



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



Annual Report
2013



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

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MALAYSIA

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URL : www.dgsbgroup.com

Business Segments

Subsidiaries in the three core I.T. business segments of the Group

NETWORKS

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



Diversified Gateway Berhad

SOLUTIONS

Provision of integrated business solutions based on SAP software.



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

DISTRIBUTION

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



Rangkaian Ringkas Sdn Bhd

Table of Contents

BUSINESS SEGMENTS

CORPORATE PROFILE 2

CORPORATE INFORMATION 6

CORPORATE STRUCTURE 7

CHAIRMAN'S STATEMENT 8

PROFILE OF DIRECTORS 10

NOTICE OF EIGHTH ANNUAL GENERAL MEETING 13

STATEMENT ON CORPORATE GOVERNANCE 15

STATEMENT ON INTERNAL CONTROL 22

AUDIT COMMITTEE REPORT 25

CORPORATE SOCIAL RESPONSIBILITY STATEMENT 28

STATEMENT ON DIRECTORS' RESPONSIBILITY FOR
PREPARING THE FINANCIAL STATEMENTS 29

FINANCIAL STATEMENTS 30

ANALYSIS OF SHAREHOLDINGS 91

OTHER INFORMATION 95

FORM OF PROXY

CORPORATE PROFILE

Diversified Gateway Solutions Berhad (DGSB) Group of Companies operates two distinct segments of technology business – Network Systems and Business Solutions.

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. DGSB operates through its own nationwide service centres providing localised support for its customers across Malaysia.

This year, DGSB established a network equipment distribution business through its wholly owned subsidiary, Rangkaian Ringkas Sdn Bhd (RRSB). RRSB distributes carrier grade anti-DDoS systems, enterprise networking and security solutions, storage 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, Ruijie Networks and X-IO. Negotiation with other principals such as VSS Monitoring is on-going as RRSB prepares itself for a more aggressive growth strategy.

Integrated Software Solutions (ISS) with offices in Malaysia, Singapore and Thailand, has long been a key part of DGSB, offering business solutions through implementing SAP all-in-one enterprise resource planning (ERP) software. ISS delivers comprehensive, industry-specific ERP solutions from financials to HR to Sales and Procurement for the small and medium size enterprises (SME's) in this region.

Network Business (DGB)

- **Core and Long Haul Network Solution**

An integrated carrier grade solution offered to service providers and/or large enterprises for its 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 whilst 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, Fiber 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 Solution**

Wireless connectivity solutions offered include high speed broadband wireless from 52Mbps up to 1.25Gbps for both Enterprise LAN and Service Provider mobile wireless network, together with metro access. The solution is based on FSO (Free Space Optic Technology) and is ideal to deliver the speed of fiber 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. The said 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 fiber trenching.

CORPORATE PROFILE (CONT'D)

- **Wide Area Networking (WAN)**

Our expertise in networking solutions include providing data communication solutions that support several networking technologies such as ATM, Frame Relay, IP and Voice on a single platform or 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 & packet voice networking.

- **Service Providers Network Solutions**

Our expertise in networking solutions include 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 utmost importance in the event of crisis. This service can be delivered via the DWDM technology.

The optical network technology and solution offered will also enable service provider to offer data, VOIP (Voice over IP), voice and multimedia centric application, broadcast, IP Video, Ethernet VPN and even broadband solution via readily 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 fiber optic cabling (singlemode and multimode).

Together with LAN switching, we also provide Network performance monitoring and Bandwidth Management solutions that ensures 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, numbers 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 the nation that has our own service centers nationwide. Our service team 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 ranges from modems (standalone or rack mount), PCs, Point-of-Sales, Servers to network equipment such as network switches, routers, wireless equipment and optical switches covering customer head quarters, 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 and Gas companies.

We also cater to customers who require Preventive Maintenance to 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.

CORPORATE PROFILE (CONT'D)

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 with many multitudes of hardware and software (SCO Unix, HP Unix, NT etc.) and are more technologically oriented rather than product oriented. This makes them versatile to deal with problems in a multi-vendor environment.

Network Equipment Distribution Business (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 stop them. This long term commitment has helped its customers to maintain high levels of business operations and ensure that their online business systems remain available. The NSFOCUS Anti-DDoS System (ADS) helps customers find and fend off a wide variety of attacks, from simple network layer attacks to more sophisticated and potentially damaging application-layer attacks; all while letting legitimate traffic get through to critical systems.

- **Ruijie Networks**

Founded in 2000, Ruijie Networks is a world leading IP solution and product supplier. Based on its leading research and development capability, Ruijie Networks becomes one of the top suppliers of full range networking products worldwide. Its product line covers routers, switches, data center switch, wireless, security gateways and application software, which are widely deployed in government, financial service, education, healthcare, enterprises and telecom carriers.

- **X-IO**

X-IO is a recognised innovator in the storage industry due to its award-winning Intelligent Storage systems, which leverage over two decades of expertise to deliver unmatched price/performance for enterprise applications. The company's plug-and-perform Intelligent Storage solutions are customer proven to accelerate transactional, reporting and business intelligence applications by a factor of 3X or more. While dramatically reducing storage costs and footprint, X-IO Intelligent Storage drives extreme performance for virtual desktop and server infrastructures.

Business Solutions - SAP ERP Software (ISS)

- **SAP Consulting – Delivering End-to-End Business Solutions**

ISS offers a comprehensive range of SAP services from feasibility studies to full scale implementations and global roll-outs for multinational organisations. We also provide key user and end-user training, spot consulting and functional and technical reviews.

In line with our motto to run faster, further and better, we are constantly looking for new synergies with other partners in our eco system to deliver innovative SAP BAIO ERP solutions to help our customer gain maximum business advantage.

- **Application Management Support – Expertise on Request**

ISS maintains a certified SAP Helpdesk Centre that provides support services for our customers across Asia. With teams in Malaysia, Singapore and Thailand, we support customers of all sizes with services ranging from 1st level telephone support to remote installation and development of enhancements.

Our staff have deep technical skills and business knowledge to ensure the smooth running of SAP systems, so customers can concentrate on their core business without having to invest in large internal SAP support teams.

CORPORATE PROFILE (CONT'D)

- **Upgrade & Migration – Continuous Improvement**

ISS provides both technical and functional upgrades, and migration services that include key user training, delta training, technical and application support as well as data migration services.

We have successfully executed many upgrade projects and helped our customers through all phases of the upgrade. With the full resources and best practices of ISS knowledgeable support, customers are able to continuously benefit from the latest products offered by SAP.

- **International Rollout Projects**

Over the last 15 years ISS has established itself as the leading SAP Rollout Specialist in Asia. We have helped Global Customers with rollout projects covering countries such as China, Japan, Korea, Australia, New Zealand and others in Asia.

Using a mix of local and regional consultants for such rollouts, ISS provides a cost effective alternative to address both local, cultural and legal issues as well as regional standardisation requirements.

- **Custom Development**

We have delivered solutions across the entire spectrum of bespoke requirements, from enhancements to existing SAP installation to completely custom developed ERP solutions.

Our experienced team of developers have developed point-of-sale systems which are being deployed by leading retailers in the region integrated into SAP back-office solutions.

Using state-of-the-art development tools, we have created solutions for hand-held devices to automate and improve Warehouse Management operations, interface solutions between system and companies, and have been responsible for various solutions covering the full range of the software development lifecycle.

CORPORATE INFORMATION

BOARD OF DIRECTORS

*Non-Independent
Non-Executive Chairman*
Dato' Mah Siew Kwok
(Appointed on 1 August 2013)
Dato' Gan Nyap Liou @
Gan Nyap Liow
(Resigned on 1 August 2013)

*Executive Director and
Chief Executive Officer*
Mr Lau Chi Chiang

*Executive Director and
Chief Operating Officer*
Mr Robin Lim Jin Hee

Executive Director
Ms Neo Poh Lian

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 SECRETARY

Ms Lim Shook Nyee
[MAICSA No. 7007640]

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

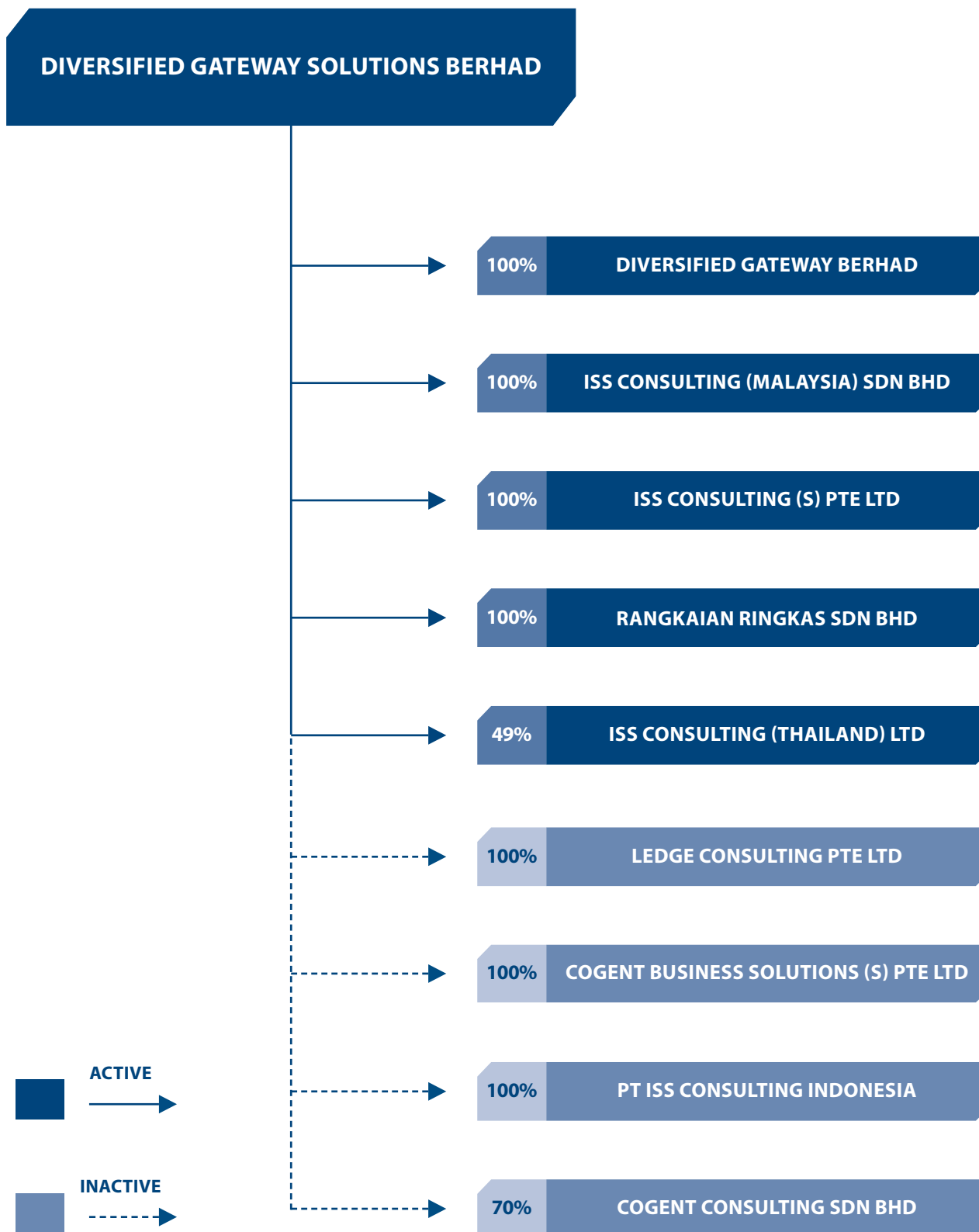
PRINCIPAL BANKERS

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



CHAIRMAN'S STATEMENT

BRIEF SUMMARY

The financial year ended 31 March 2013 marks a significant milestone for Diversified Gateway Solutions Berhad ("DGSB") as it turned a profit. The Networks segment grows steadily and contributed positively to the Group's financials. The Solutions segment is well positioned for growth with its remaining outstanding issues largely resolved.

PERFORMANCE

As Chairman, I am proud to announce that the Group had recorded total consolidated revenue of RM76.1 million for the financial year ended 31 March 2013 ("FYE 2013"), an approximate increase of 19.3%, or RM12.3 million compared to the preceding financial year. The Group also recorded a profit before tax of RM3.2 million for FYE 2013 compared to a loss before tax of RM4.7 million in the preceding financial year. Higher revenues recorded in both the Networks and Solutions segments and improved gross profit margins across the Group contributed to this improvement. In addition, there was also a significant reduction in bad debts being written off, impairment losses on trade receivables and impairment losses on goodwill in the current financial year compared to the preceding financial year.

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 ("Rights Shares") 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 of directors ("Board") ("Rights Issue with Warrants").

On 6 July 2012, the Company had announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had vide its letter and approved the following:

- i. Listing of up to 338,969,273 new DGSB Shares to be issued pursuant to the Rights Issue with Warrants;
- ii. Admission to the Official List and the listing of and quotation for up to 338,969,273 Warrants to be issued pursuant to the Rights Issue with Warrants; and
- iii. Listing of up to 338,969,273 new DGSB Shares to be issued pursuant to the exercise of the Warrants.

Bank Negara Malaysia had also vide its letter dated 19 July 2012 approved the issuance of the Warrants to non-residents of the Company.

On 13 September 2012, shareholders of the Company have approved the Rights Issue with Warrants.

The Company had applied for two extensions of time of six (6) months each up to 5 July 2013 and 5 January 2014 respectively to complete the Rights Issue with Warrants. The said applications have been approved by Bursa Securities on 24 December 2012 and 28 June 2013 respectively.

Over and above the rights issue exercise as mentioned above, DGSB had on 9 August 2012 incorporated a wholly-owned subsidiary company to be in the business of distribution, particularly in relation to network products. The company Rangkaian Ringkas Sdn Bhd ("RRSB") has an authorised share capital of RM100,000.00 comprising of 100,000 ordinary shares of RM1.00 each of which 2 ordinary shares of RM1.00 each had been issued and fully paid-up.

CHAIRMAN'S STATEMENT (CONT'D)

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 and Communication and Technology (ICT) sector. Key industry players are still upgrading and expanding their network and broadband coverage. With this, the DGSB Group continues to translate such initiatives into business opportunities.

APPRECIATION AND ACKNOWLEDGEMENT

As Chairman, I would like to thank the Management team for their continuing efforts in providing quality services to our customers and improving the overall business performance and the Directors who have each contributed in helping the Company return to profit-making wave.

I would also like to record my deepest appreciation to my fellow Director Mr Au Yong Kam Weng who has resigned effective 31 March 2013. We thank you for your commitment and dedication to the DGSB Group and wish you every success in your future endeavors. To the newly appointed Director, I would like to extend a very warm welcome to you to the DGSB Group.

My 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 unfaltering faith in the DGSB Group and we very much look forward to your continuous support in the exciting years to come.

Thank you.

Dato' Larry Gan Nyap Liou
CHAIRMAN

Date: 29 July 2013

PROFILE OF DIRECTORS

DATO' MAH SIEW KWOK

- *Chairman of the Board, Non-Independent Non-Executive Director*
- *Age 65, Malaysian*

Dato' Mah was appointed to the Board as the Non-Independent Non-Executive Chairman on 1 August 2013. He is currently the Chairman of the Remuneration Committee.

He 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 and specialised in Corporate Law, Banking Law as well as Land Law. He remained in practice for ten years before venturing into the commercial sector. Dato' Mah was the Managing Director of South Malaysia Industries Berhad from 1983 to 1994. Since 1994, Dato' Mah has been involved in the Information Technology business where his last executive role was as Executive Vice Chairman & Chief Executive Officer of Formis Resources Berhad. He is also the deputy chairman of Chung Hwa Independent High School.

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

MR LAU CHI CHIANG

- *Executive Director and Chief Executive Officer*
- *Age 49, Malaysian*

Mr Lau was appointed as the Chief Executive Officer of the Company on 14 April 2010 and subsequently appointed as an Executive Director of the Company on 6 March 2012. He is currently a member of the Remuneration Committee and the Executive Committee.

Mr Lau graduated with a Bachelor of Arts (Honours) from Universiti of Malaya, Malaysia. Thereafter, he pursued and obtained his Master of Business Administration from Southern Cross University, Australia.

Mr. Lau started his career as an Account Manager at Innovest Systems and Services Sdn Bhd in 1989 and later left to join Digital Transmission Systems Sdn Bhd in 1991 as General Sales Manager, a position which he held until he left in 1997.

Mr. Lau joined Diversified Gateway Berhad ("DGB") in 1997 and currently also serves as Managing Director of DGB.

MR ROBIN LIM JIN HEE

- *Executive Director and Chief Operating Officer*
- *Age 51, Malaysian*

Mr Robin Lim joined the Board as an Executive Director on 14 April 2010. On 4 April 2011, Mr. Robin Lim was appointed as the Chief Operating Officer of the Company.

Mr Robin Lim obtained a Bachelor of Science degree specialising in Computer Science and with a major in mathematics from University of Toronto, Canada. He joined Diversified Gateway Berhad in 1997 as General Manager and was appointed as Executive Director in 2003. Having been in the information technology industry since 1983, he has been exposed to various lines of employment covering software customisation to marketing. Some of his previous employers include AIM Computer Sdn Bhd, Computer Protocol Sdn Bhd and Digital Transmission Systems Sdn Bhd.

He currently serves as Director on the board of Diversified Gateway Berhad.

PROFILE OF DIRECTORS (CONT'D)

MS NEO POH LIAN

- *Executive Director*
- *Age 52, Malaysian*

Ms Neo joined the Board as an Executive Director on 14 April 2010.

Ms Neo obtained a B.A (Hons) in Finance with Accounting from University of East London. Upon her graduation, she remained in London for three years for her articleship. She returned to Malaysia in early 1988 and later joined Formis Computer Services Sdn Bhd ("FCS") in June as Finance Executive. In the following year, she was promoted to Finance and Administration Manager. In 1994, she was involved in a Management Buy-Out of FCS and was subsequently appointed to the Board in the same year. Ms Neo was appointed Executive Director of Perduren (M) Berhad from 2000 to 2006.

She was then appointed to Formis Resources Berhad ("FRB") upon completion of its acquisition of all the information technology businesses of Perduren (M) Berhad in 2006 as Corporate Vice President, Operations. She has been re-designated as Chief Operations Controller on 1 April 2013. She is responsible for operational matters of FRB group of companies including risk management.

She currently serves as Director on the board of Formis Holdings Berhad, Diversified Gateway Berhad and several other private companies.

MR CHAN HIOK KHIANG

- *Independent Non-Executive Director*
- *Age 57, Malaysian*

Mr Chan joined the Board on 1 December 2011. He is currently a member of the Audit Committee and the Remuneration Committee as well as the Chairman of the Nomination Committee.

Mr Chan is a graduate from Imperial College, London where he obtained his Bachelor of Science (Engineering) with 1st Class Honors. He was also awarded the Sarawak Shell Scholarship for his studies in Imperial College from 1976 to 1979.

Mr Chan has over 25 years of experience in management and engineering consulting. He was formerly a consulting partner with Accenture, the largest global management consulting firm. Before he resigned from Accenture in December 2004, he was 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. While with Accenture, he served in a variety of industries and management positions including being responsible for staff training, recruitment and business process consulting for Malaysia and eCommerce in Asia. In his role 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.

PROFILE OF DIRECTORS (CONT'D)

MR HOE KAH SOON

- *Independent Non-Executive Director*
- *Age 54, Malaysian*

Mr Hoe joined the Board on 6 March 2012. He is currently the 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 graduation 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 program 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 also an Independent Non-Executive Director of IFCA MSC Berhad.

EN AHMAD BIN KHALID

- *Independent Non-Executive Director*
- *Age 62, Malaysian*

En Ahmad joined the Board on 1 June 2013. He is currently a member of the Audit Committee and Nomination Committee.

En Ahmad started his career in banking and subsequently moved to telecommunication industry. He has attended numerous professional courses and seminars both abroad and locally. En Ahmad held various top management position in both banking and telecommunication industries for the past thirty (30) years.

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 EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth 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 Thursday, 12 September 2013 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 2013 together with the Reports of the Directors and Auditors thereon.
2. To approve payment of Directors' fees amounting to RM458,005.60 for the financial year ended 31 March 2013.
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) Robin Lim Jin Hee
 - (b) Chan Hiok Khiang
4. To re-elect the following Directors retiring pursuant to Article 97 of the Company's Articles of Association and being eligible, offered themselves for re-election:
 - (a) Ahmad Bin Khalid
 - (b) Dato' Mah Siew Kwok
5. To re-appoint Messrs Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS :

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

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

"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."

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

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

"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 the Circular to Shareholders dated 19 August 2013 subject to the following:-

- 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

Resolution 1

Resolution 2

Resolution 3
Resolution 4

Resolution 5
Resolution 6

Resolution 7

Resolution 8

Resolution 9

NOTICE OF EIGHTH ANNUAL GENERAL MEETING (CONT'D)

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."

- 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]
Company Secretary

Kuala Lumpur
19 August 2013

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) 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.
- iv) 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.

NOTES ON SPECIAL BUSINESS:

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

This 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 on 13 September 2012. The Company did not issue any new shares after the previous mandate was obtained at the last AGM.

The proposed Resolution 8, 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 9, further information on the Recurrent Related Party Transactions is set out in the Circular to Shareholders dated 19 August 2013 which is dispatched together with the Company's Annual Report 2013.

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 shareholders 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 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 6 of this Annual Report.

Composition and Board Balance

As at the date of this report, the Board consists of seven (7) members – three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Chairman and three (3) Executive Directors. 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 caliber 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 judgement 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 10 to 12 of this Annual Report.

The Non-Executive Chairman presides over all meetings of the Board and is responsible in ensuring that there is adequate deliberation and evaluation of proposals and information provided by the Management. The roles and responsibilities of the Non-Executive Chairman and of the Executive Directors 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 the Non-Executive Chairman and the Executive Directors. The Executive Directors have 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 Directors.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 will be 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.

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 was adopted by the Company subsequent to the financial year ended 31 March 2013 which sets out the principle and grievance procedures for employees to raise genuine concerns of possible improprieties perpetrated within the Group.

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 practicing accountability, honesty, 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 28 of this Annual Report.

Supply of Information and Company Secretary

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 Secretary in carrying out their duties.

The Company Secretary plays 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") has been established by the Board comprising entirely of Independent Non-Executive Directors. The NC recommends to the Board suitable candidates for appointment as Directors, and filling the vacant seats of 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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

STRENGTHEN COMPOSITION (cont'd)

Nomination Committee (cont'd)

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. The NC upon the annual review carried out, 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 6 of this Annual Report.

During the financial year ended 31 March 2013, one (1) NC meeting was held.

The Board acknowledges the needs for gender diversity for good governance practices and to enhance the efficient functioning of the Board. The Board believes the appointment of new member is guided by the skills, experience, competency and knowledge of the individual candidate and it shall review any potential candidate wherever reasonably possible. Meanwhile, the Board does not consider setting a gender quota to be in the best interest of good corporate governance. Nor does the Board consider that setting a short term target for gender diversity on the Board is appropriate at the current time.

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 Directors. Meetings of the Remuneration Committee are held as and when required, and at least once a year. The Remuneration Committee met twice during the financial year ended 31 March 2013 to review the remuneration of the Executive Directors.

The current composition of the Remuneration Committee is as set out on page 6 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 caliber needed to lead the Group successfully.

The remuneration of the Executive Directors 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 each of the Executive Directors. It is the responsibility of the entire Board to approve the remuneration of these Directors. 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 attend.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Remuneration Policy and Procedure (cont'd)

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	1,650,715	46,500
Directors' Fees	-	458,006

Remuneration Band (in RM per annum)	Executive Directors	Non-Executive Directors
Below 50,000	1	-
50,001 – 100,000	-	2
100,001 – 150,000	-	1
150,001 – 200,000	-	1
700,001 – 750,000	1	-
850,001 – 900,000	1	-

REINFORCE INDEPENDENCE

Annual Assessment of Independent Directors

The NC is responsible to assess the independence of Independent Directors annually based on their independent and constructive views, deliberations and contributions during the Board meeting. The criteria to assess the 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, Chief Executive Officer, Chief Operating Officer and Executive Director

The Non-Executive Chairman presides over all meetings of the Board. The roles and responsibilities of the Non-Executive Chairman, the Chief Executive Officer, the Chief Operating Officer and of the Executive Director 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 the Non-Executive Chairman, the Chief Executive Officer, the Chief Operating Officer and the Executive Director. The Chief Executive Officer, the Chief Operating Officer and the Executive Director have 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 Chief Executive Officer, the Chief Operating Officer and the Executive Director.

The Chairman of the Board was re-designated as a Non-Independent Non-Executive Director subsequent to the financial year. Notwithstanding that the Board does not comprise majority Independent Directors where the Chairman is not an Independent Director as recommended in the MCCG 2012, the Independent Directors are able to exercise strong independent judgement and provide independent views and advice to all Board deliberations. This represents a satisfactory alternative to the requirement of the recommended best practices of having the majority of Board members to be Independent Directors where the Chairman of the Board is non-independent, with appropriate representations of minority interest through the Independent Non-Executive Directors. In addition, the Board believes that the Chairman is competent to act on behalf of shareholders in their best interest and does not recommend the necessity of nominating an Independent Non-Executive Chairman at this moment.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 Secretary in the minutes of meetings which are properly kept and produced for inspection, if required.

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

The Board met six (6) times during the financial year ended 31 March 2013 during which it reviewed and approved various issues including the quarterly financial results of the Group for the announcement to Bursa Securities as well as the business performance of the Group. 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. Details of the attendances of the Directors at the Board meetings during the financial year ended 31 March 2013 are tabulated below :

Directors	Total Meetings Attended
Dato' Gan Nyap Liou @ Gan Nyap Liow	6/6
Mr Lau Chi Chiang	6/6
Mr Robin Lim Jin Hee	6/6
Ms Neo Poh Lian	6/6
Mr Hoe Kah Soon	5/6
Mr Chan Hiok Khiang	5/6
Mr Au Yong Kam Weng (<i>Resigned w.e.f. 31 March 2013</i>)	6/6
En Ahmad Bin Khalid (<i>Appointed w.e.f. 1 June 2013</i>)	0/0

All Directors have complied with the minimum 50% attendance requirement at Board meetings during the financial year ended 31 March 2013 as stipulated by the ACE Market Listing Requirements.

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

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

All the Directors of the Company have completed the Mandatory Accreditation Training Programme prescribed by Bursa Securities.

The Board of Directors shall be responsible for determining their continuous training needs to keep abreast of changes in both the regulatory and business environments as well as with new developments within the industry in which the Group operates.

During the financial year ended 31 March 2013, the Directors were briefed and updated from time to time during Board Meetings, particularly on topics including amendments to the ACE Market Listing Requirements and Financial Reporting.

In addition, members of the Board had also attended various training programmes, seminars and forum, with the exception of Mr Chan Hiok Khiang and Mr Lau Chi Chiang who have not attended any training programme due to their tight schedule and business commitments, for the financial year ended 31 March 2013.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board acknowledges its responsibility to ensure 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 applicable 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 judgements 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 applicable 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, via the AC, in assessing the suitability and independence of the external auditors. Such procedures entail the provision of written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

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. 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 Directors.

A summary of the activities of the AC during the financial year are set out in the AC Report on page 26 of this Annual Report.

RECOGNISE AND MANAGE RISKS

Risk Framework

The Board acknowledges its responsibilities of 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 auditors perform 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 independency.

Details of the Group's internal control systems and the state of internal controls are further elaborated under the Statement on Internal Control, which has been reviewed by the Company's external auditors, provided separately on pages 22 to 24 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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.

In addition, the Group has an established website www.dgsbgroup.com, where shareholders as well as members of the public may access for the latest information on operations and activities of the Group, press releases, announcements, financial information, etc. The Group's website is updated from time to time to provide comprehensive information on the Group.

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, each individual shareholder can raise questions or concerns with regard to the Company as a whole. Shareholders are also encouraged to participate in the question and answer session. The Board, senior Management and relevant advisors are on hand to answer questions raised and give clarifications required by the shareholders. 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.

This Statement is made in accordance with the resolution of the Board of Directors at its meeting held on 29 July 2013.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

In the fast moving and ever changing environment, it is well recognised by the Board of Directors ("Board") that both internal and external environment within which DGSB operates has become more complex and demands strong corporate governance. Risk management and internal control play an important role in this governance framework. Hence, reporting by Board on the risk management and internal control system within the company has become an integral part of the corporate governance disclosure requirements.

The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement in accordance to the requirements, outlining the nature and scope of internal controls of the Group.

BOARD RESPONSIBILITIES

The Board recognises the importance of sound internal control and risk management practices and its responsibilities for the Group and thus, the need to constantly review the adequacy and integrity of those systems put in place to support the Board. This system is designed to identify and manage risk facing the business in pursuit of the Group's objective and covers financial, organisational, operational and compliance controls to safeguard shareholders' investment and the Group's assets.

The system of internal control adopted by the Group is designed to manage, rather than to eliminate, the risk of failure of the Group's business objectives in view of limitations that are inherent in any system of internal control. This system therefore, only provides reasonable and 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 are clearly set out. Discretionary authority limits and operational authorities are also clearly defined. These authority limits are in place for all subsidiaries and are subject to continuous review throughout the year.
- Clearly defined responsibilities by board committees as well as management of head office and companies within the Group.
- 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 scope of error and to avoid collusion.
- Training and development programmes have been established to ensure that staff are constantly kept up-to-date with the constant evolution of 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 senior management meetings are held to monitor the performance of each operating unit, including discussion of any significant issues at regular meetings with heads of operating units. The Group senior management also review, discuss and plan the operational, financial and strategic issues affecting the Group where all matters arising are promptly and efficiently dealt with.

STATEMENT ON INTERNAL CONTROL (CONT'D)

- Regular management and 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 EXCO and/or the Board.
- Periodic reviews by the outsourced internal auditor, providing an independent assurance on the effectiveness of the Group's internal control system and advising management on areas of improvement.
- Quarterly performance reports, benchmarked against budgets and objectives, are provided to directors and discussed at the Audit Committee ("AC") and/or Board meetings.

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/revise on business objective and strategies for the following 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 presented their business plan for the new financial year to the Senior Management and Directors for adoption and thereafter to the Board of Directors 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. The Senior Management will conduct a mid year review 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 actions are immediately adopted on areas required. The Senior Management will also, during the financial year, discuss with the respective Head of Operating Units on issues and challenges that the company faces and advise on action plans to move forward.

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 prioritizing 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 reports 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.

STATEMENT ON INTERNAL CONTROL (CONT'D)

(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.

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 at 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 the adequacy and effectiveness

The risk management and internal control systems described above have been in place for the Group 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 check and balance 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 Berhad.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") has 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 6 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 as follows :

- (a) To review with the external auditor on:
 - (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 such measures as 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, the results of the internal audit programme, 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 the 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).

AUDIT COMMITTEE REPORT (CONT'D)

Roles and Responsibilities (cont'd)

- (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.
- (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 six (6) meetings. Details of attendance of the members of the AC are as follows:

Committee Members	Total Meetings Attended
Mr Hoe Kah Soon	4/6
Mr Chan Hiok Kiang	5/6
Mr Au Yong Kam Weng (Resigned w.e.f. 31 March 2013)	6/6
En Ahmad Bin Khalid (Appointed w.e.f. 1 June 2013)	0/0

Summary of Activities

The following is a summary of the main activities carried out by the AC during the financial year ended 31 March 2013:

- 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.

AUDIT COMMITTEE REPORT (CONT'D)

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 2013, 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 the Statement on Internal Control on pages 22 to 24 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 and is committed to ensuring that the interests of our stakeholders including customers, employees, shareholders and communities are taken care of. Good corporate governance through practicing accountability, honesty, 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 on four (4) focal 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 prepare themselves for advancement in their careers when opportunities arise.

The Community

As a good corporate citizen, the Group acknowledges its responsibilities to work in partnership with the community.

The Environment

The Group is fully committed to ensure that its processes are managed, maintained and refined in line with its business needs to meet all legal and regulatory commitments on the environment. All these are to ensure that the environment is protected for future generations and the sustainability of local communities are safeguarded. The Group recognises the importance of reducing wastage and conserving the energy and environment. Therefore, we encourage all our staff to adopt eco-friendly practices such as the efficient utilisation of stationeries, water, electricity as well as recycling.

The Marketplace

The Company has zero tolerance for fraud and unethical practices and conduct in all its business dealings with its stakeholders and within the Company. This Culture of ethical business ethics 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 work together 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, environment and human resource which 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 a sustainable value is channeled 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 have 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	31
STATEMENT BY DIRECTORS	36
STATUTORY DECLARATION	36
INDEPENDENT AUDITORS' REPORT	37
STATEMENTS OF FINANCIAL POSITION	39
STATEMENTS OF COMPREHENSIVE INCOME	41
STATEMENTS OF CHANGES IN EQUITY	42
STATEMENTS OF CASH FLOWS	44
NOTES TO THE FINANCIAL STATEMENTS	47

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 2013.

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 after taxation for the financial year	872,493	3,680,946
Non-controlling interests	26,683	-
Profit attributable to owners of the Company	<u>899,176</u>	<u>3,680,946</u>

DIVIDENDS

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

DIRECTORS' REPORT (CONT'D)

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 amount of the 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

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 to secure 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.

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.

DIRECTORS' REPORT (CONT'D)

ITEMS OF AN UNUSUAL NATURE (CONT'D)

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' Gan Nyap Liou @ Gan Nyap Liow
 Lau Chi Chiang
 Robin Lim Jin Hee
 Neo Poh Lian
 Chan Hiok Kiang
 Hoe Kah Soon
 Ahmad Bin Khalid (Appointed on 1 June 2013)
 Au Yong Kam Weng (Resigned on 31 March 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 1.4.2012	BOUGHT	SOLD	AT 31.3.2013
The Company				
<i>Direct Interests</i>				
Robin Lim Jin Hee	44,101,000	-	-	44,101,000
Lau Chi Chiang	70,925,000	-	-	70,925,000
<i>Indirect Interests</i>				
Robin Lim Jin Hee*	2,000	-	-	2,000
Lau Chi Chiang*	40,000	-	-	40,000

	Number Of Ordinary Shares of RM1.00 Each At 1.4.2012		Number Of Ordinary Shares of RM0.50 Each At 31.3.2013	
		Bought	Sold	
The Ultimate Holding Company				
Formis Resources Berhad				
<i>Direct Interests</i>				
Robin Lim Jin Hee	101,000	-	-	101,000
Lau Chi Chiang	4,015,000	-	-	4,015,000
Chan Hiok Kiang	-	1,500,000	-	1,500,000
<i>Indirect Interests</i>				
Robin Lim Jin Hee*	2,000	-	-	2,000
Lau Chi Chiang*	40,000	-	-	40,000
Dato' Gan Nyap Liou @ Gan Nyap Liow #	-	5,000,000	-	5,000,000

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

	At	Number Of Warrants		At
	1.4.2012	Addition	Sold	31.3.2013
The Ultimate Holding Company Formis Resources Berhad				
<i>Direct Interest</i>				
Lau Chi Chiang	250,000	-	-	250,000
<i>Indirect Interest</i>				
Robin Lim Jin Hee*	1,000	-	-	1,000

* Deemed interested by virtue of indirect shareholdings held by their spouses.

Deemed interested by virtue of his substantial interest in PlanetBiz Investments Limited, pursuant to Section 6A of the Companies Act 1965.

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' 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) 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, was 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 Berhad 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 EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 35 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

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

Signed in accordance with a resolution of the directors dated 29 July 2013

Robin Lim Jin Hee

Lau Chi Chiang

STATEMENT BY DIRECTORS

We, Robin Lim Jin Hee 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 39 to 89 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 2013 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 36, 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 29 July 2013

Robin Lim Jin Hee

Lau Chi Chiang

STATUTORY DECLARATION

I, Neo Poh Lian, being the Director primarily responsible for the financial management of Diversified Gateway Solutions Berhad, do solemnly and sincerely declare that the financial statements set out on pages 39 to 89 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 29 July 2013

Neo Poh Lian

Before me

Yap Lee Chin (W591)
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 2013 of the Group and of the Company, and the statements of 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 39 to 89.

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 requirement 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 2013 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIVERSIFIED GATEWAY SOLUTIONS BERHAD (CONT'D)

Other Reporting Responsibilities

The supplementary information set out in Note 36 on Page 90 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

1. As stated in Note 3.1 to the financial statements, Diversified Gateway Solutions Berhad adopted Malaysian Financial Reporting Standards on 1 April 2012 with a transition date of 1 April 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 March 2012 and 1 April 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 March 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 March 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 April 2012 do not contain misstatements that materially affect the financial position as of 31 March 2013 and financial performance and cash flows for the financial year then ended.
2. 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
29 July 2013

James Chan Kuan Chee
Approval No: 2271/10/13 (J)
Chartered Accountant

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

AT 31 MARCH 2013

Note	The Group			The Company			
	31.3.2013 RM	31.3.2012 RM	1.4.2011 RM	31.3.2013 RM	31.3.2012 RM	1.4.2011 RM	
ASSETS							
NON-CURRENT ASSETS							
Investments in subsidiaries	5	-	-	-	111,052,112	110,927,300	132,462,809
Property, plant and equipment	6	1,563,334	1,737,151	1,373,067	-	-	-
Deferred tax assets	7	22,600	66,380	300,748	-	-	-
Goodwill on consolidation	8	8,675,125	10,928,375	13,928,375	-	-	-
		<u>10,261,059</u>	<u>12,731,906</u>	<u>15,602,190</u>	<u>111,052,112</u>	<u>110,927,300</u>	<u>132,462,809</u>
CURRENT ASSETS							
Inventories	9	12,157,898	7,824,094	8,527,021	-	-	-
Trade receivables	10	8,392,344	9,751,055	19,112,356	-	-	-
Other receivables, deposits and prepayments	11	12,585,101	11,551,460	12,718,301	100	1,035,645	-
Amount owing by subsidiaries	12	-	-	-	5,763,090	7,161,505	10,039,685
Amount owing by related companies	13	10,862,843	10,958,768	1,828,651	-	-	-
Short-term investments		-	-	1,114,760	-	-	-
Current tax assets		377,329	429,410	560,533	-	-	-
Cash and cash equivalents	14	18,293,754	17,804,337	23,502,431	3,422	325,308	2,311
		<u>62,669,269</u>	<u>58,319,124</u>	<u>67,364,053</u>	<u>5,766,612</u>	<u>8,522,458</u>	<u>10,041,996</u>
TOTAL ASSETS		<u>72,930,328</u>	<u>71,051,030</u>	<u>82,966,243</u>	<u>116,818,724</u>	<u>119,449,758</u>	<u>142,504,805</u>
EQUITY AND LIABILITIES							
EQUITY							
Share capital	15	135,587,709	135,587,709	135,587,709	135,587,709	135,587,709	135,587,709
Share premium	16	-	-	-	15,246,120	15,246,120	15,246,120
Reserves	17	(98,809,501)	(99,749,615)	(92,685,066)	(52,528,807)	(56,209,753)	(30,627,238)
Non-controlling interests		18,858	45,541	-	-	-	-
TOTAL EQUITY		<u>36,797,066</u>	<u>35,883,635</u>	<u>42,902,643</u>	<u>98,305,022</u>	<u>94,624,076</u>	<u>120,206,591</u>
NON-CURRENT LIABILITIES							
Long-term borrowings	18	272,089	172,027	70,578	-	-	-
Provision for post-employment benefits	22	190,739	87,346	-	-	-	-
		<u>462,828</u>	<u>259,373</u>	<u>70,578</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2013 (CONT'D)

	Note	The Group			The Company		
		31.3.2013 RM	31.3.2012 RM	1.4.2011 RM	31.3.2013 RM	31.3.2012 RM	1.4.2011 RM
CURRENT LIABILITIES							
Trade payables	23	5,986,091	8,897,665	8,774,631	-	-	-
Other payables and accruals	24	11,538,192	12,289,435	17,768,389	977,794	702,209	639,744
Amount owing to subsidiaries	12	-	-	-	17,535,908	23,521,473	21,656,470
Amount owing to related companies	13	2,508,306	3,135,960	2,160,693	-	602,000	2,000
Amount owing to ultimate holding company	25	1,353,034	680,081	248,231	-	-	-
Current tax payable		271,564	10,988	29,222	-	-	-
Short-term borrowings	18	14,013,247	9,893,893	11,011,856	-	-	-
		35,670,434	34,908,022	39,993,022	18,513,702	24,825,682	22,298,214
TOTAL LIABILITIES		36,133,262	35,167,395	40,063,600	18,513,702	24,825,682	22,298,214
TOTAL EQUITY AND LIABILITIES		72,930,328	71,051,030	82,966,243	116,818,724	119,449,758	142,504,805
NET ASSETS PER SHARE (SEN)	26	2.71	2.65	3.16			

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
REVENUE	27	76,067,527	63,742,086	10,000,000	-
CHANGES IN INVENTORIES		4,586,781	(588,763)	-	-
PURCHASES		(45,440,216)	(31,154,470)	-	-
DIRECT EXPENSES		(4,020,610)	(6,681,440)	-	-
OTHER INCOME		2,010,800	3,587,785	295,135	6
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	6	(672,168)	(384,222)	-	-
EMPLOYEE BENEFITS	28	(19,633,306)	(20,172,844)	(29,584)	(1,267)
OTHER OPERATING EXPENSES		(8,250,091)	(11,968,243)	(3,442,782)	(24,980,161)
FINANCE COSTS		(1,472,506)	(1,114,583)	(641,823)	(601,093)
PROFIT/(LOSS) BEFORE TAX	29	3,176,211	(4,734,694)	6,180,946	(25,582,515)
INCOME TAX EXPENSE	30	(2,303,718)	(2,328,955)	(2,500,000)	-
PROFIT/(LOSS) AFTER TAX		872,493	(7,063,649)	3,680,946	(25,582,515)
OTHER COMPREHENSIVE INCOME, NET OF TAX					
- Foreign currency translation		40,938	44,641	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		913,431	(7,019,008)	3,680,946	(25,582,515)
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO:-					
Owners of the Company		899,176	(7,109,190)	3,680,946	(25,582,515)
Non-controlling interests		(26,683)	45,541	-	-
		872,493	(7,063,649)	3,680,946	(25,582,515)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:-					
Owners of the Company		940,114	(7,064,549)	3,680,946	(25,582,515)
Non-controlling interests		(26,683)	45,541	-	-
		913,431	(7,019,008)	3,680,946	(25,582,515)
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic	31	0.07	(0.52)		
Diluted	31	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 2013

	←	Non-distributable	→	Distributable			
	Share	Reverse	Exchange	Retained	Attributable	Non-	Total
	Capital	Acquisition	Translation	Profits	To Owners Of	Controlling	Equity
	RM	Reserve	Reserve	RM	The Company	Interests	RM
	RM	RM	RM	RM	RM	RM	RM
The Group							
Balance at 1.4.2011	135,587,709	(115,766,900)	159,471	22,922,363	42,902,643	-	42,902,643
(Loss)/Profit after tax for the financial year	-	-	-	(7,109,190)	(7,109,190)	45,541	(7,063,649)
Other comprehensive income for the financial year, net of tax:							
- Foreign currency translation	-	-	44,641	-	44,641	-	44,641
Total comprehensive income/(loss) for the financial year	-	-	44,641	(7,109,190)	(7,064,549)	45,541	(7,019,008)
Balance at 31.3.2012/1.4.2012	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	135,587,709	(115,766,900)	245,050	16,712,349	36,778,208	18,858	36,797,066

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)**

	SHARE CAPITAL RM	SHARE PREMIUM RM	ACCUMULATED LOSSES RM	TOTAL EQUITY RM
THE COMPANY				
Balance at 1.4.2011	135,587,709	15,246,120	(30,627,238)	120,206,591
Loss after tax for the financial year/ Total comprehensive loss for the financial year	-	-	(25,582,515)	(25,582,515)
Balance at 31.3.2012/1.4.2012	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	135,587,709	15,246,120	(52,528,807)	98,305,022

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
CASH FLOWS FOR OPERATING ACTIVITIES					
Profit/(Loss) before tax		3,176,211	(4,734,694)	6,180,946	(25,582,515)
Adjustments for:-					
Allowance for impairment losses on:					
- goodwill	8	2,253,250	3,000,000	-	-
- amount owing by subsidiaries		-	-	2,032,951	3,000,020
- trade receivables	10	235,423	1,147,239	-	-
- investment in subsidiaries	5	-	-	-	21,535,509
Bad debts written off		10,005	2,034,495	-	-
Changes in fair value of other investments		-	177,572	-	-
Depreciation of property, plant and equipment					
	6	672,168	384,222	-	-
Dividend income		-	(61,040)	(10,000,000)	-
Interest expense		1,413,328	1,043,312	638,674	587,040
Interest income		(367,200)	(458,369)	-	-
Inventories written off		252,977	114,163	-	-
Loss on disposal of property, plant and equipment					
		27,574	9,400	-	-
Loss on disposal of quoted investments					
		-	104,057	-	-
Property, plant and equipment written off					
		47,208	1,962	-	-
Provision for post-employment benefits	22	93,765	87,346	-	-
Unrealised loss on foreign exchange					
		316,886	222,814	-	-
Unrealised gain on foreign exchange					
		(278,155)	(232,478)	(288,825)	-
Waiver of debts					
		(93,345)	-	-	-
Writeback of impairment losses on trade receivables					
	10	(714,564)	(1,642,839)	-	-
<hr/>					
Operating profit/(loss) before working capital changes		7,045,531	1,197,162	(1,436,254)	(459,946)
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The annexed notes form an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)**

	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
BALANCE BROUGHT FORWARD		7,045,531	1,197,162	(1,436,254)	(459,946)
(Increase)/Decrease in inventories		(4,586,781)	588,764	-	-
Decrease/(Increase) in trade and other receivables		1,169,758	9,074,866	1,035,545	(1,035,645)
Decrease/(Increase) in amount owing by related companies		95,925	(9,130,117)	-	-
(Decrease)/Increase in trade and other payables		(4,045,141)	(5,378,947)	275,585	62,465
Increase in amount owing to ultimate holding company		672,953	431,850	-	-
(Decrease)/Increase in amount owing to related companies		(627,654)	939,322	(602,000)	600,000
CASH FOR OPERATIONS		(275,409)	(2,277,100)	(727,124)	(833,126)
Income tax paid		(1,947,109)	(1,982,360)	-	-
NET CASH FOR OPERATING ACTIVITIES		(2,222,518)	(4,259,460)	(727,124)	(833,126)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Repayment from/(Advances to) subsidiaries		-	-	245,576	(121,840)
Dividend received - net of tax		-	61,040	7,500,000	-
Interest received		367,200	458,369	-	-
Placement of fixed deposits pledged		(176,957)	(1,310,002)	-	-
Purchase of property, plant and equipment	6	(453,757)	(699,106)	-	-
Proceeds from disposal of investments		-	833,131	-	-
Proceeds from disposal of property, plant and equipment		250,998	140,000	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(12,516)	(516,568)	7,745,576	(121,840)
BALANCE CARRIED FORWARD		(2,235,034)	(4,776,028)	7,018,452	(954,966)

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

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)**

	Note	The Group		The Company	
		2013 RM	2012 RM	2013 RM	2012 RM
BALANCE BROUGHT FORWARD		(2,235,034)	(4,776,028)	7,018,452	(954,966)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Interest paid		(1,413,328)	(1,043,312)	(638,674)	-
Drawdown/(Repayment) of short-term borrowings		1,877,895	(427,166)	-	-
Drawdown of hire purchase payables (Repayment to)/Advances from subsidiaries		327,500	-	-	-
Repayment of hire purchase payables		-	-	(6,701,664)	1,277,963
		(397,603)	(96,980)	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		394,464	(1,567,458)	(7,340,338)	1,277,963
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,840,570)	(6,343,486)	(321,886)	322,997
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		(146,831)	6,168,897	325,308	2,311
FOREIGN EXCHANGE TRANSLATION DIFFERENCES		100,407	27,758	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	14(b)	(1,886,994)	(146,831)	3,422	325,308

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

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	:	16 th 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 29 July 2013.

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 These are the Group's first set of financial statements prepared in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board.

In the previous financial year, the financial statements of the Group were prepared in accordance with Financial Reporting Standards ("FRSs"). There were no material financial impacts on the transition from FRSs to MFRSs.

3.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) 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 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

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) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year (Cont'd):-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements to MFRSs 2009 – 2011 Cycle	1 January 2013

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

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.

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 will be 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 will be 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. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards and therefore there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

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 will be no financial impact on the financial statements of the Group upon its initial application.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

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) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year (Cont'd):-

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 will be no financial impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 10, MFRS 12 and MFRS 127 require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. The Company is an investment entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Accordingly, the Group will deconsolidate its subsidiaries upon the initial application of these amendments and to fair value the investments in accordance with MFRS 139. There will be 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 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.

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.

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 managements 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 39 to 89 together with the notes thereto cover DGB (as the accounting acquirer) and the Company together with its other subsidiaries (as the accounting acquiree).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

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) Changes in Estimates

FRS 116 *Property, Plant and Equipment* require the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the residual values of the motor vehicles to be based on their current market value of the same model. The revisions were accounted for prospectively as a change in accounting estimate and as a result, the depreciation charges of the Group for the current financial year have been increased by RM48,000.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(f) Write-down of Inventories

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

(g) 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.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(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. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent 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) Acquisitions of Non-controlling Interests

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 and attributed to owners of the parent.

(d) Loss of Control

Upon loss of control of a subsidiary, the profit or loss on disposal 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 (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. 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 jointly controlled entity.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables financial assets, held-to-maturity investments, 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 into this category upon initial recognition. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are subsequently measured at their fair value, with any gain or loss recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group and the Company'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 subsequently measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised 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 and other receivables and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Financial assets categorised as loans and receivables are subsequently 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.

(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 subsequently measured at their fair values at the end of each reporting period. Gains or 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, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

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

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 their carrying values may not be recoverable.

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.

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 calculated using the straight-line method to write off the depreciable amount of the assets to their residual values 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 as follows:-

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

The depreciation method, useful life 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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.

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

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, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statement of comprehensive income, a reversal of that impairment loss is recognised as income in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements 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.

4.11 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 the statement of comprehensive incomes on the straight-line basis 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, deposits pledged with financial institutions, 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.

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 year 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 INCOME TAXES (CONT'D)

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.

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.

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.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 OPERATING SEGMENTS (CONT'D)

- (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.

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, bonuses and non-monetary benefits 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 EMPLOYEE BENEFITS (CONT'D)

(d) Defined Benefit Plan (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 REVENUE AND OTHER INCOME

(a) Products and Services

Revenue is recognised upon the sale of products and 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.

(b) Interest Income

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

(c) Dividend Income

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013	2012
	RM	RM
Unquoted shares, at cost		
At 1.4.2012/2011	149,626,037	149,626,037
Addition during the financial year	124,812	-
	<hr/>	<hr/>
	149,750,849	149,626,037
Less: Accumulated impairment losses on investments in subsidiaries	(38,698,737)	(38,698,737)
	<hr/>	<hr/>
At 31.3.2013/2012	111,052,112	110,927,300
	<hr/>	<hr/>
Accumulated impairment losses on investments in subsidiaries:-		
At 1.4.2012/2011	(38,698,737)	(17,163,228)
Addition during the financial year	-	(21,535,509)
	<hr/>	<hr/>
At 31.3.2013/2012	(38,698,737)	(38,698,737)
	<hr/>	<hr/>

The details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2013	2012	
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2013	2012	
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%	-	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.

^{*} 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%.

In the previous financial year, the Company had 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)**

6. PROPERTY, PLANT AND EQUIPMENT

	At 1.4.2012 RM	Additions RM	Disposals /Written Off RM	Depreciation Charge RM	Translation Difference RM	At 31.3.2013 RM
The Group						
<i>Net Book Value</i>						
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

	At 1.4.2011 RM	Additions RM	Disposals /Written Off RM	Depreciation Charge RM	Translation Difference RM	At 31.3.2012 RM
The Group						
<i>Net Book Value</i>						
Computer hardware and software	484,187	111,707	(1,962)	(147,411)	(4,444)	442,077
Furniture and fittings	135,144	4,001	-	(52,019)	(46)	87,080
Motor vehicles	471,400	452,911	(149,400)	(98,785)	-	676,126
Office equipment	153,651	330,487	-	(55,883)	178	428,433
Renovation	128,685	-	-	(30,124)	4,874	103,435
	1,373,067	899,106	(151,362)	(384,222)	562	1,737,151

	Cost RM	Accumulated Depreciation RM	Net Book Value RM
The Group			
At 31.3.2013			
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

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

The Group	Cost RM	Accumulated Depreciation RM	Net Book Value RM
At 31.3.2012			
Computer hardware and software	3,921,007	(3,478,930)	442,077
Furniture and fittings	525,281	(438,201)	87,080
Motor vehicles	833,849	(157,723)	676,126
Office equipment	1,654,648	(1,226,215)	428,433
Renovation	441,048	(337,613)	103,435
	<u>7,375,833</u>	<u>(5,638,682)</u>	<u>1,737,151</u>

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

	The Group	
	2013 RM	2012 RM
Cost of property, plant and equipment purchased	812,757	899,106
Financed by hire purchase arrangements	(359,000)	(200,000)
	<u>453,757</u>	<u>699,106</u>

At the end of the reporting period, the carrying amount of property, plant and equipment acquired under hire purchase arrangements was RM563,360 (2012 - RM537,591).

7. DEFERRED TAX ASSETS

	The Group	
	2013 RM	2012 RM
At 1.4.2012/2011	66,380	300,748
Recognised in profit or loss (Note 30)	(43,780)	(234,473)
Translation difference	-	105
	<u>22,600</u>	<u>66,380</u>

Deferred tax assets are attributable to the following:-

	The Group	
	2013 RM	2012 RM
Other deductible temporary differences	<u>22,600</u>	<u>66,380</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

7. DEFERRED TAX ASSETS (CONT'D)

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	
	2013	2012
	RM	RM
Unutilised tax losses	48,006,595	46,284,286
Unabsorbed capital allowances	903,600	877,031
Other deductible expenses	-	187,353
	<hr/>	<hr/>
At 31.3.2013/2012	48,910,195	47,348,670
	<hr/>	<hr/>

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	
	2013	2012
	RM	RM
Cost		
At 1.4.2012/2011	17,668,326	17,668,326
Accumulated impairment losses:-		
At 1.4.2012/2011	(6,739,951)	(3,739,951)
Addition during the financial year	(2,253,250)	(3,000,000)
	<hr/>	<hr/>
At 31.3.2013/2012	(8,993,201)	(6,739,951)
	<hr/>	<hr/>
	8,675,125	10,928,375
	<hr/>	<hr/>

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

	The Group	
	2013	2012
	RM	RM
ISS(M)	-	1,753,250
ISS(S)	2,937,421	3,437,421
ISS(T)	5,737,704	5,737,704
	<hr/>	<hr/>
	8,675,125	10,928,375
	<hr/>	<hr/>

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 losses on goodwill amounting to RM1,753,250 and RM500,000 relate to subsidiaries, ISS(M) and ISS(S) respectively, which were recognised during the financial year due to their declining business operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

8. GOODWILL ON CONSOLIDATION (CONT'D)

Key assumptions for the value-in-use calculation

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.

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

	ISS(M) %	ISS(S) %	ISS(T) %
Gross profit	36	38	25
Growth rate	13	13	12
Discount rate	7.9	7.9	7.9

Item	Basis of assumptions
(i) Budgeted gross margin	The basis used to determine the value assigned to the budgeted gross 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	The discount rate used is based on the weighted average cost of capital.

9. INVENTORIES

	The Group	
	2013 RM	2012 RM
At Cost		
Computer hardware and software	4,545,580	2,551,295
Computer spares	7,612,318	5,272,799
	<hr/>	<hr/>
	12,157,898	7,824,094
	<hr/>	<hr/>

The cost of inventories of the Group recognised as an expense during the financial year amounted to RM41,106,412 (2012: RM31,857,396).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)**

10. TRADE RECEIVABLES

	The Group	
	2013 RM	2012 RM
Trade receivables	11,133,960	15,692,510
Allowance for impairment losses:-		
At 1.4.2012/2011	(5,941,455)	(6,919,352)
Addition during the financial year	(235,423)	(1,147,239)
Writeback during the financial year	714,564	1,642,839
Write-off during the financial year	2,754,055	509,855
Translation difference	(33,357)	(27,558)
At 31.3.2013/2012	(2,741,616)	(5,941,455)
	8,392,344	9,751,055

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.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other receivables	6,606,238	4,315,486	100	22,146
Deposits	402,186	1,491,048	-	1,002,899
Prepayments	5,576,677	5,744,926	-	10,600
	12,585,101	11,551,460	100	1,035,645

12. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2013 RM	2012 RM
Amount owing by subsidiaries	23,903,113	23,268,577
Less : Allowance for impairment losses	(18,140,023)	(16,107,072)
	5,763,090	7,161,505
Allowance for impairment losses:-		
At 1.4.2012/2011	(16,107,072)	(13,107,052)
Addition during the financial year	(2,032,951)	(3,000,020)
At 31.3.2013/2012	(18,140,023)	(16,107,072)

The amount 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 RM9,591,880 (2012 - RM9,156,000) owing to a subsidiary which bears interest of 8.1% (2012 - 8.1%) per annum.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

13. AMOUNTS OWING BY/(TO) RELATED COMPANIES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Amount owing by:				
- Trade	10,862,843	10,958,768	-	-
Amount owing to:				
- Trade	762,553	846,794	-	-
- Non-trade	1,745,753	2,289,166	-	602,000
	2,508,306	3,135,960	-	602,000

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash and bank balances	7,115,357	2,996,362	3,422	325,308
Fixed deposits with licensed banks	10,813,199	14,707,408	-	-
Short-term commercial papers	365,198	100,567	-	-
	18,293,754	17,804,337	3,422	325,308

(a) Fixed deposits with licensed banks of the Group at the end of the reporting period totalling RM8,971,727 (2012 - RM8,794,770) 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash and bank balances	7,115,357	2,996,362	3,422	325,308
Fixed deposits with licensed banks	10,813,199	14,707,408	-	-
Short-term commercial papers	365,198	100,567	-	-
Bank overdrafts (Note 19)	(11,209,021)	(9,156,398)	-	-
	7,084,733	8,647,939	3,422	325,308
Less: Deposits pledged to licensed banks	(8,971,727)	(8,794,770)	-	-
	(1,886,994)	(146,831)	3,422	325,308

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

15. SHARE CAPITAL

	The Company		2013 RM	2012 RM
	2013 Number Of Shares	2012 Number Of Shares		
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

Note	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-distributable:-				
Foreign exchange translation reserve	17.1 245,050	204,112	-	-
Reverse acquisition reserve	17.2 (115,766,900)	(115,766,900)	-	-
	(115,521,850)	(115,562,788)	-	-
Distributable:-				
Retained profits/ (Accumulated losses)	16,712,349	15,813,173	(52,528,807)	(56,209,753)
	(98,809,501)	(99,749,615)	(52,528,807)	(56,209,753)

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)**

18. BORROWINGS

Total borrowings	The Group	
	2013 RM	2012 RM
Bank overdrafts (Note 19)	11,209,021	9,156,398
Hire purchase payables (Note 20)	541,728	252,830
Trust receipts (Note 21)	2,534,587	656,692
	<u>14,285,336</u>	<u>10,065,920</u>
Non-current		
Hire purchase payables (Note 20)	<u>272,089</u>	<u>172,027</u>
Current		
Bank overdrafts (Note 19)	11,209,021	9,156,398
Hire purchase payables (Note 20)	269,639	80,803
Trust receipts (Note 21)	2,534,587	656,692
	<u>14,013,247</u>	<u>9,893,893</u>

19. BANK OVERDRAFTS

At the end of the reporting period, the bank overdrafts of the Group bore an interest of 8.10% (2012 - 8.10%) per annum and are secured by:-

- (a) a pledge of a fixed deposit of RM5,000,000 by way of Memorandum of Deposit and Letter of Set-Off; and
- (b) a corporate guarantee of the immediate holding company.

20. HIRE PURCHASE PAYABLES

	The Group	
	2013 RM	2012 RM
Minimum hire purchase payments:		
- not later than one year	291,534	91,932
- later than one year and not later than five years	290,670	185,132
	<u>582,204</u>	<u>277,064</u>
Future finance charges	(40,476)	(24,234)
	<u>541,728</u>	<u>252,830</u>
Present value of hire purchase payables		
Current portion:		
- not later than one year (Note 18)	269,639	80,803
Non-current portion:		
- later than one year and not later than five years (Note 18)	272,089	172,027
	<u>541,728</u>	<u>252,830</u>

The effective interest rate of the hire purchase payables at the end of the reporting period was 3.12% (2012 - 2.64%) per annum.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

21. TRUST RECEIPTS

At the end of the reporting period, the trust receipts bore an interest of 8.10% (2012 – 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 ultimate holding company.

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

	The Group	
	2013 RM	2012 RM
Present value of unfunded defined benefit obligations	190,739	87,346

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

	The Group	
	2013 RM	2012 RM
Current service cost	93,765	87,346

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	
	2013 RM	2012 RM
Balance as at 1.4.2012/2011	87,346	-
Amount recognised in the profit or loss	93,765	87,346
Translation difference	9,628	-
Balance as at 31.3.2013/2012	190,739	87,346

23. TRADE PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

24. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other payables and accruals	4,907,427	8,273,914	977,794	702,209
Unearned revenue	6,292,470	3,900,466	-	-
Refundable deposits	338,295	115,055	-	-
	<u>11,538,192</u>	<u>12,289,435</u>	<u>977,794</u>	<u>702,209</u>

Included in other payables and accruals in the previous financial year was an amount of RM1,050,000 owing to a director in the ultimate holding company. The amount owing represented advances which were unsecured, interest-free and repayable on demand in cash and cash equivalents.

Unearned revenue represents advance billings for maintenance services.

25. 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.

26. 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 RM36,780,213 (2012 - RM35,838,094) divided by the number of ordinary shares in issue at the end of the reporting period of 1,355,877,090 (2012 - 1,355,877,090) shares.

27. 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Sale of computer hardware, software and accessories	49,973,524	40,779,266	-	-
Project management, consultancy, maintenance and software support services	26,094,003	22,962,820	-	-
Dividend received from a subsidiary	-	-	10,000,000	-
	<u>76,067,527</u>	<u>63,742,086</u>	<u>10,000,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

28. EMPLOYEE BENEFITS

The total employee benefits recognised in the statements of comprehensive income are as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Salaries, wages, bonuses and allowances	17,435,813	18,050,586	-	-
Defined contribution plan	1,225,159	1,252,850	-	-
Other employee benefits	972,334	869,408	29,584	1,267
	<u>19,633,306</u>	<u>20,172,844</u>	<u>29,584</u>	<u>1,267</u>

Included in the employee benefits of the Group are Executive Directors' remuneration totalling RM1,547,840 (2012- RM1,625,288).

29. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit/(Loss) before tax is arrived at after charging:-				
Allowance for impairment losses on:				
- goodwill	2,253,250	3,000,000	-	-
- amount owing by subsidiaries	-	-	2,032,951	3,000,020
- trade receivables	235,423	1,147,239	-	-
- investment in subsidiaries	-	-	-	21,535,509
Auditors' remuneration:				
- current financial year	139,620	153,374	17,000	17,000
- underprovision in the previous financial year	22,004	12,497	11,000	2,000
Bad debts written off	10,005	2,034,495	-	-
Changes in fair value of other investments	-	177,572	-	-
Depreciation of property, plant and equipment	672,168	384,222	-	-
Directors' fees	458,006	143,288	458,006	143,288
Directors' non-fee emoluments	1,622,849	1,645,188	75,009	19,900
Interest expense	1,413,328	1,043,312	638,674	587,040
Inventories written off	252,977	114,163	-	-
Management fee to ultimate holding company	480,000	480,000	-	-
Loss on disposal of property, plant and equipment	27,574	9,400	-	-
Loss on foreign exchange:				
- realised	172,599	207,237	418,742	-
- unrealised	316,886	222,814	-	-
Loss on disposal of quoted investments	-	104,057	-	-
Property, plant and equipment written off	47,208	1,962	-	-
Rental of office	951,369	1,106,594	-	-
Rental of office equipment	8,433	12,251	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)**

29. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
And crediting:-				
Dividend income	-	61,040	10,000,000	-
Gain on foreign exchange:				
- realised	357,895	775,901	6,310	-
- unrealised	278,155	232,478	288,825	-
Waiver of debts	93,345	-	-	-
Writeback of impairment losses on trade receivables	714,564	1,642,839	-	-
Interest income	367,200	458,369	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

30. INCOME TAX EXPENSE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current tax expense based on profit for the financial year:				
- Malaysian income tax	2,049,435	1,594,062	2,500,000	-
- Foreign income tax	303,407	493,831	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,352,842	2,087,893	2,500,000	-
(Over)/Underprovision in the previous financial year:				
- Malaysian income tax	(23,194)	(52,865)	-	-
- Foreign income tax	(69,710)	59,454	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(92,904)	6,589	-	-
Deferred tax (Note 7):- Relating to originating and reversal of temporary differences				
- Malaysian tax	43,780	178,620	-	-
- Foreign tax	-	55,853	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	43,780	234,473	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,303,718	2,328,955	2,500,000	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Malaysian income tax is calculated at the statutory tax rate of 25% (2012 - 25%) of the estimated taxable profit for the fiscal year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

30. INCOME TAX EXPENSE (CONT'D)

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit/(Loss) before tax	3,176,211	(4,734,694)	6,180,946	(25,582,515)
Tax at the statutory tax rate of 25%	794,053	(1,183,674)	1,545,237	(6,395,629)
Tax effects in respect of:-				
Non-taxable income	(178,713)	(174,828)	(73,784)	-
Non-deductible expenses	1,446,813	1,223,830	1,028,547	6,395,629
Utilisation of deferred tax assets previously not recognised	(86,367)	(38,810)	-	-
Deferred tax assets not recognised during the financial year	374,786	1,637,670	-	-
Differential in tax rates	2,700	699,266	-	-
Others	43,349	158,912	-	-
	<u>2,396,621</u>	<u>2,322,366</u>	<u>2,500,000</u>	<u>-</u>
(Over)/Underprovision in the previous financial year	(92,903)	6,589	-	-
Tax for the financial year	<u>2,303,718</u>	<u>2,328,955</u>	<u>2,500,000</u>	<u>-</u>

31. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share is calculated by dividing profit/(loss) 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	
	2013 RM	2012 RM
Profit/(Loss) attributable to Owners of the Company (RM)	<u>899,176</u>	<u>(7,109,190)</u>
Weighted average number of ordinary shares in issue	<u>1,355,877,090</u>	<u>1,355,877,090</u>
Basic earnings/(loss) per ordinary share (sen)	<u>0.07</u>	<u>(0.52)</u>

The fully diluted earnings/(loss) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

32. SIGNIFICANT RELATED PARTY DISCLOSURES

32.1 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.

32.2 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	
	2013	2012
	RM	RM
Sale of goods and services to related companies	17,121,711	18,101,071
Purchase of goods and services from related companies	406,201	1,390,581
Management fees to ultimate holding company	480,000	480,000

32.3 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	
	2013	2012	2013	2012
	RM	RM	RM	RM
Directors' fees	458,006	143,288	458,006	143,288
Salaries and other short term employee benefits	2,928,591	2,614,771	75,009	19,900

33. OPERATING SEGMENTS

33.1 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

33. OPERATING SEGMENTS (CONT'D)

33.2 BUSINESS SEGMENTS

The Group comprises two reportable segments, as described below, which are the Group's strategic 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. The following summary describes the operations in each of the Group's reportable segments:-

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

Solutions - Provision of integrated business solutions based on SAP software.

Distribution - Distribution and reselling of hardware and software.

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

2013	Networks RM	Solutions RM	Distribution RM	Others RM	Elimination RM	Total RM
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	45,441,558	18,630,891	179,231	8,678,648	-	72,930,328
Segment liabilities	19,457,751	15,692,087	5,630	977,794	-	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

33. OPERATING SEGMENTS (CONT'D)

33.2 BUSINESS SEGMENTS (CONT'D)

2012	Networks RM	Solutions RM	Distribution RM	Others RM	Elimination RM	Total RM
Revenue						
External sales	35,292,501	28,449,585	-	-	-	63,742,086
Inter-segment sales	-	988,321	-	-	(988,321)	-
Total	35,292,501	29,437,906	-	-	(988,321)	63,742,086
Results						
Segment results	6,906,134	(7,595,939)	-	(3,459,946)	-	(4,149,751)
Interest expense						(1,043,312)
Interest income						458,369
Loss before tax						(4,734,694)
Tax expense						(2,328,955)
Loss for the year						(7,063,649)
Other information						
Segment assets	43,487,898	15,273,803	-	12,289,329	-	71,051,030
Segment liabilities	21,169,857	12,693,329	-	1,304,209	-	35,167,395
Capital expenditure	810,374	88,732	-	-	-	899,106
Depreciation	192,051	192,171	-	-	-	384,222
Non-cash expenses other than depreciation	670,321	3,281,958	-	3,000,000	-	6,952,279

33.3 GEOGRAPHICAL SEGMENTS

2013	Revenue RM	Segment assets RM	Segment liabilities RM	Capital expenditure RM	Depreciation RM
Malaysia	51,328,514	56,498,331	23,251,200	628,770	468,940
Singapore	5,067,838	3,497,960	4,237,967	-	21,869
Thailand	19,671,175	12,218,671	7,635,115	183,987	181,359
Indonesia	-	715,366	1,008,980	-	-
Total	76,067,527	72,930,328	36,133,262	812,757	672,168
2012					
Malaysia	43,153,516	59,269,155	25,856,182	816,071	318,497
Singapore	6,973,902	2,577,424	4,148,049	3,734	36,383
Thailand	13,614,668	8,457,792	4,114,233	79,301	29,342
Indonesia	-	746,659	1,048,931	-	-
Total	63,742,086	71,051,030	35,167,395	899,106	384,222

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS

34.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities are exposed to a variety of market risks (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.

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.

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 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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
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)
2012							
Financial assets							
Trade receivables	860,604	239,010	3,366,741	-	7,416	5,277,284	9,751,055
Other receivables and deposits	149,371	-	151,522	729,737	-	4,775,904	5,806,534
Cash and cash equivalents	179,077	11,229	2,347,690	3,842	1,889	15,260,610	17,804,337
Amount owing by related companies	-	-	-	-	-	10,958,768	10,958,768
	1,189,052	250,239	5,865,953	733,579	9,305	36,272,566	44,320,694
Financial liabilities							
Amount owing to related companies	-	-	-	-	-	3,135,960	3,135,960
Amount owing to ultimate holding company	-	-	-	-	-	680,081	680,081
Trade payables	586,326	4,653,356	1,031,999	186,090	-	2,439,894	8,897,665
Other payables and accruals	2,793,568	-	2,994,888	862,841	-	5,638,138	12,289,435
Bank overdrafts	-	-	-	-	-	9,156,398	9,156,398
Hire purchase payables	-	-	-	-	-	252,830	252,830
Trust receipts	-	-	-	-	-	656,692	656,692
Provision for post-employment benefits	-	-	87,346	-	-	-	87,346
	3,379,894	4,653,356	4,114,233	1,048,931	-	21,959,993	35,156,407

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group In RM 2012	Singapore Dollar	United States Dollar	Thai Baht	Indonesian Rupiah	Euro	Ringgit Malaysia	Total
Net financial (liabilities)/assets	(2,190,842)	(4,403,117)	1,751,720	(315,352)	9,305	14,312,573	9,164,287
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	2,190,842	-	(1,751,720)	315,352	-	(14,312,573)	(13,558,099)
	-	(4,403,117)	-	-	9,305	-	(4,393,812)

The Company In RM 2013	Singapore Dollar	Total
Financial assets		
Amount owing by subsidiaries	5,677,209	5,677,209

The Company In RM 2012	Singapore Dollar	Total
Financial assets		
Amount owing by subsidiaries	6,657,217	6,657,217

Foreign currency risk sensitivity analysis

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 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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	
	2013 Increase/ (Decrease) RM	2012 Increase/ (Decrease) RM	2013 Increase/ (Decrease) RM	2012 Increase/ (Decrease) RM
Effects on:	Profit after tax	Loss after tax	Profit after tax	Loss after tax
United States Dollar:				
- strengthened by 10%	(125,140)	330,234	-	-
- weakened by 10%	125,140	(330,234)	-	-
Singapore Dollar:				
- strengthened by 10%	-	-	425,791	(499,292)
- weakened by 10%	-	-	(425,791)	499,292
Effects on:	Equity	Equity	Equity	Equity
United States Dollar:				
- strengthened by 10%	(125,140)	(330,234)	-	-
- weakened by 10%	125,140	330,234	-	-
Singapore Dollar:				
- strengthened by 10%	-	-	425,791	499,292
- weakened by 10%	-	-	(425,791)	(499,292)

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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	
	2013 RM	2012 RM
Fixed rate instruments		
Fixed deposits with licensed banks	10,813,199	14,707,408
Hire purchase payables	(541,728)	(252,830)
	10,271,471	14,454,578
Floating rate instruments		
Short-term commercial papers	365,198	100,657
Bank overdrafts	(11,209,021)	(9,156,398)
Trust receipts	(2,534,587)	(656,692)
	(13,378,410)	(9,712,433)

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	
	2013 Increase/ (Decrease) RM	2012 Increase/ (Decrease) RM
Effects on:	Profit after tax	Loss after tax
Increase of 100 basis points (bp)	(100,338)	72,843
Decrease of 100 basis points (bp)	100,338	(72,843)
	(100,338)	(72,843)

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(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	
	2013 RM	2012 RM
Thailand	3,269,901	3,366,741
Singapore	1,350,891	860,604
Malaysia	3,771,552	5,523,710
	8,392,344	9,751,055

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
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2012				
Not past due	16,707,112	-	-	16,707,112
Past due:-				
- less than 3 months	1,916,871	-	-	1,916,871
- 3 to 6 months	1,149,198	-	-	1,149,198
- over 6 months	6,878,097	(5,941,455)	-	936,642
	26,651,278	(5,941,455)	-	20,709,823

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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):-

The Group	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 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	481,409
2012					
Amount owing to related companies	-	3,135,960	3,135,960	3,135,960	-
Amount owing to ultimate holding company	-	680,081	680,081	680,081	-
Hire purchase payables	2.64	252,830	277,064	91,932	185,132
Bank overdrafts	8.10	9,156,398	9,156,398	9,156,398	-
Trust receipts	8.10	656,692	656,692	656,692	-
Trade payables	-	8,897,665	8,897,665	8,897,665	-
Other payables and accruals	-	12,289,435	12,289,435	12,289,435	-
Provision for post-employment benefits	-	87,346	87,346	-	87,346
		35,156,407	35,180,641	34,908,163	272,478

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

The Company	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM
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	-
2012				
Amount owing to subsidiaries	23,521,473	23,521,473	23,521,473	-
Amounts owing to related companies	602,000	602,000	602,000	-
Other payables and accruals	702,209	702,209	702,209	-
	24,825,682	24,825,682	24,825,682	-

34.2 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 divided by total equity. The Group has a target gearing ratio ranging from 25% to 50% determined as the proportion of total borrowings to equity. The gearing ratios as at 31 March 2013 and 31 March 2012, which are within the Group's objectives for capital management, are as follows:-

	The Group	
	2013 RM	2012 RM
Total borrowings (Note 18)	14,285,336	10,065,920
Total equity	36,797,066	35,883,635
Gearing ratio	38.8%	28.1%

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 CAPITAL RISK MANAGEMENT (CONT'D)

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.

34.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Financial assets				
<u>Loans and receivables financial assets</u>				
Trade receivables	8,392,344	9,751,055	-	-
Other receivables and deposits	7,008,424	5,806,534	100	1,025,045
Amount owing by subsidiaries	-	-	5,763,090	7,161,505
Amount owing by related companies	10,862,843	10,958,768	-	-
Cash and cash equivalents	18,293,754	17,804,337	3,422	325,308
	44,557,365	44,320,694	5,766,612	8,511,858
Financial liabilities				
<u>Other financial liabilities</u>				
Bank overdrafts	11,209,021	9,156,398	-	-
Hire purchase payables	541,728	252,830	-	-
Trust receipts	2,534,587	656,692	-	-
Trade payables	5,986,091	8,897,665	-	-
Other payables and accruals	11,538,192	12,289,435	977,794	702,209
Amount owing to subsidiaries	-	-	17,535,908	23,521,473
Amount owing to ultimate holding company	1,353,034	680,081	-	-
Amount owing to related companies	2,508,306	3,135,960	-	602,000
Provision for post-employment benefits	190,739	87,346	-	-
	35,861,698	35,156,407	18,513,702	24,825,682

34.4 FAIR VALUES OF FINANCIAL INSTRUMENTS

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:-

The Group	2013		2012	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Non-current portion:				
- Hire purchase payables	272,089	255,353	172,027	162,321

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 3.12% (2012 - 2.64%) per annum.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.5 FAIR VALUE HIERARCHY

As at 31 March 2013, there were no financial instruments carried at fair values.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

35.1 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").

On 13 September 2012, shareholders of the Company have approved the Rights Issue with Warrants.

The Company applied for two extensions of time of six (6) months each up to 5 July 2013 and 5 January 2014 respectively to complete the Rights Issue with Warrants. The said applications have been approved by Bursa Securities on 24 December 2012 and 28 June 2013 respectively.

The above exercise has yet to be completed as at the date of this report.

35.2 On 5 June 2012, DGB, a wholly-owned subsidiary of the Company, accepted a Letter of Award dated 29 May 2012 from D.G.KOM Sendirian Berhad ("DGKom") for the supply of system and network equipment and support services for DGKom's projects for a period of one (1) year commencing from 29 May 2012 to 28 May 2013, for an aggregate amount of RM20 million ("Contract Value").

The total Contract Value shall be based on the purchase order(s) to be issued by DGKom within the period of 12 months from 29 May 2012 and DGKom shall have the right not to utilise fully the Contract Value and any unutilised Contract Value shall not be claimed by DGB and/or compensated to DGB.

35.3 On 9 August 2012, the Company incorporated a wholly-owned subsidiary, namely, Rangkaian Ringkas Sdn. Bhd. ("RRSB") with the issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. RRSB commenced business during the financial year and its principal activity is to carry on the business of distribution and maintenance of computer networking, network security, storage and network management solutions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONT'D)

36. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFIT/LOSS

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained profits/ (accumulated losses):				
- Realised	25,635,414	22,242,445	(52,528,807)	(56,209,753)
- Unrealised	70,136	310,679	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	25,705,550	22,553,124	(52,528,807)	(56,209,753)
Less: Consolidation adjustments	(8,993,201)	(6,739,951)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	16,712,349	15,813,173	(52,528,807)	(56,209,753)

ANALYSIS OF SHAREHOLDINGS

AS AT 15 JULY 2013

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	:	7,504

DISTRIBUTION OF SHAREHOLDERS

according to statistical summary of the Record of Depositors as at 15 July 2013

Size of Holding	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 shares	509	6.78	21,949	0.00
100 to 1,000 shares	3,548	47.28	1,483,894	0.11
1,001 to 10,000 shares	1,670	22.26	9,201,025	0.68
10,001 to 100,000 shares	1,237	16.48	57,143,664	4.21
100,001 to less than 5% of issued shares	538	7.17	479,644,149	35.38
5% and above of issued shares	2	0.03	808,382,409	59.62
Total	7,504	100.00	1,355,877,090	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

according to the Record of Depositors as at 15 July 2013

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	300,100,000	22.13
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	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	9,672,200	0.71
12. AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Hong Cheat	9,135,572	0.67

ANALYSIS OF SHAREHOLDINGS AS AT 15 JULY 2013 (CONT'D)

LIST OF THIRTY LARGEST SHAREHOLDERS according to the Record of Depositors as at 15 July 2013 (Cont'd)

Name	No. of Shares Held	%
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. JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Formis Holdings Berhad	5,540,992	0.41
16. Teng Theng Theng	5,440,900	0.40
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. Munirah Bt Abdullah Ng	3,909,100	0.29
20. Lee Teck Leong	3,600,000	0.27
21. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Tiang Lien	3,330,400	0.25
22. AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Kwok	3,196,295	0.24
23. Maybank Nominees (Tempatan) Sdn Bhd Teoh Lay Ean	3,025,000	0.22
24. JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Kwok	3,018,862	0.22
25. Maybank Nominees (Tempatan) Sdn Bhd Chiam Guik Meng	2,975,000	0.22
26. Lai Kam Keong	2,794,000	0.21
27. Kelvin Teh Wei Loon	2,750,000	0.20
28. AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Megat Najmuddin Bin Haji Megat Khas	2,500,000	0.18
29. Teh Kai Thee	2,500,000	0.18
30. Ong Poh Eng	2,399,000	0.18
Total	1,080,930,612	79.72

ANALYSIS OF SHAREHOLDINGS AS AT 15 JULY 2013 (CONT'D)

SUBSTANTIAL SHAREHOLDERS

according to the Register of Substantial Shareholders as at 15 July 2013

	Name	Direct Interest	No. of Shares Held		%
			%	Deemed Interest	
1.	Formis Holdings Bhd	813,923,401	60.03	-	-
2.	Formis Resources Berhad	-	-	813,923,401 ⁽¹⁾	60.03
3.	Tan Sri Dato' Seri Megat Najmuddin Bin Datuk Seri Dr. Hj. Megat Khas	18,424,389	1.36	813,923,401 ⁽²⁾	60.03
4.	Dato' Mah Siew Kwok	16,670,092	1.23	813,923,401 ⁽²⁾	60.03
5.	Lau Chi Chiang	70,925,000	5.23	40,000 ⁽³⁾	0.003
6.	Red Zone Development Sdn Bhd	-	-	813,923,401 ⁽²⁾	60.03
7.	Monteiro Gerard Clair	-	-	813,923,401 ⁽⁴⁾	60.03
8.	Wong Kit-Leong	-	-	813,923,401 ⁽⁴⁾	60.03
9.	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 15 July 2013

	DIVERSIFIED GATEWAY SOLUTIONS BERHAD	Direct Interest	No. of Shares Held		%
			%	Deemed Interest	
1.	Dato' Gan Nyap Liou @ Gan Nyap Liow	-	-	-	-
2.	Lau Chi Chiang	70,925,000	5.23	40,000 ⁽³⁾	0.003
3.	Robin Lim Jin Hee	44,101,000	3.25	2,000 ⁽³⁾	*
4.	Neo Poh Lian	-	-	-	-
5.	Hoe Kah Soon	-	-	-	-
6.	Chan Hiok Khiang	-	-	-	-
7.	Ahmad Bin Khalid	30,001	0.002	-	-

ANALYSIS OF SHAREHOLDINGS AS AT 15 JULY 2013 (CONT'D)

DIRECTORS' INTERESTS IN THE COMPANY AND RELATED COMPANY according to the Register of Directors' Shareholdings as at 15 July 2013 (Cont'd)

RELATED COMPANY	Direct Interest	No. of Ordinary Shares Held		%
		%	Deemed Interest	
Formis Resources Berhad - Ordinary Shares				
1. Dato' Gan Nyap Liou @ Gan Nyap Liow	30,000	0.008	10,663,000 ⁽⁵⁾	3.03
2. Lau Chi Chiang	6,715,000	1.91	40,000 ⁽³⁾	0.11
3. Robin Lim Jin Hee	202,000	0.06	4,000 ⁽³⁾	*
4. Chan Hiok Khiang	3,000,000	0.85	-	-
5. Ahmad Bin Khalid	50,001	0.014	-	-

RELATED COMPANY	Direct Interest	No. of Warrants Held		%
		%	Deemed Interest	
Formis Resources Berhad – Warrants 2011/2016				
1. Lau Chi Chiang	286,489	0.27	-	-
2. Robin Lim Jin Hee	-	-	1,146 ⁽³⁾	*

RELATED COMPANY	Direct Interest	No. of Warrants Held		%
		%	Deemed Interest	
Formis Resources Berhad – Warrants 2013/2018				
1. Dato' Gan Nyap Liou @ Gan Nyap Liow	966,900	1.16	2,831,500 ⁽⁵⁾	3.41
2. Chan Hiok Khiang	750,000	0.90	-	-
3. Lau Chi Chiang	600,000	0.72	-	-
4. Robin Lim Jin Hee	-	-	1,000 ⁽³⁾	*

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 their 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 interest held by their spouses.
- (4) Deemed interest by virtue of their substantial interest in Red Zone Development Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- (5) Deemed interest by virtue of his substantial interest in PlanetBiz Investments Limited pursuant to Section 6A of the Companies Act, 1965.
- * Negligible

OTHER INFORMATION

Non-Audit Fees

Non-statutory audit fee of RM29,000.00 was paid/payable to the external auditors for the financial year ended 31 March 2013.

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 Seventh Annual General Meeting of Diversified Gateway Solutions Berhad (“DGSB”) held on 13 September 2012, 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 13 September 2012 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 2013 pursuant to the said shareholders’ mandate are as follows :

Companies within the DGSB Group transacting with the Related Parties	Nature of transactions	Related Party	Interested Director/ Major Shareholders / Persons Connected	Aggregate Value of Transactions during the FYE 31.03.13 (RM)
<ul style="list-style-type: none"> Diversified Gateway Berhad (“DGB”) ISS Consulting (Malaysia) Sdn Bhd [“ISS (Malaysia)”] ISS Consulting (S) Pte Ltd [“ISS (S)”] ISS Consulting (Thailand) Ltd [“ISS (T)”] 	Supply of computer hardware and services by FNS to DGB, ISS (Malaysia), ISS (S) and ISS (T)	Formis Network Services Sdn Bhd (“FNS”) ⁽¹⁾	<p>Interested Director</p> <ul style="list-style-type: none"> - Dato’ Gan Nyap Liou @ Gan Nyap Liow (“Dato’ Gan”) ⁽¹⁵⁾ <p>Interested Major Shareholder</p> <ul style="list-style-type: none"> - Formis Holdings Bhd (“FHB”) ⁽¹³⁾ - Formis Resources Berhad (“FRB”) ⁽¹¹⁾ - Tan Sri Dato’ Seri Megat Najmuddin Bin Datuk Seri Dr. Hj. Megat Khas (“Tan Sri Megat”) ⁽¹⁴⁾ 	-
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to FNS		<ul style="list-style-type: none"> - Red Zone Development Sdn Bhd (“RZD”) ⁽¹⁶⁾ - Monteiro Gerard Clair ⁽¹⁷⁾ - Wong Kit-Leong ⁽¹⁷⁾ - Raymond Tan ⁽¹⁷⁾ <p>Interested Person Connected with Director</p> <ul style="list-style-type: none"> - PlanetBiz Investments Limited (“PIL”) ⁽¹⁸⁾ 	17,038,461

OTHER INFORMATION (CONT'D)

Recurrent Related Party Transactions (Cont'd)

Companies within the DGSB Group transacting with the Related Parties	Nature of transactions	Related Party	Interested Director/ Major Shareholders / Persons Connected	Aggregate Value of Transactions during the FYE 31.03.13 (RM)
<ul style="list-style-type: none"> DGB ISS (Malaysia) ISS (S) ISS (T) 	Supply of computer hardware and services by FCS to DGB, ISS (Malaysia), ISS (S) and ISS (T)	Formis Computer Services Sdn Bhd ("FCS") ⁽²⁾	Interested Director - Dato' Gan ⁽¹⁵⁾ Interested Major Shareholder - FHB ⁽¹³⁾ - FRB ⁽¹¹⁾ - Tan Sri Megat ⁽¹⁴⁾ - RZD ⁽¹⁶⁾ - Monteiro Gerard Clair ⁽¹⁷⁾ - Wong Kit-Leong ⁽¹⁷⁾ - Raymond Tan ⁽¹⁷⁾	-
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to FCS			-
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of computer hardware and services by FSSB to DGB and ISS (Malaysia)	First Solution Sdn Bhd ("FSSB") ⁽³⁾	Interested Person Connected with Director - PIL ⁽¹⁸⁾	315,000
	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to FSSB			
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of computer hardware and services by ABS to DGB and ISS (Malaysia)	Applied Business Systems Sdn Bhd ("ABS") ⁽⁴⁾		70,001
	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to ABS			
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of computer hardware and services by FST to DGB and ISS (Malaysia)	Formis Systems & Technology Sdn Bhd ("FST") ⁽⁵⁾		19,200
	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to FST			
<ul style="list-style-type: none"> DGB ISS (Malaysia) ISS (S) ISS (T) 	Supply of computer hardware, software and services by CLS to DGB, ISS (Malaysia), ISS (S) and ISS (T)	Com-Line Systems Sdn Bhd ("CLS") ⁽⁶⁾		-
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to CLS			

OTHER INFORMATION (CONT'D)

Recurrent Related Party Transactions (Cont'd)

Companies within the DGSB Group transacting with the Related Parties	Nature of transactions	Related Party	Interested Director/ Major Shareholders / Persons Connected	Aggregate Value of Transactions during the FYE 31.03.13 (RM)
<ul style="list-style-type: none"> DGB ISS (Malaysia) ISS (S) ISS (T) 	Supply of computer hardware, software and services by FSTech to DGB, ISS (Malaysia), ISS (S) and ISS (T)	Formis Software & Technologies Sdn Bhd ("FSTech") ⁽⁷⁾	<p>Interested Director</p> <ul style="list-style-type: none"> - Dato' Gan ⁽¹⁵⁾ <p>Interested Major Shareholder</p> <ul style="list-style-type: none"> - FHB ⁽¹³⁾ - FRB ⁽¹¹⁾ - Tan Sri Megat ⁽¹⁴⁾ - RZD ⁽¹⁶⁾ - Monteiro Gerard Clair ⁽¹⁷⁾ - Wong Kit-Leong ⁽¹⁷⁾ - Raymond Tan ⁽¹⁷⁾ <p>Interested Person Connected with Director</p> <ul style="list-style-type: none"> - PIL ⁽¹⁸⁾ 	-
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to FSTech			-
<ul style="list-style-type: none"> DGB ISS (Malaysia) ISS (S) ISS (T) 	Supply of computer hardware, software solutions and services by FES to DGB, ISS (Malaysia), ISS (S) and ISS (T)	Formis e Solutions Sdn Bhd ("FES") ⁽⁸⁾		-
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to FES			-
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of computer hardware and services by FAS to DGB and ISS (Malaysia)	Formis Advanced Systems Sdn Bhd ("FAS") ⁽⁹⁾		-
	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to FAS			-
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to BJD	Bukit Jalil Development Sdn Bhd ("BJD") ⁽¹⁰⁾		-
<ul style="list-style-type: none"> DGSB Group 	Receiving of administrative and management support, training and other related services from FRB to DGSB Group	FRB ⁽¹¹⁾		480,000
<ul style="list-style-type: none"> DGB ISS (Malaysia) 	Supply of network and software solutions inclusive of technical / maintenance services by DGB and ISS (Malaysia) to CUSCAPI Group	Cuscapi Berhad and its subsidiary companies ("CUSCAPI Group") ⁽¹²⁾		<p>Interested Director</p> <ul style="list-style-type: none"> - Dato' Gan ⁽¹⁵⁾ <p>Interested Person Connected with Director</p> <ul style="list-style-type: none"> - PIL ⁽¹⁸⁾
	Supply of network infrastructure and security solutions and services by CUSCAPI Group to DGB and ISS (Malaysia)		-	

OTHER INFORMATION (CONT'D)

Recurrent Related Party Transactions (Cont'd)

Notes :-

- (1) DGB, ISS (Malaysia), ISS (S) and ISS (T) are related parties to FNS 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) DGB, ISS (Malaysia), ISS (S) and ISS (T) are related parties to FCS 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) DGB and ISS (Malaysia) are related parties to FSSB through a common ultimate Major Shareholder, FRB. FSSB is principally engaged in the distribution and maintenance of computer hardware and software.
- (4) DGB and ISS (Malaysia) are related parties to ABS through a common ultimate Major Shareholder, FRB. ABS is principally engaged in the distribution and maintenance of computer equipment and software.
- (5) DGB and ISS (Malaysia) are related parties to FST through a common ultimate Major Shareholder, FRB. FST is principally engaged in the distribution and maintenance of computer hardware and software.
- (6) DGB, ISS (Malaysia), ISS (S) and ISS (T) are related parties to CLS through a common ultimate Major Shareholder, FRB. CLS is principally engaged in the development of standard application packages and the provision of turnkey solution development services.
- (7) DGB, ISS (Malaysia), ISS (S) and ISS (T) are related parties to FSTech 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.
- (8) DGB, ISS (Malaysia), ISS (S) and ISS (T) are related parties to FES through a common ultimate Major Shareholder, FRB. FES is principally involved in the development of application software, system integration services and the provision of hardware and software maintenance services.
- (9) DGB and ISS (Malaysia) are related parties to FAS through a common ultimate Major Shareholder, FRB. FAS is principally involved in the provision of computer technology and maintenance of computer hardware and software.
- (10) DGB and ISS (Malaysia) are related parties to BJD through a common ultimate Major Shareholder, FRB. BJD is a 70% owned subsidiary of Ho Hup Construction Company Berhad which in turn is a 21.33% associated company of FHB as at 31 March 2013. FHB is a wholly-owned subsidiary of FRB. The principal activity of BJD is property development.
- (11) FRB is the major shareholder of DGSB.
- (12) CUSCAPI Group is principally involved in the provision of network infrastructure and security solutions and services.
- (13) FHB is the holding company of FNS, FCS, FSSB and CLS and the major shareholder of the penultimate holding company of DGB and ISS (Malaysia), ISS (S) and ISS (T).
- (14) Tan Sri Megat is the Non-Executive Chairman of FRB. He is also a Major Shareholder of FRB by virtue of his direct interest in FRB. By virtue of his interests in FRB, Tan Sri Megat is deemed interested in the shares of FRB's subsidiary companies to the extent FRB has an interest. Tan Sri Megat's direct and indirect interests in FRB and DGSB as at 31 March 2013 are set out below:-

Name of Company	% of Interest	
	Direct	Indirect
FRB	16.63	-
DGSB	1.84	60.03 ^(a)

^(a) Deemed interest by virtue of his interest in FRB pursuant to Section 6A of the Companies Act, 1965 ("Act").

- (15) Dato' Gan is a common Director and shareholder of DGSB, FRB and CUSCAPI. He is also a Director of BJD, His direct and indirect interest in DGSB and CUSCAPI as at 31 March 2013 as set out below:-

Name of Company	% of Interest	
	Direct	Indirect
DGSB	-	-
FRB	-	2.69 ^(b)
CUSCAPI	5.89	-

^(b) Deemed interest by virtue of his interest in PIL pursuant to Section 6A of the Act.

OTHER INFORMATION (CONT'D)

Recurrent Related Party Transactions (Cont'd)

Notes :-

- (16) 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 2013 are set out below:-

Name of Company	% of Interest	
	Direct	Indirect
FRB	19.36	-
DGSB	-	60.03 ^(c)

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

- (17) 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 an Executive Director of FRB. By virtue of their deemed interest 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 2013 are set out below:-

Name of Company	FRB % of Interest		DGSB % of Interest	
	Direct	Indirect	Direct	Indirect
Monteiro Gerard Clair	-	19.36 ^(d)	-	60.03 ^(e)
Wong Kit-Leong	-	19.36 ^(d)	-	60.03 ^(e)
Raymond Tan	0.04	19.36 ^(d)	0.06	60.03 ^(e)

(d) Deemed interest by virtue of their substantial interest in RZD pursuant to Section 6A of the Act.

(e) Deemed interest by virtue of their substantial interest in RZD, which in turn owned 19.36% equity interest in FRB, the holding company of FHB pursuant to Section 6A of the Act.

- (18) PIL is a Person Connected to Dato' Gan and a Shareholder of FRB. PIL's direct and indirect interests in FRB and DGSB as at 31 March 2013 are set out below:-

Name of Company	% of Interest	
	Direct	Indirect
FRB	2.69	-
DGSB	-	-

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DIVERSIFIED GATEWAY SOLUTIONS BERHAD

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

Form of Proxy

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 Eighth 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 Thursday, 12 September 2013 at 10.00 a.m. and 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		
RESOLUTION 9		

(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 2013

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) 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.
- iv) 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.

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 PARTICULARS OF SUBSIDIARIES

DIVERSIFIED GATEWAY BERHAD

(Co. No. 301306-T)

Level 16, Menara Maxisegar, Jalan Pandan Indah 4/2, Pandan Indah, 55100 Kuala Lumpur, Malaysia

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RANGKAIAN RINGKAS SDN BHD

(Co. No. 1013227-M)

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