from voting)

Signed this _____________ day of ______________ 2014

Number of Ordinary Shares Held

....
Signature of Shareholder(s)

Notes:

i) A member entitled to attend and vote at the meeting may appoint another person as his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.

ii) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.

iii) 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. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of the attorney.

v) The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof shall be deposited at the Registered Office of the Company at 16th Floor, KH Tower, 8 Lorong P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time for holding of the meeting or adjourned meeting.

vi) Only members whose names appears in the Record of Depositors on 9 September 2014 shall be entitled to attend, speak and vote at this meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

FOLD THIS FLAP FOR SEALING

AFFIX
STAMP
HERE

To: The COMPANY SECRETARY

DIVERSIFIED GATEWAY SOLUTIONS BERHAD

16th Floor, KH Tower,
8 Lorong P. Ramlee,
50250 Kuala Lumpur.

FOLD THIS FLAP FOR SEALING

CONTACT DETAILS OF SUBSIDIARIES

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(Company No. 675362-P)

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