Unless otherwise stated, all abbreviations contained in this Abridged Prospectus are defined in the "Definitions" section of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. All enquiries concerning the Rights Issue with Warrants, which is the subject matter of this Abridged Prospectus, should be addressed to our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur (Tel: +603 - 2783 9299).

This Abridged Prospectus, together with the NPA and RSF (collectively, the "**Documents**"), will be despatched only to our Entitled Shareholders whose names appear on our Record of Depositors as at 5.00 p.m. on 29 March 2017 at their registered address in Malaysia or who have provided our Share Registrar with a registered address in Malaysia in writing by 5.00 p.m. on 29 March 2017. The Documents are not intended to (and will not be made to) comply with the laws of any country or jurisdiction other than Malaysia, are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any country or jurisdiction other than the laws of Malaysia. Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal adviser and other professional advisers as to whether the acceptance or renunciation (as the case may be) of their entitlements to the Rights Issue with Warrants, application for Excess Rights Shares with Warrants B, or the subscription, offer, sale, resale, pledge or other transfer of the new securities arising from the Rights Issue with Warrants would result in the contravention of any law of such countries or jurisdictions. We, Mercury Securities and/or the advisers named herein shall not accept any responsibility or liability in the event that any acceptance and/or renunciation (as the case may be) of entitlements, application for Excess Rights Shares with Warrants B or the subscription, offer, sale, resale, pledge or other transfer of the new securities arising from the Rights Issue with Warrants made by any Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) are residents.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. Copies of the Documents have also been lodged with the Companies Commission of Malaysia who takes no responsibility for the contents of the Documents.

Approval for the Rights Issue with Warrants has been obtained from our shareholders at our EGM convened on 18 July 2016. Approval has been obtained from Bursa Securities via its letter dated 16 June 2016 for the admission of the Warrants B to the Official List and the listing and quotation of the new securities arising from the Rights Issue with Warrants and the new Shares to be issued upon exercise of the Warrants B on the ACE Market of Bursa Securities (subject to the conditions specified in the said letter), which will commence after, among others, receipt of confirmation from Bursa Depository that all the CDS Accounts of successful Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them. However, such admission, listing and quotation are not an indication that Bursa Securities recommends the Rights Issue with Warrants and are in no way reflective of the merits of the Rights Issue with Warrants.

The Board has seen and approved the Documents and they, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

Mercury Securities, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS ABRIDGED PROSPECTUS.

KEY ALLIANCE GROUP BERHAD

(Company No. 609953-K)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,251,171,308 NEW ORDINARY SHARES IN KAG ("KAG SHARES" OR "SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.05 PER RIGHTS SHARE TOGETHER WITH UP TO 625,585,654 FREE WARRANTS IN KAG ("WARRANTS B") ON THE BASIS OF TWO (2) RIGHTS SHARES TOGETHER WITH ONE (1) FREE WARRANT B FOR EVERY TWO (2) EXISTING KAG SHARES HELD BY THE ENTITLED SHAREHOLDERS OF KAG AT 5.00 P.M. ON 29 MARCH 2017

Principal Adviser

Mercury Securities Sdn Bhd

(Company No. 113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date	Wednesday, 29 March 2017 at 5.00 p.m.
Last date and time for:	
Sale of Provisional Allotments	Wednesday, 12 April 2017 at 5.00 p.m.
Transfer of Provisional Allotments	Monday, 17 April 2017 at 4.00 p.m.
Acceptance and payment	Thursday, 20 April 2017 at 5.00 p.m.
Excess Rights Shares with Warrants B Application and payment	Thursday, 20 April 2017 at 5.00 p.m.

This Abridged Prospectus is dated 29 March 2017

ALL TERMS USED HEREIN ARE AS DEFINED IN THE "DEFINITIONS" SECTION OF THIS ABRIDGED PROSPECTUS UNLESS STATED OTHERWISE.

THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

SHAREHOLDERS / INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE ABRIDGED PROSPECTUS, TOGETHER WITH THE NPA AND RSF (COLLECTIVELY, THE "DOCUMENTS") IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE WITH WARRANTS UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:-

Abridged Prospectus	-	This abridged prospectus in relation to the Rights Issue with Warrants
Act	-	Companies Act, 2016, as amended from time to time and any re-enactment thereof
Additional Warrants A	-	Additional Warrants A to be issued to holders of existing Warrants A arising from the Adjustments
Adjustments	-	Adjustments to the number and exercise price of the outstanding Warrants A as a result of the Rights Issue with Warrants in accordance with provisions of Deed Poll A
AGM	-	Annual general meeting
Base Case Scenario	-	Assuming that none of the existing Convertible Securities are exercised / converted into new KAG Shares on or prior to the Entitlement Date and all the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe to their entitlements under the Rights Issue with Warrants
Bloomberg	-	Bloomberg Finance L.P. and its affiliates
BNM	-	Bank Negara Malaysia
Board	-	Board of Directors of KAG
Bursa Depository	-	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	-	Bursa Malaysia Securities Berhad (635998-W)
By-Laws	-	The by-laws governing the SIS Options as may be amended, varied or supplemented from time to time
CDS	-	Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
CDS Account(s)	-	Securities account(s) established by Bursa Depository for a depositor pursuant to the SICDA and the Rules of Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor
Closing Date	-	20 April 2017 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Rights Shares with Warrants B
CMSA	-	Capital Markets and Services Act, 2007, of Malaysia as may be amended from time to time and any re-enactment thereof
Code	-	Malaysian Code on Take-Overs and Mergers, 2016 as amended from time to time and any re-enactment thereof
Convertible Securities	-	Collectively, the SIS Options and Warrants A
Corporate Exercises	-	The corporate exercises announced by the Company on 18 May 2016, including the Rights Issue with Warrants

DEFINITIONS (CONT'D)

Deed Poll A	-	Deed poll dated 27 May 2013 constituting the Warrants A
Deed Poll B	-	Deed poll dated 14 March 2017 constituting the Warrants B
DPS	-	Digital Paper Solutions Sdn Bhd (525943-V), a 51%-owned subsidiary of the Company
E&E	-	Electrical and electronics
EGM	-	Extraordinary general meeting
Entitled Shareholder(s)	-	Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date
Entitlement Date	-	29 March 2017, at 5.00 p.m., being the date on which shareholders' names must be registered in the Company's Record of Depositors in order to be entitled to participate in the Rights Issue with Warrants
EPS	-	Earnings per Share
Excess Rights Shares with Warrants B	-	Rights Shares with Warrants B which are not validly taken up by Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) prior to the Closing Date
Excess Rights Shares with Warrants B Application(s)	-	Application(s) for additional Rights Shares with Warrants B in excess of the Provisional Allotments
Exercise Period	-	Any time within a period of three (3) years commencing from and including the date of issue of the Warrants B to the close of business at 5.00 p.m. on the Market Day immediately preceding the date which is the third (3rd) anniversary from the date of issue of the Warrants B. Any Warrants B not exercised during the Exercise Period will thereafter lapse and cease to be valid
Exercise Price	-	RM0.05, being the price at which one (1) Warrant B is exercisable into one (1) KAG Share, subject to adjustments in accordance with the provisions of the Deed Poll B
Exercising Warrant B Holders	-	Warrant B Holders who exercise their Warrants B
Foreign-Addressed Shareholder(s)	-	Shareholder(s) who have not provided to the Company a registered address in Malaysia or an address in Malaysia for the service of documents which will be issued in connection with the Rights Issue with Warrants by the Entitlement Date
FPE	-	Financial period ended
FYE	-	Financial year(s) ended / ending, as the case may be
GDP	-	Gross domestic product
GE Green	-	GE Green Sdn Bhd (263094-K), a wholly-owned subsidiary of the Company
GFA	-	Gross floor area
GL	-	Gross loss
GP	-	Gross profit

ICT	-	Information and communications technology
IP	-	Intellectual property
KAG or the Company	-	Key Alliance Group Berhad (609953-K)
KAG Group or the Group	-	Collectively, KAG and its subsidiaries
KAG Share(s) or Share(s)		Ordinary share(s) in KAG
KASB	-	Key Alliance Sdn Bhd (642351-T), a wholly-owned subsidiary of the Company
Land	-	Subject land for the development of the Pano Project
LAT	-	Loss after taxation
LBT	-	Loss before taxation
Listing Requirements	-	ACE Market Listing Requirements of Bursa Securities, including any amendments made thereto from time to time
LOA	-	Letter of award dated 13 May 2016 in relation to the Pano Project
LPD	-	28 February 2017, being the latest practicable date prior to the printing of this Abridged Prospectus
LTD	-	13 March 2017, being the last trading day prior to the date of the fixing of the issue price of the Rights Shares
M&E	-	Mechanical and electrical
Market Day(s)	-	Any day on which Bursa Securities is open for trading in securities
Maximum Scenario	-	Assuming that all the existing Convertible Securities are exercised / converted into new KAG Shares on or prior to the Entitlement Date and all the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe to their entitlements of the Rights Shares with Warrants B
Mercury Securities or the Principal Adviser	-	Mercury Securities Sdn Bhd (113193-W)
Minimum Scenario	-	Assuming that none of the Convertible Securities are exercised / converted into new KAG Shares prior to the Entitlement Date and none of the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) subscribe to their entitlements of the Rights Shares with Warrants B and the Rights Issue with Warrants is undertaken on the Minimum Subscription Level
Minimum Subscription Level	-	Minimum subscription level of 200,000,000 Rights Shares together with 100,00,000 Warrants B based on the issue price of RM0.05 per Rights Share to arrive at RM10 million
NA	-	Net assets
NPA	-	Notice of provisional allotment in relation to the Rights Issue with Warrants

OCR Noble Land or the Developer	-	OCR Noble Land (The Pano) Sdn Bhd (948649-V)
Official List	-	A list specifying all securities which have been admitted for listing on the ACE Market of Bursa Securities and not removed
Pano Project	-	A construction project which entails the build and delivery with certificate of practical completion of a block of two (2) serviced apartment towers along Jalan Ipoh, Kuala Lumpur comprising a total of 363 units of serviced apartments, eight (8) retail units, common facilities and five (5) levels of car parks with a total of 644 parking bays
PAT	-	Profit after taxation
PBT	-	Profit before taxation
Provisional Allotments	-	The Rights Shares with Warrants B provisionally allotted to Entitled Shareholders
Record of Depositors	-	A record of security holders provided by Bursa Depository under the Rules of Bursa Depository
Rights Issue with Warrants	-	Renounceable rights issue of up to 1,251,171,308 Rights Shares together with up to 625,585,654 free detachable Warrants B on the basis of two (2) Rights Shares together with one (1) free Warrant B for every two (2) existing KAG Shares held by the Entitled Shareholders on the Entitlement Date
Rights Shares	-	New KAG Shares to be allotted and issued pursuant to the Rights Issue with Warrants
RM and sen	-	Ringgit Malaysia and sen, respectively
RSF	-	Rights subscription form in relation to the Rights Issue with Warrants
Rules of Bursa Depository	-	The rules of Bursa Depository as issued pursuant to the SICDA
Rules on Take-overs, Mergers and Compulsory Acquisitions	-	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC pursuant to Section 377 of the CMSA, as amended from time to time
SC	-	Securities Commission Malaysia
sf	-	Square feet
Share Registrar	-	Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Shareholders	-	Registered holders of KAG Shares
SICDA	-	Securities Industry (Central Depositories) Act, 1991 of Malaysia and includes any amendments from time to time and any re-enactment thereof
SIS	-	Existing share issuance scheme of the Company
SIS Options	-	Options which may be granted under the SIS pursuant to the By-Laws governing the SIS, where each holder of the SIS Options can subscribe for one (1) new KAG Share for every one (1) SIS Option held

sqm	-	Square metres
TERP	-	Theoretical ex-rights price
Undertaking	-	Written undertaking from the Undertaking Shareholder dated 18 May 2016 and further supplemented by a supplemental letter dated 28 February 2017 pursuant to which the Undertaking Shareholder has irrevocably and unconditionally undertaken, amongst others, to apply and subscribe in full for his entitlement under the Rights Issue with Warrants and to apply for any Rights Shares not taken up by way of excess shares application to the extent such that the aggregate subscription of Rights Shares under the Rights Issue with Warrants received by KAG amounts to not less than RM10 million, details of which are set out in Section 3 of this Abridged Prospectus
Undertaking Shareholder or Dato' Goh	-	Dato' Goh Kian Seng, the Managing Director of KAG
USD	-	United States Dollar
VWAP	-	Volume weighted average price
Warrants A	-	The outstanding KAG warrants 2013 / 2018 issued by the Company pursuant to the Deed Poll A and expiring on 2 July 2018
Warrants B	-	Up to 625,585,654 free detachable warrants in KAG to be allotted and issued pursuant to the Rights Issue with Warrants
Warrant A Holder(s)	-	The holder(s) of the Warrants A
Warrant B Holder(s)	-	The holder(s) of the Warrants B

In this Abridged Prospectus, all references to "our Company" are to KAG and references to "we", "us", "our" and "ourselves" are to our Company and, where the context otherwise requires, our subsidiaries. All references to "you" in this Abridged Prospectus are to Entitled Shareholders.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any discrepancies in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise stated.

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty that the Company's plans and objectives will be achieved.

TABLE OF CONTENTS

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TABLE OF CONTENTS (CONT'D)

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CORPORATE DIRECTORY

KEY ALLIANCE GROUP BERHAD

(Company No. 609953-K)
(Incorporated in Malaysia under the Companies Act, 1965)

BOARD OF DIRECTORS

Name *(Designation)*	Address	Nationality	Profession
Gen. (R) Tan Sri Abdul Rahman Bin Abdul Hamid *(Independent Non-Executive Chairman)*	Lot 4758 Jalan 12 Tmn Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan	Malaysian	Businessman
Dato' Goh Kian Seng *(Non-Independent Managing Director)*	8 Jalan SL 8/15 Bandar Sg Long Batu 11 43000 Kajang Selangor Darul Ehsan	Malaysian	Company Director
Roy Ho Yew Kee *(Non-Independent Executive Director)*	97 Jalan SS 22/37 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Lim Chin Long *(Non-Independent Executive Director)*	No 23 Jln Burung Garuda Tmn Bukit Maluri, Kepong 52200 Kuala Lumpur	Malaysian	Civil Engineer
Kamarudin Bin Ngah *(Independent Non-Executive Director)*	No 14 Jln Burhanudin Helmi Tmn Tun Dr Ismail 60000 Kuala Lumpur	Malaysian	Businessman
Yee Yit Yang *(Independent Non-Executive Director)*	15 Jalan Damai Rasa Alam Damai, Cheras 56000 Kuala Lumpur	Malaysian	Company Director

AUDIT COMMITTEE

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

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CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARY	:	Pang Kah Man (MIA 18831) 3-2, 3rd Mile Square No. 151, Jalan Kelang Lama Batu 3½ 58100 Kuala Lumpur Tel : +603 - 7987 5300 Fax : +603 - 7987 5200
REGISTERED OFFICE	:	3-2, 3rd Mile Square No. 151, Jalan Kelang Lama Batu 3½ 58100 Kuala Lumpur Tel : +603 - 7987 5300 Fax : +603 - 7987 5200
PRINCIPAL PLACE OF BUSINESS	:	Lot 11.3, 11th Floor Menara Lien Hoe No. 8 Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan Tel : +603 - 7805 3868 Fax : +603 - 7805 3863 Website: www.kag.com.my Email: kgroup@kag.com.my
AUDITORS AND REPORTING ACCOUNTANTS	:	Messrs Kreston John & Gan (AF 0113) 160-2-1, Komplex Maluri Business Centre, Jalan Jejaka 55100 Kuala Lumpur Tel : +603 - 9287 1889 Fax : +603 - 9283 0889
SOLICITORS FOR THE RIGHTS ISSUE WITH WARRANTS	:	Mah-Kamariyah & Philip Koh 3A07, Block B, Phileo Damansara II 15 Jalan 16/11, Off Jalan Damansara 46350 Petaling Jaya Selangor Darul Ehsan Tel : +603 - 7956 8686 Fax : +603 - 7956 2208
PRINCIPAL BANKERS	:	Malayan Banking Berhad G-Floor, Block C, Kompleks Pejabat Damansara Jalan Semantan, Bukit Damansara 50490 Kuala Lumpur Tel : +603 – 2094 0998 (Manager) +603 – 2095 0663 (Office) +603 – 2095 3280 +603 – 2095 3259 +603 – 2095 3289 Fax : +603 – 2095 0142 +603 – 2094 4291 CIMB Bank Berhad Level 13, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel : +603 – 2261 8888 Fax : +603 – 2261 8899

CORPORATE DIRECTORY (CONT'D)

SHARE REGISTRAR	:	Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Wilayah Persekutuan Malaysia Tel : +603 - 2783 9299 Fax : +603 - 2783 9222
PRINCIPAL ADVISER	:	Mercury Securities Sdn Bhd L-7-2, No. 2, Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel : +603 - 6203 7227 Fax : +603 - 6203 7117
STOCK EXCHANGE LISTED AND LISTING SOUGHT	:	ACE Market of Bursa Securities

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KEY ALLIANCE GROUP BERHAD

(Company No. 609953-K)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office

3-2, 3rd Mile Square
No. 151, Jalan Kelang Lama
Batu 3½
58100 Kuala Lumpur

29 March 2017

Board of Directors

Gen. (R) Tan Sri Abdul Rahman Bin Abdul Hamid *(Independent Non-Executive Chairman)*
Dato' Goh Kian Seng *(Non-Independent Managing Director)*
Roy Ho Yew Kee *(Non-Independent Executive Director)*
Lim Chin Long *(Non-Independent Executive Director)*
Kamarudin Bin Ngah *(Independent Non-Executive Director)*
Yee Yit Yang *(Independent Non-Executive Director)*

To: Entitled Shareholders

Dear Sir / Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,251,171,308 RIGHTS SHARES TOGETHER WITH UP TO 625,585,654 FREE WARRANTS B ON THE BASIS OF TWO (2) RIGHTS SHARES TOGETHER WITH ONE (1) FREE WARRANT B FOR EVERY TWO (2) EXISTING KAG SHARES HELD BY THE ENTITLED SHAREHOLDERS AT 5.00 P.M. ON THE ENTITLEMENT DATE

1. INTRODUCTION

On 18 May 2016, Mercury Securities had, on behalf of the Board, announced that the Company proposes to undertake the Rights Issue with Warrants.

On 16 June 2016, Mercury Securities had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 16 June 2016, granted its approval for the following:-

(i) admission of the Warrants B to the Official List;

(ii) listing and quotation of the Rights Shares on the ACE Market of Bursa Securities;

(iii) listing and quotation of the Additional Warrants A on the ACE Market of Bursa Securities; and

(iv) listing and quotation of the new KAG Shares to be issued pursuant to the exercise of the Warrants B and Additional Warrants A on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:-

Condition	Status of compliance
(i) KAG and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants;	To be met
(ii) KAG and Mercury Securities to inform Bursa Securities upon the completion of the Rights Issue with Warrants;	To be met
(iii) KAG to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed; and	To be met
(iv) KAG to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants B as at the end of each quarter together with a detailed computation of listing fees payable.	To be met

The Board is pleased to inform that the Shareholders had, during the EGM held on 18 July 2016, approved, amongst others, the Rights Issue with Warrants. A certified true extract of the resolutions approving, amongst others, the Rights Issue with Warrants at the said EGM is attached in Appendix II of this Abridged Prospectus.

On 14 March 2017, Mercury Securities had, on behalf of the Board, announced that the Board had on even date resolved to fix the issue price of the Rights Shares at RM0.05 per Rights Share as well as the Exercise Price at RM0.05 per Warrant B.

On 15 March 2017, Mercury Securities had, on behalf of the Board, announced that the Entitlement Date for the Rights Issue with Warrants has been fixed at 5.00 p.m. on 29 March 2017.

No person is authorised to give any information or make any representation not contained in this Abridged Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by Mercury Securities or us in connection with the Rights Issue with Warrants.

YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS WHICH SETS OUT THE DETAILS OF THE RIGHTS ISSUE WITH WARRANTS AND RISK FACTORS ASSOCIATED WITH THE RIGHTS ISSUE WITH WARRANTS. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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2. PARTICULARS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Rights Issue with Warrants

In accordance with the terms of the Rights Issue with Warrants as approved by the relevant authorities as well as Shareholders and subject to the terms of this Abridged Prospectus and the accompanying documents, the Rights Issue with Warrants entails a provisional allotment of up to 1,251,171,308 Rights Shares together with up to 625,585,654 free Warrants B on a renounceable basis of two (2) Rights Shares together with one (1) free Warrant B for every two (2) existing Shares held by Entitled Shareholders on the Entitlement Date, at an issue price of RM0.05 per Rights Share.

As the Rights Shares and Warrants B are prescribed securities, the respective CDS Accounts of Entitled Shareholders will be duly credited with the number of Provisional Allotments they are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. Entitled Shareholders will find enclosed in this Abridged Prospectus, the NPA notifying Entitled Shareholders of the crediting of such securities into their respective CDS Accounts and the RSF to enable Entitled Shareholders to subscribe for the Provisional Allotments as well as to apply for Excess Rights Shares with Warrants B if Entitled Shareholders so choose to. However, only Entitled Shareholders who have an address in Malaysia as stated in our Record of Depositors or who have provided our Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive this Abridged Prospectus, together with the NPA and RSF.

The Warrants B are attached to the Rights Shares without any cost and will be issued only to Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) who subscribe for the Rights Shares. The Warrants B are exercisable into new KAG Shares and each Warrant B will entitle the Warrant B Holder to subscribe for one (1) new KAG Share at the Exercise Price. The Warrants B will be immediately detached from the Rights Shares upon issuance and traded separately. The Warrants B will be issued in registered form and constituted by the Deed Poll B. The salient terms of the Warrants B are set out in Section 2.5 of this Abridged Prospectus.

Any dealings in the Company's securities will be subject to, amongst others, the provisions of the SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares, Warrants B and the new Shares to be issued and allotted upon the exercise of the Warrants B will be credited directly into the respective CDS Accounts of successful applicants and Exercising Warrant B Holders (as the case may be). No physical certificates will be issued to the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s), nor will any physical share certificates be issued for the new Shares to be issued arising from the exercise of the Warrants B.

The Rights Issue with Warrants are renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Rights Issue with Warrants. However, the Rights Shares and Warrants B cannot be renounced separately, and only Entitled Shareholders who subscribe for the Rights Shares will be entitled to the Warrants B. As such, the Entitled Shareholders who renounce all of their Rights Share entitlements will not be entitled to the Warrants B. If the Entitled Shareholders accept only part of their Rights Share entitlements, they shall be entitled to the Warrants B in proportion to their acceptance of the Rights Share entitlements.

The Rights Shares with Warrants B that are not validly taken up by Entitled Shareholders and/or their transferee(s) and/or their renouncee(s), if applicable, shall be made available for Excess Rights Shares with Warrants B Applications.

Fractional entitlements arising from the Rights Issue with Warrants, if any, will be dealt with by the Board in such manner and on such terms and conditions as the Board at its absolute discretion deems fit or expedient and in the best interests of the Company.

Notice of allotment will be despatched to Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) within eight (8) Market Days from the last date for acceptance and payment of the Rights Shares with Warrants B or such other period as may be prescribed by Bursa Securities.

The Rights Shares and Warrants B will be admitted to the Official List and the listing and quotation of these securities will commence two (2) Market Days upon the receipt of an application for quotation for these securities as specified under the Listing Requirements, which will include amongst others, confirmation that all notices of allotment have been despatched to the successful applicants, and after receipt of confirmation from Bursa Depository that all CDS Accounts of successful applicants have been duly credited.

2.2 Basis of determining the issue price of the Rights Shares and the Exercise Price

Issue price of the Rights Shares

The Board had fixed the issue price of the Rights Shares at RM0.05 per Rights Share, after taking into consideration the following:-

(i) the funding requirements of the Group, details of which are set out in Section 5 of this Abridged Prospectus;

(ii) the TERP[(1)] of RM0.0514 per KAG Share, calculated based on the five (5)-day VWAP of KAG Shares up to and including the LTD of RM0.0536; and

(iii) the trading and liquidity of KAG Shares.

The issue price of the Rights Shares represents a discount of approximately 2.72% to the aforementioned TERP.

Note:-

(1) TERP is computed as follows:-

$$\text{TERP} = \frac{(A \times X) + (B \times Y) + (C \times Z)}{A + B + C}$$

where:-

A = Number of Rights Shares

B = Number of Warrants B

C = Number of existing Shares

X = Issue price of the Rights Shares

Y = Exercise Price

Z = Five (5)-day VWAP of KAG Shares up to and including the LTD

and the ratio of A:B:C is 2:1:2, in accordance with the entitlement basis of two (2) Rights Shares together with one (1) free Warrant B for every two (2) existing Shares held.

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Exercise Price

The Board had fixed the Exercise Price at RM0.05 per Warrant B, after taking into consideration, amongst others, the TERP of KAG Shares.

The Exercise Price represents a discount of approximately 2.72% to the aforementioned TERP.

2.3 Ranking of Rights Shares and new KAG Shares arising from the exercise of the Warrants B and the Convertible Securities

Rights Shares

The Rights Shares shall, upon allotment, issuance and full payment, rank *pari passu* in all respects with the then existing issued and fully paid-up KAG Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares.

New KAG Shares arising from the exercise of Warrants B

The new KAG Shares to be issued pursuant to the exercise of the Warrants B shall, upon allotment, issuance and full payment of the exercise price of the Warrants B, rank *pari passu* in all respects with the then existing issued and fully paid-up KAG Shares, save and except that the new KAG Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the new KAG Shares arising from the exercise of the Warrants B.

New KAG Shares arising from the exercise of the Warrants A

The new KAG Shares to be issued pursuant to the exercise of the Warrants A shall, upon allotment, issuance and full payment of the exercise price of the Warrants A, rank *pari passu* in all respects with the then existing issued and fully paid-up KAG Shares, save and except that the new KAG Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the new KAG Shares arising from the exercise of the Warrants A.

As at the LPD, there are 290,400,000 outstanding Warrants A in the Company. The Warrants A will expire on 2 July 2018.

New KAG Shares arising from the exercise of the SIS Options

The new KAG Shares to be issued pursuant to the exercise of the SIS Options shall, upon allotment, issuance and full payment of the exercise price of the SIS Options, rank *pari passu* in all respects with the then existing issued and fully paid-up KAG Shares, save and except that the new KAG Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the new KAG Shares arising from the exercise of the SIS Options.

As at the LPD, 174,240,000 SIS Options have been granted, out of which 80,000,000 SIS Options have been exercised.

2.4 Last date and time for acceptance and payment

The Closing Date is 5.00 p.m. on **20 April 2017**.

2.5 Salient terms of the Warrants B

The salient terms of the Warrants B to be issued pursuant to the Rights Issue with Warrants are set out below:-

Issuer	:	KAG
Issue size	:	Up to 625,585,654 Warrants B to be issued pursuant to the Rights Issue with Warrants
Form and detachability	:	The Warrants B will be issued in registered form and constituted by the Deed Poll B. The Warrants B which are to be issued with the Rights Shares will be immediately detached from the Rights Shares upon allotment and issuance and will be traded separately on Bursa Securities.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of Warrants B shall be 100 units of Warrants B, or such other number of units as may be prescribed by Bursa Securities.
Tenure of the Warrants B	:	Three (3) years commencing on and including the date of issuance of the Warrants B.
Exercise Period	:	The Warrants B may be exercised at any time within a period of three (3) years commencing from and including the date of issuance of the Warrants B to the close of business at 5.00 p.m. on the Market Day immediately preceding the date which is the third (3rd) anniversary from the date of issuance of the Warrants B. Any Warrants B not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	:	The Exercise Price has been fixed at RM0.05, subject to adjustments in accordance with the provisions of the Deed Poll B.
Subscription rights	:	Each Warrant B Holder has the right to subscribe for one (1) new KAG Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll B.

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Mode of exercise	:	Warrant B Holders are required to lodge a subscription form with the Company's registrar, duly completed, signed and stamped together with payment by way of banker's draft or cashier's order drawn on a bank operating in Malaysia or money order or postal order issued by a post office in Malaysia for the aggregate of the Exercise Price payable when exercising their Warrants B to subscribe for new KAG Shares. The payment of such fee must be made in Ringgit Malaysia.
Adjustments to the Exercise Price and/or the number of Warrants B	:	Subject to the provisions of the Deed Poll B, the Exercise Price and/or the number of unexercised Warrants B in issue may be subject to adjustments determined by the Board in consultation with an approved adviser appointed by the Company for the purposes of the Deed Poll B and certified by the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants B, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll B. Any adjustment to the Exercise Price will be rounded up to the nearest one (1) sen and in no event shall any adjustment (otherwise than upon the consolidation of ordinary shares) involve an increase in the Exercise Price.
Rights of the Warrant B Holders	:	The Warrants B do not confer on their holders any voting rights or participation in any forms of distribution and/or offer of further securities in the Company until and unless such Warrant B Holders exercise their Warrants B for the new KAG Shares in accordance with the provisions of the Deed Poll B and such new KAG Shares have been allotted and issued to such holders.
Ranking of the new KAG Shares to be issued pursuant to the exercise of the Warrants B	:	The new KAG Shares to be issued pursuant to the exercise of the Warrants B in accordance with the provisions of the Deed Poll B shall, upon allotment, issuance and full payment of the Exercise Price of the Warrants B, rank *pari passu* in all respects with the then existing issued and fully paid-up KAG Shares, save and except that the new KAG Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the Entitlement Date of which is prior to the date of allotment of the new KAG Shares arising from the exercise of the Warrants B.

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Rights of the Warrant B Holders in the event of winding up, liquidation, compromise and/or arrangement	:	Where a resolution has been passed by the Company for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies, then:- (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant B Holders (or some other persons designated by them for such purpose by special resolution of the Warrant B Holders) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the Warrant B Holders; and (ii) in any other cases, every Warrant B Holder shall be entitled at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of the Company or within six (6) weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new KAG Shares to the Warrant B Holder credited as fully paid subject to the prevailing laws, and such Warrant B Holder shall be entitled to receive out of the assets of the Company which would be available in liquidation if the Warrant B Holder had on such date been the holder of the new KAG Shares to which the Warrant B Holder would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above six (6) weeks, all Subscription Rights of the Warrants B shall lapse and cease to be valid for any purpose.
Modification of rights of the Warrant B Holders	:	Save as otherwise provided in the Deed Poll B, a special resolution of the Warrant B Holders is required to sanction any modification, alteration or abrogation in respect of the rights of the Warrant B Holders.

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Modification of the Deed Poll B	:	Any modification to the terms and conditions of the Deed Poll B may be effected only by a further deed poll, executed by the Company and expressed to be supplemental to the Deed Poll B. Any of such modification shall however be subject to the approval of Bursa Securities (if so required). The Company in consultation with an approved adviser, appointed by the Company for the purposes of the Deed Poll B, may from time to time without the consent or sanction of the Warrant B Holders make any modification (except to provisions for convening meetings of the Warrant B Holders) to the Deed Poll B which will not be materially prejudicial to the interest of the Warrant B Holders or is to correct any typographical errors or relate purely to administration matters or are required to comply with any provisions of the prevailing laws or regulations of Malaysia.
Transferability	:	The Warrants B shall be transferable in the manner provided under the SICDA and the Rules of Bursa Depository.
Deed Poll	:	The Warrants B are constituted by the Deed Poll B.
Governing laws	:	The Warrants B and the Deed Poll B shall be governed by the laws of Malaysia.

2.6 Details of other intended corporate exercises which have been approved

As at the LPD, save for the Rights Issue with Warrants, the Board confirms that there are no other corporate exercises which have been approved by the regulatory authorities but pending completion.

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3. SHAREHOLDER'S UNDERTAKING

The Company intends to raise a minimum of RM10 million from the Rights Issue with Warrants to meet the funding requirements of the Group, which will be channelled towards the proposed utilisation as set out in Section 5 of this Abridged Prospectus.

In view of the above, the Board has determined to undertake the Rights Issue with Warrants on the Minimum Subscription Level.

To meet the Minimum Subscription Level, the Company has procured the Undertaking from the Undertaking Shareholder, namely Dato' Goh, to apply and subscribe in full for his entitlement under the Rights Issue with Warrants and to apply for any Rights Shares not taken up by way of excess shares application to the extent such that the aggregate subscription of Rights Shares under the Rights Issue with Warrants received by KAG amounts to not less than RM10 million.

Details of the Undertaking are as follows:-

Minimum Scenario

Undertaking Shareholder	Existing direct shareholdings as at the LPD		Rights Shares to be subscribed for pursuant to the Undertaking			Direct shareholdings after the Rights Issue with Warrants	
			Subscription based on				
	No. of Shares	%(1)	Entitlement	Excess shares application	Total	No. of Shares	%(2)
Dato' Goh	93,912,500	11.47	93,912,500	106,087,500	(3)200,000,000	293,912,500	28.84

Notes:-

(1) Based on the share capital of 819,054,853 KAG Shares as at the LPD.

(2) Based on the enlarged share capital of 1,019,054,853 KAG Shares after the Rights Issue with Warrants, pursuant to the Minimum Subscription Level and excluding any exercise of the Convertible Securities.

(3) This represents RM10 million (based on the issue price of RM0.05) and 19.63% of the enlarged share capital after the Rights Issue with Warrants under the Minimum Scenario.

Pursuant to the Undertaking, the Undertaking Shareholder has:-

(i) irrevocably and unconditionally warranted that he shall not sell or in any other way dispose of or transfer his existing interest in the Company or any part thereof during the period commencing from the date of the Undertaking up to the Entitlement Date; and

(ii) confirmed that he has sufficient financial means and resources to subscribe in full for his entitlement and additional Rights Shares not taken up by other Entitled Shareholders by way of excess shares application to the extent such that the aggregate subscription of Rights Shares under the Rights Issue with Warrants with received by KAG amounts to not less than RM10 million. Mercury Securities has verified the sufficiency of financial resources of the Undertaking Shareholder for the purpose of subscribing the Rights Shares pursuant to the Undertaking.

The Undertaking Shareholder has confirmed that his Undertaking will not give rise to any consequence of mandatory offer obligation under the Code and Rules on Take-overs, Mergers and Compulsory Acquisitions immediately after completion of the Rights Issue with Warrants.

In the event that the Undertaking Shareholder triggers an obligation to undertake a mandatory take-over offer under the Code and Rules on Take-overs, Mergers and Compulsory Acquisitions pursuant to the Undertaking, a separate announcement will be made.

Consequently, an application to the SC will be made on behalf of the Undertaking Shareholder as well as persons acting in concert for an exemption to undertake the mandatory offer under the Code and Rules on Take-overs, Mergers and Compulsory Acquisitions.

As the Minimum Subscription Level will be fully satisfied via the Undertaking, the Company will not procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders.

The Undertaking is not expected to result in any breach in the public shareholding spread requirement by the Company under Rule 8.02(1) of the Listing Requirements. The pro forma public shareholding spread based on the Minimum Scenario is illustrated as follows:-

	As at the LPD			After the Rights Issue with Warrants		
Particulars	**No. of KAG Shares**	**No. of shareholders**	**%**	**No. of KAG Shares**	**No. of shareholders**	**%**
Issued and paid-up share capital	[(1)]819,054,853	2,928	100.00	[(3)]1,019,054,853	2,928	100.00
Less:						
Directors of KAG	[(2)]93,912,500	1	11.47	[(2)]293,912,500	1	28.84
Directors of subsidiaries of KAG	-	-	-	-	-	-
Substantial shareholders of KAG	210,684,753	2	25.72	210,684,753	2	20.67
Persons connected and associated to the substantial shareholders	-	-	-	-	-	-
Shareholders holding less than 100 Shares	-	-	-	-	-	-
Public shareholding spread	**514,457,600**	**2,925**	**62.81**	**514,457,600**	**2,925**	**50.49**

Notes:-

(1) Based on the share capital of 819,054,853 KAG Shares as at the LPD.

(2) Comprises Dato' Goh's shareholding as at the LPD and after his subscription of 200,000,000 Rights Shares pursuant to the Undertaking. As at the LPD, save for Dato' Goh, the directors of KAG do not hold any KAG Share.

(3) Based on the enlarged share capital of 1,019,054,853 KAG Shares after the Rights Issue with Warrants, pursuant to the Minimum Subscription Level and excluding any exercise of the Convertible Securities.

4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

The Rights Issue with Warrants will enable the Company to raise funds and channel them towards the proposed utilisation as set out in Section 5 of this Abridged Prospectus.

After due consideration of the various options available, the Board is of the opinion that the Rights Issue with Warrants is the most suitable means of fund raising for the Company for the following reasons:-

(i) it will involve the issuance of new KAG Shares without diluting the Entitled Shareholders' shareholdings provided that they subscribe in full for their respective entitlements under the Rights Issue with Warrants and exercise their Warrants B subsequently;

(ii) it provides an opportunity for the Entitled Shareholders to participate in the equity offering of the Company on a pro-rata basis; and

(iii) it will enable the Company to raise the requisite funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs.

The free Warrants B which are attached to the Rights Shares are intended to provide an added incentive to Entitled Shareholders to subscribe for the Rights Shares. In addition, the free Warrants B will provide Entitled Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Warrants B and will allow Entitled Shareholders to further participate in the future growth of the Company as and when the Warrants B are exercised.

The exercise of the Warrants B in the future will allow the Company to obtain additional funds without incurring additional interest expenses from borrowings. Furthermore, the exercise of the Warrants B will increase Shareholders' funds and lower the Company's gearing level, thereby providing the Company with flexibility in terms of the options available to meet its funding requirements.

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5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.05 per Rights Share, the gross proceeds to be raised from the Rights Issue with Warrants will be utilised in the following manner:-

Utilisation of proceeds	Expected timeframe for utilisation from completion of the Rights Issue with Warrants	Minimum Scenario RM'000	(1)Base Case Scenario RM'000	(1)Maximum Scenario RM'000
(i) Construction works for the Pano Project ("**Construction Works**")	Within 30 months	(2)10,000	(3)35,000	(3)35,000
(ii) Repayment of bank borrowings	Immediate	-	-	5,000
(iii) Acquisition and/or investment in other complementary businesses	Within 24 months	-	-	15,000
(iv) Working capital	Up to 24 months	-	5,203	6,809
(v) Estimated expenses for the Corporate Exercises	Immediate	(4)-	750	750
Total		**10,000**	**40,953**	**62,559**

Notes:-

(1) Any additional proceeds raised in excess of the RM10 million under the Minimum Scenario will be allocated up to its respective maximum allocation in the following order:-

(i) estimated expenses for the Corporate Exercises;
(ii) Construction Works;
(iii) working capital;
(iv) repayment of bank borrowings; and
(v) acquisition and/or investment in other complementary businesses.

Notwithstanding the above, the Board wishes to highlight that the illustrative amount of up to RM62.6 million under the Maximum Scenario is based on the assumption that all the Convertible Securities are granted and/or exercised prior to the Entitlement Date and that the Rights Issue with Warrants will be fully subscribed.

The Board is of the view that it is unlikely for all the outstanding Warrants A to be exercised prior to the Entitlement Date in view of, amongst others, the following:-

(i) the last transacted market price of KAG Shares as at the LPD of RM0.05;
(ii) the exercise price of RM0.10 for the Warrants A; and
(iii) the remaining tenure of approximately 15 months from the LPD for the Warrants A which is expiring on 2 July 2018.

In addition to the above, the Board is of the view that it is unlikely for all the SIS Options to be granted and/or exercised prior to the Entitlement Date in view of, amongst others, the following:-

(i) the last transacted market price of KAG Shares as at the LPD of RM0.05; and
(ii) the remaining tenure of approximately 38 months from the LPD for the SIS which is expiring on 7 May 2020.

(2) Based on cash flow projections of the management, the Company expects that it will need additional funding of RM25 million to undertake the Pano Project.

Under the Minimum Scenario, proceeds of RM10 million will be allocated for Construction Works and the balance of RM15 million will be financed via internally generated funds and/or bank borrowings to be procured. The Company has set the Minimum Subscription Level based on a funding requirement of RM10 million instead of RM25 million in view that the Company:-

(i) has identified other sources of funds i.e. internally generated funds and/or bank borrowings to be procured to meet the balance financial commitments of RM15 million; and

(ii) would not need to procure underwriting arrangements, thereby saving on additional expenses such as underwriting fees and legal fees.

(3) Under the Base Case Scenario and Maximum Scenario, proceeds of up to RM25 million will be allocated for Construction Works. Notwithstanding the foregoing, the Company would allocate up to an additional RM10 million for the Construction Works to act as a buffer to cater for any delay in the project schedule / progress payments or any unforeseen circumstances such as a spike in the cost of construction and related expenses. Any unutilised balance from this RM10 million will be allocated for working capital.

(4) Under the Minimum Scenario, the estimated expenses for the Proposals of RM0.75 million will be funded by the Company's internally generated funds.

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(i) Construction Works

On 19 October 2015, the Company announced that KASB, a wholly-owned subsidiary of the Company, has secured a LOA from OCR Noble Land appointing KASB as the main contractor for the Pano Project for a total contract sum of RM129 million.

The Pano Project entails the build and delivery with certificate of practical completion for the construction of a block of two (2) serviced apartment towers along Jalan Ipoh, Kuala Lumpur comprising a total of 363 units of serviced apartments, eight (8) retail units, common facilities and five (5) levels of car parks as illustrated below:-

	Tower A	Tower B
26th floor	Common facilities	Residential units
25th floor	Common facilities	Residential units
24th floor	Transfer beam(1)	Residential units
23rd floor	Residential units	Residential units
22nd floor	Residential units	Residential units
21st floor	Residential units	Residential units
20th floor	Residential units	Residential units
19th floor	Residential units	Residential units
18th floor	Residential units	Residential units
17th floor	Residential units	Residential units
16th floor	Residential units	Residential units
15th floor	Residential units	Residential units
14th floor	Residential units	Residential units
13th floor	Residential units	Residential units
12th floor	Residential units	Residential units
11th floor	Residential units	Residential units
10th floor	Residential units	Residential units
9th floor	Residential units	Residential units
8th floor	Residential units	Residential units
7th floor	Common facilities	Residential units
6th floor	Common facilities	Residential units
5th floor	Residents' car parks	
4th floor	Residents' car parks	
3rd floor	Residents' car parks	
2nd floor	Residents' car parks	
1st floor Ground	Two (2)-storey retail units	Residential lobby
Basement	Retail and visitors' car parks	

Note:-

(1) A transfer beam functions to distribute the load from the structure above it to that part of the structure directly below it.

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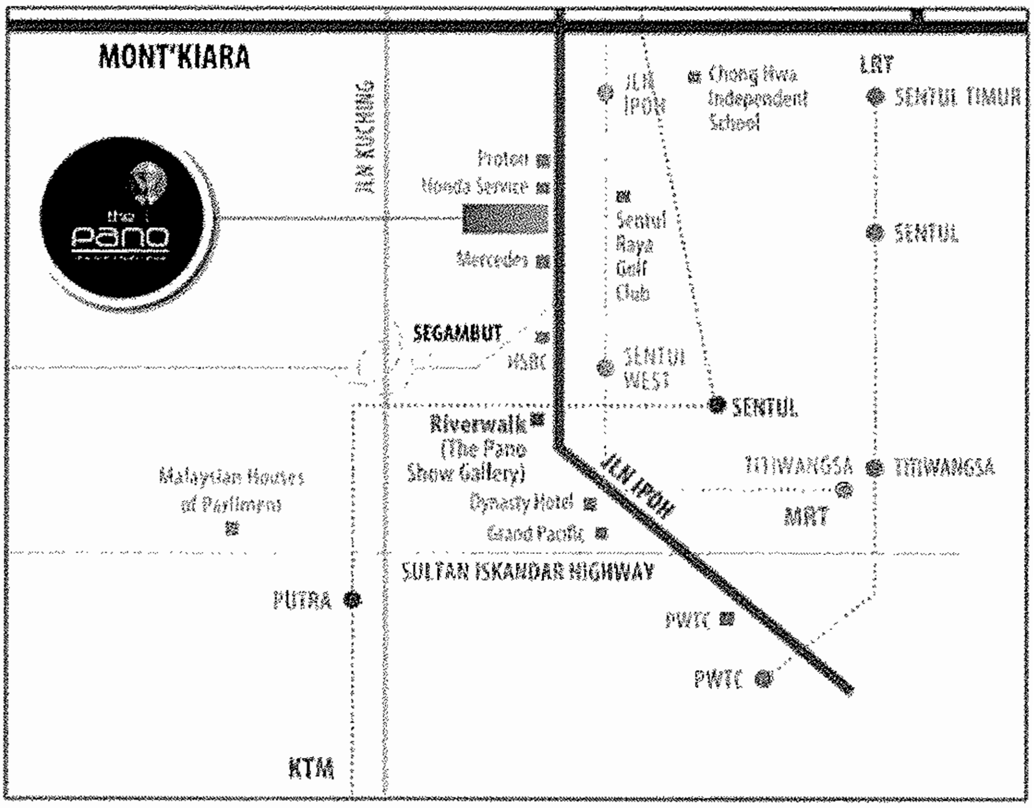
The Pano Project is situated at Jalan Ipoh, Kuala Lumpur and is served by a network of major highways and access roads including Lebuhraya Sultan Iskandar and Jalan Kuching. The upcoming Mass Railway Transit station (MRT) is within walking distance from the development, whilst the Titiwangsa Light Railway Transit (LRT) and Keretapi Tanah Melayu Berhad (KTM) commuter rail service stations are within a convenient distance. The location of the Pano Project is illustrated below:-



(Source: Management of OCR Noble Land)

The Land is currently vacant and is owned and registered under the name of OCR Noble Land. Dewan Bandaraya Kuala Lumpur had on 19 November 2015 granted its approval for the development order application subject to certain terms and conditions to be fulfilled. Subsequently, on 16 March 2016, Dewan Bandaraya Kuala Lumpur had granted its approval for the building plans of the Pano Project.

The construction of the Pano Project is expected to commence by the third (3rd) quarter of 2017. Based on the LOA, the Pano Project is expected to be completed within 30 months from the date of commencement.

Further details of the Pano Project are set out in Section 2 and Appendix I of KAG's circular to shareholders dated 24 June 2016.

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The breakdown of the contract sum is as follows:-

Pano Project	RM'million
Preliminaries	8.3
Building & external works	66.6
M&E works (provisional sum)	19.8
Provisional sums such as project contingencies, landscape and final finishing costs	34.3
Contract sum	**129.0**

The Group intends to utilise proceeds of RM10 million under the Minimum Scenario as working capital to undertake the initial stages of the Construction Works which include, amongst others, preliminary works such as the setting up of temporary access roads, site offices, buildings and accommodation as well as capital expenditure such as installation and/or purchase of plant and equipment, temporary water and electricity supplies, lighting and general scaffolding, and part of building works.

If there are any additional proceeds raised beyond the Minimum Scenario, the Group may utilise such additional proceeds of up to RM25 million to facilitate the funding for the remaining stages of the Construction Works (including a buffer of RM10 million as mentioned in footnote (2) of Section 5 of this Abridged Prospectus). The remaining stages will comprise basement works such as piling, foundation and substructure as well as the construction of the two (2) serviced apartment towers, external works and M&E works, amongst others. The remaining costs in relation to the Construction Works are expected to be financed via progress payments received from OCR Noble Land, being the developer for the Pano Project as well as bank borrowings to be procured, where required.

In relation to the above, the actual funding breakdown will only be determined by the Board once the Rights Issue with Warrants is completed with actual proceeds ascertained, as well as the availability and suitability of funding options at the relevant time.

(ii) Repayment of bank borrowings

As at the LPD, the total outstanding principal amount of the Group's bank borrowings stood at approximately RM10.2 million.

The Company has earmarked proceeds from the Rights Issue with Warrants of up to RM5 million under the Maximum Scenario for the repayment of the Group's bank borrowings as follows:-

Name of bank	Type of facility	Total outstanding principal amount as at the LPD (RM'000)	Proposed repayment amount (RM'000)	Expected annual interest savings (RM'000)
CIMB Bank Berhad	Term loan[(1)]	4,038	4,038	[(2)]196
Public Islamic Bank Berhad	Overdraft[(1)]	1,995	962	[(3)]38
Total		**6,033**	**5,000**	**234**

Notes:-
(1) For the Group's working capital purposes.
(2) Based on an interest rate of 4.85% per annum, computed based on the prevailing base lending rate of 6.75% as at the LPD less 1.90%.
(3) Based on an interest rate of 4.00% per annum.

(iii) Acquisition and/or investment in other complementary businesses

The proceeds of up to RM15 million is earmarked to finance any potential acquisitions and/or investments in similar or other complementary businesses when the opportunity arises for future business expansion of the Group.

These acquisitions and/or investments may include businesses within KAG's core business in the ICT industry, trading of home appliances and construction, property development and property investment, as well as businesses within the same value chain, and such other businesses which the Board may deem beneficial and are complementary to the Group's business expansion.

As at the LPD, the Board has yet to identify any specific business for acquisition and/or investment. The Company will make the necessary announcements as provided for in the Listing Requirements. In the event that Shareholders' approval and/or other regulatory bodies' approvals are required, the necessary approvals will be sought as per the provisions in the Listing Requirements or such other regulatory bodies.

Pending the identification of new businesses to be invested in, the Company will place the unutilised cash proceeds in interest-bearing bank deposits and/or money market financial instruments.

If the Company is unable to identify suitable acquisition and/or investment within 24 months from the completion of the Rights Issue with Warrants, the timeframe for the utilisation of proceeds that has been allocated for the said purpose will be extended and announced as well as disclosed in KAG's quarterly result announcements until the Company has successfully identified suitable businesses to acquire and/or invest in.

Notwithstanding the above, the Board wishes to highlight that the illustrative amount of up to RM15 million is based on the assumption that all the Convertible Securities are granted and/or exercised prior to the Entitlement Date and that the Rights Issue with Warrants will be fully subscribed. The Board is of the view that it is unlikely for all the Convertible Securities to be granted and/or exercised prior to the Entitlement Date in view of the reasons set out in footnote (1) of Section 5 of this Abridged Prospectus.

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(iv) **Working capital**

The balance of the proceeds will be used for the Group's working capital purposes in the following manner:-

Working capital	Percentage allocation (%)	Allocation Base Case Scenario (RM'000)	Maximum Scenario (RM'000)
Payment of salaries to staff of the KAG Group	30.0	1,561	2,043
Operating expenses including utilities and payment to suppliers for home appliances, ICT software and hardware	50.0	2,601	3,404
Statutory related expenses such as audit fees and tax agent fees and other administrative expenses	20.0	1,041	1,362
Total	**100.0**	**5,203**	**6,809**

(v) **Estimated expenses for the Corporate Exercises**

The breakdown of the estimated expenses for the Corporate Exercises is illustrated below:-

Estimated expenses	Amount RM'000
Professional fees(1)	635
Fees to relevant authorities	80
Printing, despatch and advertising expenses	35
Total	**750**

Note:-
(1) Comprises fees payable to the Principal Adviser, solicitors, reporting accountants, company secretary and Share Registrar.

If the actual expenses incurred are higher than budgeted, the deficit will be funded from the portion allocated for working capital and/or internally generated funds. Conversely, any surplus of funds following payment of expenses will be utilised for working capital purposes.

The actual gross proceeds to be raised from the Rights Issue with Warrants will depend on the actual number of the Rights Shares that will be eventually issued.

The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants B would depend on the actual number of Warrants B exercised. The proceeds from the exercise of the Warrants B will be received on an "as and when basis" over the tenure of the Warrants B.

Based on the exercise price of RM0.05 per Warrant B, the Company will raise gross proceeds of up to RM31.3 million upon full exercise of the Warrants B under the Maximum Scenario. Any proceeds arising from the exercise of the Warrants B in the future will be used to finance future working capital requirements including those illustrated in Section 5(iv) above. The exact breakdown cannot be determined at this juncture and would be dependent on the actual requirements at the relevant time.

6. RISK FACTORS

You should carefully consider, in addition to the other information contained in this Abridged Prospectus, the following risk factors (which may not be exhaustive) before subscribing for or investing in the Rights Issue with Warrants:-

6.1 Risks relating to the Group

6.1.1 Risks relating to the Group's construction, property development and property investment business

(i) Business risks

The Group is subject to certain risks that are inherent in the property sector which include, amongst others, timely commencement and/or completion of projects, cancellation, deferral or rescheduling of projects, non-performance or unsatisfactory performance of subcontractors, increases in cost of energy, labour and building materials, shortage of skilled workforce, adverse weather conditions, natural disasters, accidents and changes in general economic, business and credit conditions.

As such, any occurrences of any of the above situations may adversely impact the Group's business and financial performance.

(ii) Delay in completion of projects

Timely completion and hand-over of the Group's projects are critical in ensuring costs are contained and the Group's reputation is safeguarded. However, delays in completion could result from unforeseen circumstances such as natural disasters, acute shortage of construction materials and workers, adverse weather conditions, delays in obtaining the necessary approvals from various regulatory authorities as scheduled and unsatisfactory performance of the Group's subcontractors appointed for the property projects.

If any of the above circumstances happen or occur for a prolonged period, the Group may incur substantial additional costs such as liquidated and ascertained damages payable to its customers, rectification cost to repair defects or higher material and/or labour costs and potential claims which may result in its financial performance being materially impacted.

As at the LPD, the Group has not encountered any delay in the completion of its projects that have a material adverse impact to its business and financial performance.

(iii) Cost overruns

The Group carries out internal cost and budgeting estimates of building materials, subcontracting costs and overheads based on the indicative pricings given by suppliers and subcontractors, as well as the Group's own estimates of costs for tender for projects.

However, in the event of incorrect estimations of costs during the budgeting or costing stage, unforeseen circumstances such as adverse soil conditions, unfavourable weather conditions or unanticipated construction constraints at the worksite or fluctuations in prices of raw materials and subcontractors services, additional costs which are not previously factored into the costing may arise.

As the Pano Project is the first property project to be undertaken by the Group, there has not been any cost overruns experienced by the Group in the past. Notwithstanding that, the unforeseeable circumstances as mentioned above may occur in the Group's projects in the future and there is no assurance that the said circumstances will not have a material adverse impact on the Group's business and financial performance.

(iv) Availability and cost of raw materials and skilled labour

The Group's profitability may be affected by any fluctuation in the cost of building materials (including sand, steel, cement and tiles). In the event the Group is unable to secure alternative supply of building materials at an acceptable cost, the construction costs of the projects may increase and thus affect the Group's profit margins if it is unable to fully pass on these increased costs to its customers.

The Group's projects also require a large number of skilled and unskilled labour. Hence, any increase in the cost of labour, whether skilled or unskilled, may affect the Group's profitability.

The construction industry in Malaysia also faces a shortage of unskilled labour. The shortage is due to the low participation rate of Malaysian workers in the sector and various restrictions on the employment of foreign workers, which have been exacerbated in recent years by the increased demand for construction workers for other large infrastructure projects. In addition, the cost of unskilled labour may increase in the future in the event of any increase in the minimum wage by the government. These circumstances may adversely impact the Group's business and financial performance.

(v) Dependence on subcontractors

The Group will from time to time engage subcontractors in some of the Group's projects and as such, the Group may experience delay due to failure of the Group's subcontractors to complete their work based on an agreed time schedule and to the specifications required.

There is no assurance that the Group's working relationships with its subcontractors are perpetual and that there will be no lapse in the quality of services to be provided by its subcontractors in the future. In turn, these factors may adversely impact the Group's business and financial performance.

(vi) Performance of the property market

The performance of the property market is affected by, amongst others, population growth, economic performance and government regulations. Any adverse developments affecting the property market may have an adverse impact on the Group's business operations and financial performance.

The property market in Malaysia has been dampened in the past few years, particularly since the introduction of cooling measures by the government to restrict the overheating of the property market and curb excessive price increases as follows:-

(a) the real property gain tax ("**RPGT**") was reinstated in 2010. The effective maximum RPGT rates were raised from 5% in 2010 to 30% in 2014;

(b) in 2010, BNM announced a maximum loan-to-value ratio of 70% for third home purchases by consumers; and

(c) banks can no longer provide financing for projects with developer interest bearing scheme, wherein interest payments on the loan obtained by the buyers are borne by the property developers until the property has been completely constructed.

Any further introduction of cooling measures by the government as well as the tightening of lending criteria by the banks may adversely impact the Group's property business, and may lead to an imbalance between supply of, and demand for, properties in Malaysia which can cause property overhang.

6.1.2 Risks relating to the Group's ICT business

(i) Project risks

The Group's contracts with its clients are generally entered into on a project basis. Due to the complexity of the projects that the Group undertakes, the projects are subjected to the following risk factors:-

(a) most of the Group's services are based on contracts, where the price is determined at the time of bidding, based on estimates. The Group may underestimate project costs in bidding for a project. In such an event, the Group may incur cost overruns which will reduce profits or incur losses;

(b) clients may delay or cancel their projects due to unforeseen circumstances. Delays may arise from incomplete specifications or unanticipated difficulties in developing the solutions. Project delays will affect margins as time spent negotiating and resolving issues may delay the recognition of revenue and incur additional costs. In addition, depending on the terms and conditions of the relevant contracts, the Group may be liable for late charges if delays are caused by the Group; and

(c) failure to implement projects that fully satisfy the requirements and expectations of the clients may lead to claims being made against the Group, thereby adversely affecting its profitability and reputation.

There is no assurance that any changes in these factors will not have any material adverse effect on the Group.

(ii) Dependence on key personnel or failure to attract and retain other highly qualified personnel

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

The Group also faces challenges in attracting and retaining talent for critical positions. Some of the Group's existing competitors and new entrants may have greater operational, financial and other resources or may otherwise be better positioned to attract and retain talent.

Notwithstanding the above, the Group actively grooms the younger members of its management team by providing the necessary guidance, experience and exposure in order to prepare them to take over from the senior management in the future. In this respect, should changes occur to the senior management team in the future, the Group will be more prepared to conduct a smooth transition, thereby maintaining the Group's continued ability to compete effectively in the ICT industry.

In addition, it is the Group's practice to attract new talent and retain the services of its senior management team wherever possible by providing attractive remuneration packages as well as cultivating a conducive working environment and positive working culture.

There can be no assurance that the loss of any of the key employees of the Group can be avoided or will not result in adverse impact on the Group's business performance.

(iii) Competition

The market in which the Group operates in is competitive and characterised by rapid technological innovation. The Group has experienced and expects to continue to experience intense competition from current and future competitors. The Group believes that its ability to compete depends on many factors, both within and outside the Group's control, such as the following:-

(a) timing and market acceptance of new technologies in the Group's services or products, which takes time as clients may not readily accept new technologies;

(b) enhancements developed by the Group and its competitors, especially under the backdrop of fast-paced technological improvements and increased globalisation;

(c) products and services functionality, performance, price, reliability, customer service and support, as different clients place different priorities on these selling points;

(d) ability to engage in partnerships / joint ventures with the Group's existing service providers in order to provide unique solutions to clients which otherwise cannot be provided by the Group on its own;

(e) sales and marketing efforts which are crucial to expand the Group's market coverage and stay ahead of the competition; and

(f) product and service distribution channels such as appointing resellers to expand the Group's distribution channels geographically.

The Group's competitors vary in size and in scope and breadth of the services and products offered. The Group encounters competition from a number of sources, all competing to be the most efficient and effective solutions provider. Some of the Group's current and potential competitors have significantly greater resources and better competitive positions. These factors may allow competitors to respond more effectively than the Group.

The Group's competitors may develop designs / products, features or services that are similar to the Group's offerings or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. In addition, technological developments and any changes the Group makes to its business model may require significant capital investments.

The Group may be limited in its ability to invest funds and resources in designs / products, services or opportunities and the Group may incur costs in maintaining the necessary and continually evolving technology infrastructure. As a result, the Group's competitors may have acquired and engaged users at the expense of the growth or engagement of the Group's user base, which may have negatively affected the Group's business and financial results.

There can be no assurance that the Group will be able to maintain its competitiveness against current and future competitors or that the competitive pressures will not materially and adversely affect the Group's business, operating results and financial conditions.

6.1.3 Risks relating to the Group's home appliances trading business

(i) Operational and business risks

The Group's home appliances trading business would be affected by the performance and inherent risks associated with the home appliances industry. These may include, amongst others, general economic downturn in the global and regional economy causing a decline in consumer demand, changes in consumer tastes and preferences, entry of new players, inefficiency in operations, increase in operating costs, delay in obtaining certification from SIRIM *(Malaysia's leading certification, inspection and testing body)* and product obsolescence due to technological advancements.

There is no assurance that these factors will not have an adverse impact on the performance of the Group's business.

In addition, the Group may encounter product defect liabilities in the form of warranty claims on the home appliances that it sells to consumers. The Group may also encounter delay in collection of receivables for the sale of its home appliances, especially from bulk purchasers such as property developers. These factors may have an adverse impact on the Group's cash flow and affect the performance of the Group's business.

(ii) Competition

Malaysia's home appliances market is well established with the presence of several foreign and domestic brands. The Group faces competition from both new entrants and existing players in the home appliances industry. Increased competition could result in price and revenue erosion and loss of market share, any of which could materially and adversely affect the Group's business, operating results and financial condition.

There is no assurance that these factors will not have an adverse impact on the performance of the Group's business.

(iii) **Foreign exchange risks**

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

Any adverse movement in the exchange rates will have an impact on the financial performance of the Group. There can be no assurance that there will not be any material and/or volatile fluctuation in the USD, the occurrence of which may affect the financial performance and position of the Group.

6.2 Risks relating to the Rights Issue with Warrants

(i) **Delay in or abortion of the Rights Issue with Warrants**

The Rights Issue with Warrants may be delayed or cancelled if there is a material adverse change of events or circumstances such as rapid economic decline or a major natural disaster, which is beyond the control of the Company and the Principal Adviser.

In the event of failure in the completion of the Rights Issue with Warrants, all application monies received pursuant to the Rights Issue with Warrants will be refunded without interest to the Entitled Shareholders and or their renouncee(s) *(if applicable)* who have subscribed for the Rights Shares in accordance with Section 243 of the CMSA *(except for the costs of purchasing the provisional allotment of the Rights Shares with Warrants B and any expenses associated therewith)* and if any such monies is not repaid within 14 days after it becomes liable, the Company and its officers shall be liable to return such money with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made.

In the event that the Rights Issue with Warrants is cancelled after the Rights Shares and Warrants B have been validly allotted to the Entitled Shareholders and/or their renounce(s) *(if applicable)*, a return of monies of the Entitled Shareholders and/or their renounce(s) *(if applicable)* can only be achieved by way of cancellation of our share capital as provided under the Act. Such cancellation requires the approval of the Shareholders by way of a special resolution in a general meeting, consent of the creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and, where applicable, the confirmation of the High Court of Malaya. There can be no assurance that such monies can be recovered within a short period of time or at all under such circumstances.

(ii) **Capital market risk**

The market price of the new securities arising from the Rights Issue with Warrants, like all listed securities traded on Bursa Securities, is subject to fluctuation. The respective price of the Company's securities is influenced by, amongst others, the prevailing market sentiments, the volatility of the stock market, movements in interest rates and the outlook of the industry in which the Company operates in. In view of this, there can be no assurance that the KAG Shares (together with the Rights Shares and any new Shares issued pursuant to the exercise of the Warrants) will trade at or above the TERP disclosed in Section 2.2 of this Abridged Prospectus after completion of the Rights Issue with Warrants.

The Warrants B are new instruments issued by the Company. Therefore, there can be no assurance that an active market for the Warrants B will develop upon listing on Bursa Securities, or if developed, will be sustainable. In addition, there is no assurance that the Warrants B will be "in-the-money" during the Exercise Period.

Accordingly, there is no assurance that the market price of the Warrants B will be at a level that meets the specific investment objectives or targets of any subscriber of the Warrants B.

(iii) Forward-looking statements and other information

Certain statements in this Abridged Prospectus are based on historical data, which may not be reflective of future results and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on the estimates and assumptions made by the Company, unless stated otherwise, and although the Board believes these forward-looking statements to be reasonable at this point in time given the prevailing circumstances, they are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, but are not limited to, those set out in this Abridged Prospectus.

In view of this and other uncertainties, the inclusion of any forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty by the Company, the Principal Adviser and/or other advisers that the plans and objectives of the Group will be achieved.

Further, certain information in this Abridged Prospectus is extracted or derived from available government publications or other publicly available sources. Neither the Company nor the Principal Adviser and/or any other advisers have independently verified such information.

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7. INDUSTRY OVERVIEW AND PROSPECTS

7.1 Malaysian economy

The Malaysian economy grew by 4.5% in the fourth quarter of 2016 (3Q 2016: 4.3%), underpinned by continued expansion in private sector expenditure. On the supply side, growth continues to be driven by the manufacturing and services sectors. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a sustained growth of 1.4% (3Q 2016: 1.4%).

Inflation, as measured by the annual change in the Consumer Price Index (CPI), increased to 1.7% in the fourth quarter of 2016 (3Q 2016: 1.3%) driven mainly by upward adjustments to domestic fuel prices during the quarter. For the year as a whole, inflation averaged 2.1% (2015: 2.1%).

The ringgit and all major and regional currencies depreciated against the US dollar during the quarter. The depreciation was driven mainly by portfolio investment outflows from emerging economies amid uncertainties arising from the outcome of the US Presidential Elections. Expectations of an interest rate increase, the actual increase in the US Federal Reserve's policy rate in December 2016, and the anticipation of a faster pace of US interest rate normalisation in 2017, exacerbated portfolio outflows and exerted further downward pressure on most major and regional currencies. The ringgit also faced additional adjustments during the quarter following speculative activity in the non-deliverable forward (NDF) market. The ringgit, along with regional currencies, however, began to stabilise towards the end of the quarter amidst higher stability in the global financial markets. The implementation of measures to develop, deepen, and address the rising imbalances in the domestic foreign exchange market, and the firmer global crude oil prices, also lent stability to the domestic foreign exchange market towards the end of the quarter.

Going forward, the global economy is expected to improve but remain on a moderate growth path. While there are indications of more sustained growth in the major economies in 2017, downside risks to global growth continue to prevail, arising from the volatility in commodity prices, policy uncertainties and growth prospects of the major developed economies, heightened risk aversions in the global financial markets as well as geopolitical developments. While the external environment may continue to remain challenging, the Malaysian economy will experience sustained growth with the primary driver being domestic demand. Private consumption is anticipated to remain supported by wage and employment growth, with additional impetus coming from announced Government measures to support disposable income of households. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2016, BNM)

The Malaysian economy is expected to expand between 4% and 5% in 2017 (2016: 4% - 4.5%) with nominal gross national income (GNI) per capita increasing 5% to RM39,699 (2016: 4.8%; RM37,812). Economic growth will be underpinned by strong domestic demand, especially private sector expenditure. Private sector activity will be supported by pro-growth fiscal and accommodative monetary policies in an environment of stable inflation, which is projected to range between 2% and 3% (2016: 2% - 2.5%). Meanwhile, public sector expenditure will be driven mainly by higher capital investment by public corporations.

(Source: Economic Report 2016/2017, Ministry of Finance Malaysia)

7.2 Overview and outlook of the construction and property sector in Malaysia

The construction sector grew by 5.1% in the fourth quarter (3Q 2016: 7.9%), underpinned mainly by activity in the civil engineering subsector following progress in various projects in the petrochemical, transportation and utilities segments. Although still affected by oversupply issues in the commercial segment, growth in the non-residential sub-sector improved marginally, benefitting from the low base from the previous year. Activity in the residential sub-sector moderated, reflecting the subdued property market, while growth in the special trade sub-sector was supported by both early- and end-work activity.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2016, BNM)

Value-added of the construction sector recorded a strong growth of 8.4% during the first half of 2016 (January -June 2015: 7.6%). The acceleration of civil engineering works and sustained expansion in residential activities outweighed the tapering growth in the non-residential subsector. Overall, these three property subsectors contributed the highest share (more than 80%) of all construction activities. Total value of construction works completed during the first half of 2016 expanded 11.4% to RM62 billion with 11,881 projects (January - June 2015: 11.6%; RM56 billion; 12,158 projects). The civil engineering subsector contributed 33.2% to the total value of construction works, followed by non-residential (32.1%), residential (29.8%) and specialised construction activities (4.9%) subsectors. The private sector continued to dominate construction activity with a share of 66.3% in the first half of 2016.

The residential subsector grew 10.4% supported by steady growth in incoming supply at 13.1% to 816,174 units (January — June 2015: 13.5%; 10.3%; 721,730 units). Klang Valley, accounting for 26.2%, continued to contribute the most of the incoming supply mainly due to increasing affordable housing schemes (January — June 2015: 25.6%). However, during the period, new approvals declined significantly by 32% to 44,389 units as developers are clearing unsold properties, while buyers are more cautious amid increasing uncertainties in the global environment (January — June 2015: -2.1%; 65,231 units). Likewise, housing starts declined 16.8% to 60,378 units (January — June 2015: 15%; 72,545 units). Of which, terrace houses and condominiums/apartments accounted for 43.6% (26,324 units) and 29.9% (18,070 units), respectively, while low-end houses 11% (6,617 units). The take-up rate for residential units was lower at 25.6% in the first half of 2016 largely reflecting softer demand for high-end units (January — June 2015: 29.8%).

During the first half of 2016, a total of 102,096 residential properties valued at RM32.7 billion were transacted, accounting for 62.4% of total property transactions (January — June 2015: 119,446 transactions; RM36.5 billion; 64.1%). Residential properties transacted in Kuala Lumpur recorded a marked contraction of 20.1%, followed by Selangor (-14.1%), Pulau Pinang (-13.5%), and Johor (-10.9%). The softening of the transaction was partly due to the buyers' cautious sentiment and measures to contain the accelerating house prices. The residential overhang increased 63.1% to 13,438 units with a total value of RM7.6 billion during the first half of 2016 (January — June 2015: -24.1%; 8,238 units; RM2.7 billion) with Johor accounting for the highest overhang units at 21.1% (2015: 23.3%).

Malaysia House Price Index (MHPI) continues to moderate reflecting implementation of various measures to contain spiralling prices. The MHPI stood at 235.4 points (at base year 2000) during the second quarter of 2016, increasing 5.3%, the lowest since the fourth quarter of 2009 (Q2 2015: 223.5 points; 7.5%). All states recorded a positive growth except Kelantan (-0.2%) and Sabah (-0.6%). Johor registered the highest increase of 7%, followed by Kuala Lumpur (6.9%), Selangor (6.6%), Kedah (6.5%) and Negeri Sembilan (6.2%). The average all-house price increased to RM326,241 in the second quarter of 2016 relative to RM309,705 for the corresponding period in 2015, with detached houses recording the highest increase at 6.5%, followed by high rise units (6%) and terrace houses (5.7%).

The construction sector is projected to grow 8.3% in 2017, mainly supported by the commencement of large infrastructure projects such as MRT Sungai Buloh - Serdang - Putrajaya Line, Pan Borneo Highway, Sungai Besi - Ulu Kiang Elevated Expressway and Damansara - Shah Alam Elevated Expressway. The upgrading road works from Kiang Container Terminal - North Port and the construction of infrastructure in Malaysia Vision Valley are expected to further support the sector. The residential subsector is projected to expand driven by affordable housing programmes, particularly 1 Malaysia Civil Servants Housing. Meanwhile, the non-residential subsector is expected to benefit from the mixed commercial development mainly in Kiang Valley, Johor and Pahang.

(Source: Economic Report 2016/2017, Ministry of Finance Malaysia)

7.3 Overview and outlook of the Malaysian ICT industry

The Eleventh Malaysia Plan (Eleventh Plan), 2016-2020 emphasises on driving ICT in the knowledge economy through innovation and productivity to enhance competitiveness and wealth creation. Within the ICT industry, focus will be given to the development of digital content under the content and media subsector, as well as software solutions and services, as these are potential areas for wealth creation and participation of local companies. The growth of the ICT industry will, in turn, drive the demand for robust digital infrastructure, fundamental to Malaysia's competitiveness. In addition, accessibility and affordability are equally critical in uplifting the economy and narrowing the socio-economic gap through the provision of digital opportunities to the have-nots. Central to the knowledge economy is a highly skilled and capable workforce to drive innovation, creativity and productivity. It is important to equip the workforce with specialised skills to facilitate growth in the various sectors, including research and development (R&D) of ICT products and services. This will ensure the nation not only benefits from but also contributes to global ICT advancements.

In order to achieve an 18.2% or approximately RM324.9 billion ICT contribution to GDP by the year 2020, initiatives to be undertaken during the Plan period include the development of technology focus areas, infusion of ICT in other sectors and building the support ecosystem. It is targeted that the ICT industry registers an annual average growth rate of 10.7% and Malaysia to maintain its position as a net exporter of ICT products and services valued at RM56.8 billion in 2020.

The Eleventh Plan emphasises on driving ICT in the knowledge economy by reenergising the ICT industry from supply-driven to demand-driven, consumption to production and low-knowledge to high-knowledge add. Efforts will also be undertaken to enculturate R&D, develop high quality ICT talent, improve digital infrastructure and pursue digital inclusion. These strategies will give Malaysia a competitive edge in the global landscape through increased innovation and productivity while catalysing the achievement of an advanced economy and inclusive nation.

(Source: Eleventh (11^{th}) Malaysia Plan, 2016-2020, Economic Planning Unit, Prime Minister's Department of Malaysia)

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7.4 Overview and outlook of the business of trading of home appliances

The Group is involved in the business of trading of home appliances through GE Green, a wholly-owned subsidiary of the Company. Accordingly, the prospects of the Group's home appliances trading business would be dependent on the outlook and prospects of GE Green, which in turn would be dependent on the outlook and prospects of the E&E sector in Malaysia as set out below:-

The E&E products industry has always been a prime mover in the Malaysian economy over the past few decades as it has been successful in attracting large amounts of foreign investment and creating vast numbers of jobs in the process. Its success has been proven by being the country's largest export earner in 2016. Exports of E&E products totalled RM287.7 billion and accounted for 44.6 per cent of the total value of manufacturing goods exported in 2016. Singapore, the United States of America (USA), China, Hong Kong and Japan were the top five export destinations, with Singapore accounting for the lion's share or 16.4 per cent of all Malaysian E&E exports.

E&E products accounted for the largest amount of foreign investments, totalling RM7.9 billion (in 2016). The high volume of foreign investments in this category were largely due to the expansion project in household appliances products, LED lightings and commercial hand dryers of RM2 billion.

The electrical subsector saw 44 projects approved in 2016 with investments totalling RM4.3 billion. Of these, 11 were new projects and 33 were for expansion / diversification. This subsector is mainly dominated by foreigners with investments amounting to RM4.1 billion (94.3%) while domestic investments totalled RM250 million (5.7%). These projects are expected to generate employment opportunities for 8,689 people.

Based on approvals in the E&E industry, electrical products formed the largest subsector, with solar projects still continuing to have strong demand. Among the significant projects approved include an expansion project by a wholly foreign owned company with investments of RM2 billion to manufacture household appliances products, LED lightings and commercial hand dryers.

(Source: Report titled "Malaysia: Investment Performance Report 2016" by Malaysian Industrial Development Authority)

The E&E industry continues to be a key driver of the manufacturing sector, with a significant contribution to the output, employment, investment and exports. In 2015, the value-added of the E&E industry recorded RM64.6 billion, while approved investments amounted to RM8.9 billion, surpassing its target of RM5.1 billion. Value-added of E&E grew, mainly attributed to new applications for semiconductors in digitalisation, mobility, connectivity, energy efficiency and miniaturisation. Meanwhile, exports of E&E stood at RM277.9 billion, accounting for 36.5% of total exports. Recognising the importance of E&E industry to move up the value chain, the Electrical and Electronics Strategic Council was established on 25 June 2015, to uplift the industry's capabilities and competitiveness.

The manufacturing sector is anticipated to grow 4.1% in 2017 (2016: 4%). Growth in export-oriented industries will be supported by sustained demand for E&E goods despite lower production of petroleum-related products. Meanwhile, growth in the consumer- and construction-related industries will continue to be supported by favourable domestic demand.

(Source: Economic Report 2016/2017, Ministry of Finance Malaysia)

7.5 Prospects and future plans for the Group

The ICT industry has become increasingly competitive resulting in the Group's poor financial performance since the FYE 31 December 2012. In order to improve its financial performance, the Group has undertaken various efforts including actively identifying opportunities to venture into other sectors with growth potential beyond the ICT industry.

Upon successful implementation of those strategies, the Group expects its financial performance to improve supported by, amongst others, the following revenue streams:-

(i) consistent rental income to be derived from two (2) blocks of five (5)-storey shop office situated in a commercial development known as Aurora Place at Bukit Jalil. These blocks of shop office are expected to be completed in the fourth (4th) quarter of 2017;

(ii) revenue from trading and rental of copier machines and multi-function printers carried out by KAG's 51%-owned subsidiary, DPS commencing from the year 2014. In view that such rental contracts will normally be for a period of three (3) to five (5) years, this business will provide a stable revenue stream to the Group;

(iii) revenue from trading of home appliances carried out by KAG's wholly-owned subsidiary, GE Green. Notwithstanding that GE Green incurred LAT of approximately RM1.23 million in the 12-month FPE 31 December 2016, the Group expects GE Green to contribute positively to its financial performance over the long-term when consumer sentiment improves; and

(iv) revenue from the construction, property development and/or property investment projects. The receipt of the LOA has provided a platform for the Group to spearhead into future construction, property development and/or property investment projects. Moving forward, the Group will continue to look for opportunities to secure more contracts and/or projects for its construction, property development and property investment business.

On 18 July 2016, KAG obtained its shareholders' approval to diversify into the business of construction, property development and property investment. This diversification initiative will augur well for the Group's financial performance in the longer run, as premised on the historical growth of the construction and property sector in Malaysia as set out in Section 7.2 of this Abridged Prospectus.

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8. EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

8.1 Share capital

The pro forma effects of the Rights Issue with Warrants on the share capital of the Company are as follows:-

	Minimum Scenario		Base Case Scenario		Maximum Scenario	
	No. of Shares	[1]Share capital RM	No. of Shares	[1]Share capital RM	No. of Shares	[1]Share capital RM
Share capital[1] as at the LPD	819,054,853	40,952,743	819,054,853	40,952,743	819,054,853	40,952,743
After the granting and/or exercise of all the SIS Options	-	-	-	-	141,716,455	[2]7,085,823
After the exercise of all the outstanding Warrants A	-	-	-	-	290,400,000	[3]29,040,000
	819,054,853	40,952,743	819,054,853	40,952,743	1,251,171,308	77,078,566
To be issued pursuant to the Rights Issue with Warrants	200,000,000	[4]10,000,000	819,054,853	[4]40,952,743	1,251,171,308	[4]62,558,565
	1,019,054,853	50,952,743	1,638,109,706	81,905,486	2,502,342,616	139,637,131
To be issued assuming full exercise of the Warrants B	100,000,000	[5]5,000,000	409,527,426	[5]20,476,371	625,585,654	[5]31,279,283
Enlarged share capital	**1,119,054,853**	**55,952,743**	**2,047,637,132**	**102,381,857**	**3,127,928,270**	**170,916,414**

Notes:-

(1) Excludes share premium and other capital reserves.
(2) Based on an illustrative exercise price of RM0.05 per SIS Option.
(3) Based on the exercise price of RM0.10 per Warrant A.
(4) Based on the issue price of RM0.05 per Rights Share.
(5) Based on the exercise price of RM0.05 per Warrant B.

8.2 NA and gearing

The pro forma effects of the Rights Issue with Warrants on the NA and gearing of the Group are as follows:-

Minimum Scenario

	Audited as at 31 December 2015 RM'000	(I) After subsequent events[1] RM'000	(II) After (I) and the Rights Issue with Warrants[2][3] RM'000	(III) After (I), (II) and upon full exercise of the Warrants B[4] RM'000
Share capital	29,040	40,953	50,953	55,953
Share premium	10,087	10,370	9,620	9,620
Share option reserve	1,053	570	570	570
Warrant reserve	3,775	3,775	4,775	3,775
Accumulated losses	(10,983)	(10,983)	(11,983)	(10,983)
Shareholders' equity / NA	**32,972**	**44,684**	**53,934**	**58,934**
No. of KAG Shares in issue ('000)	580,800	819,055	1,019,055	1,119,055
NA per KAG Share (RM)	0.06	0.05	0.05	0.05
Total borrowings (RM'000)	9,805	9,805	9,805	9,805
Gearing (times)	0.30	0.22	0.18	0.17

Notes:-

(1) After accounting for the following:-
- (i) issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to a private placement exercise which was completed on 18 January 2016;
- (ii) issuance of 100,174,853 new KAG Shares at RM0.05 each as earn-out incentive to Digital Paper Sdn Bhd, being the vendor of DPS. The said KAG Shares were listed on 4 May 2016;
- (iii) estimated expenses incurred in relation to the above corporate exercises of approximately RM0.2 million; and
- (iv) issuance of 80,000,000 new KAG Shares at RM0.05 each pursuant to the exercise of SIS Options since 1 January 2016 up to the LPD.

(2) Based on the Minimum Subscription Level of 200,000,000 Rights Shares together with 100,000,000 Warrants B at the issue price of RM0.05 per Rights Share.

(3) After accounting for the warrant reserve based on the issuance of 100,000,000 Warrants B at an allocated fair value of RM0.01 per Warrant B (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and estimated expenses incidental to the Corporate Exercises of approximately RM0.75 million.

(4) Based on the exercise price of RM0.05 per Warrant B.

Base Case Scenario

	Audited as at 31 December 2015 RM'000	(I) After subsequent events[1] RM'000	(III) After (I), (II) and the Rights Issue with Warrants[2][3] RM'000	(IV) After (I), (II), (III) and upon full exercise of the Warrants B[4] RM'000
Share capital	29,040	40,953	81,905	102,382
Share premium	10,087	10,370	9,620	9,620
Share option reserve	1,053	570	570	570
Warrant reserve	3,775	3,775	7,870	3,775
Accumulated losses	(10,983)	(10,983)	(15,079)	(10,983)
Shareholders' equity / NA	**32,972**	**44,684**	**84,887**	**105,363**
No. of KAG Shares in issue ('000)	580,800	819,055	1,638,110	2,047,637
NA per KAG Share (RM)	0.06	0.05	0.05	0.05
Total borrowings (RM'000)	9,805	9,805	9,805	9,805
Gearing (times)	0.30	0.22	0.12	0.09

Notes:-

(1) After accounting for the following:-
- (i) issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to a private placement exercise which was completed on 18 January 2016;
- (ii) issuance of 100,174,853 new KAG Shares at RM0.05 each as earn-out incentive to Digital Paper Sdn Bhd, being the vendor of DPS. The said KAG Shares were listed on 4 May 2016;
- (iii) estimated expenses incurred in relation to the above corporate exercises of approximately RM0.2 million; and
- (iv) issuance of 80,000,000 new KAG Shares at RM0.05 each pursuant to the exercise of SIS Options since 1 January 2016 up to the LPD.

(2) Assuming all the Entitled Shareholders and/or their renouncee(s) fully subscribe for their respective entitlements at the issue price of RM0.05 per Rights Share.

(3) After accounting for the warrant reserve based on the issuance of 409,527,426 Warrants B at an allocated fair value of RM0.01 per Warrant B (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and estimated expenses incidental to the Corporate Exercises of approximately RM0.75 million.

(4) Based on the exercise price of RM0.05 per Warrant B.

Maximum Scenario

	Audited as at 31 December 2015 RM'000	(I) After subsequent events[1] RM'000	(II) Assuming full granting and/or exercise of the Convertible Securities[2] RM'000	(III) After (I), (II) and the Rights Issue with Warrants[3][4] RM'000	(IV) After (I), (II), (III) and upon full exercise of the Warrants B[5] RM'000
Share capital	29,040	40,953	77,079	139,637	170,916
Share premium	10,087	10,370	10,940	10,190	10,190
Share option reserve	1,053	570	-	-	-
Warrant reserve	3,775	3,775	-	6,256	-
Accumulated losses	(10,983)	(10,983)	(7,208)	(13,464)	(7,208)
Shareholders' equity / NA	**32,972**	**44,684**	**80,810**	**142,619**	**173,898**
No. of KAG Shares in issue ('000)	580,800	819,055	1,251,171	2,502,343	3,127,928
NA per KAG Share (RM)	0.06	0.05	0.06	0.06	0.06
Total borrowings (RM'000)	9,805	9,805	9,805	4,805	4,805
Gearing (times)	0.30	0.22	0.12	0.03	0.03

Notes:-

(1) After accounting for the:-
- (i) issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to a private placement exercise which was completed on 18 January 2016;
- (ii) issuance of 100,174,853 new KAG Shares at RM0.05 each as earn-out incentive to Digital Paper Sdn Bhd, being the vendor of DPS. The said KAG Shares were listed on 4 May 2016;
- (iii) estimated expenses incurred in relation to the above corporate exercises of approximately RM0.2 million; and
- (iv) issuance of 80,000,000 new KAG Shares at RM0.05 each pursuant to the exercise of SIS Options since 1 January 2016 up to the LPD.

(2) Assuming all the:-
- (i) 141,716,455 SIS Options are granted and/or exercised at an illustrative exercise price of RM0.05 per SIS Option; and
- (ii) 290,400,000 outstanding Warrants A are exercised at the exercise price of RM0.10 per Warrant A.

(3) Assuming all the Entitled Shareholders and/or their renouncee(s) fully subscribe for their respective entitlements at the issue price of RM0.05 per Rights Share.

(4) After accounting for the warrant reserve based on the issuance of 625,585,654 Warrants B at an allocated fair value of RM0.01 per Warrant B (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and estimated expenses incidental to the Corporate Exercises of approximately RM0.75 million.

(5) Based on the exercise price of RM0.05 per Warrant B.

8.3 Substantial shareholders' shareholdings

The pro forma effects of the Rights Issue with Warrants on the substantial shareholders' shareholdings of the Company as at the LPD are as follows:-

Minimum Scenario

Substantial shareholders	As at the LPD				(I) After the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%[(1)]	No. of Shares	%[(1)]	No. of Shares	%[(2)]	No. of Shares	%[(2)]
Dato' Goh	93,912,500	11.47	-	-	293,912,500	28.84	-	-
KGI Asia Ltd	110,509,900	13.49	-	-	110,509,900	10.84	-	-
Digital Paper Sdn Bhd	100,174,853	12.23	-	-	100,174,853	9.83	-	-
Liew Weng Keong	-	-	100,174,853[(4)]	12.23	-	-	100,174,853[(4)]	9.83
Simon Tan Cheng Kim	-	-	100,174,853[(4)]	12.23	-	-	100,174,853[(4)]	9.83

Substantial shareholders	(II) After (I) and assuming full exercise of the Warrants B			
	Direct		Indirect	
	No. of Shares	%[(3)]	No. of Shares	%[(3)]
Dato' Goh	393,912,500	35.20	-	-
KGI Asia Ltd	110,509,900	9.88	-	-
Digital Paper Sdn Bhd	100,174,853	8.95	-	-
Liew Weng Keong	-	-	100,174,853[(4)]	8.95
Simon Tan Cheng Kim	-	-	100,174,853[(4)]	8.95

Notes:-

(1) Based on the share capital of 819,054,853 KAG Shares as at the LPD.

(2) Based on the enlarged share capital of 1,019,054,853 KAG Shares, under the Minimum Scenario.

(3) Based on the enlarged share capital of 1,119,054,853 KAG Shares, under the Minimum Scenario.

(4) Deemed interested by virtue of his interest in Digital Paper Sdn Bhd.

Maximum Scenario

Substantial shareholders	As at the LPD				(I) Assuming full granting and/or exercise of the Convertible Securities			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[2]	No. of Shares	%[2]
Dato' Goh	93,912,500	11.47	-	-	150,000,075[6]	11.99	-	-
KGI Asia Ltd	110,509,900	13.49	-	-	110,509,900	8.83	-	-
Digital Paper Sdn Bhd	100,174,853	12.23	-	-	100,174,853	8.01	-	-
Liew Weng Keong	-	-	100,174,853[5]	12.23	-	-	100,174,853[5]	8.01
Simon Tan Cheng Kim	-	-	100,174,853[5]	12.23	-	-	100,174,853[5]	8.01

Substantial shareholders	(II) After (I) and the Rights Issue with Warrants				(III) After (I), (II) and assuming full exercise of the Warrants B			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[2]	No. of Shares	%[2]
Dato' Goh	300,000,150	11.99	-	-	375,000,187	11.99	-	-
KGI Asia Ltd	221,019,800	8.83	-	-	276,274,750	8.83	-	-
Digital Paper Sdn Bhd	200,349,706	8.01	-	-	250,437,132	8.01	-	-
Liew Weng Keong	-	-	200,349,706[5]	8.01	-	-	250,437,132[5]	8.01
Simon Tan Cheng Kim	-	-	200,349,706[5]	8.01	-	-	250,437,132[5]	8.01

Notes:-

(1) Based on the share capital of 819,054,853 KAG Shares as at the LPD.

(2) Based on the enlarged share capital of 1,251,171,308 KAG Shares, assuming all the 141,716,455 SIS Options and 290,400,000 Warrants A are fully granted and/or exercised.

(3) Based on the enlarged share capital of 2,502,342,616 KAG Shares, under the Maximum Scenario.

(4) Based on the enlarged share capital of 3,127,928,270 KAG Shares, under the Maximum Scenario.

(5) Deemed interested by virtue of his interest in Digital Paper Sdn Bhd.
(6) Assuming all the 56,087,500 SIS Options granted to Dato' Goh and 75 Warrants A held by Dato' Goh are fully exercised into new KAG Shares.

8.4 Earnings and EPS

For the FYE 31 December 2015 and 12-month FPE 31 December 2016, the Group registered LAT of RM9.20 million and RM4.82 million respectively. The effects of the Rights Issue with Warrants on the consolidated earnings and EPS of KAG for the FYE 31 March 2018 will depend on, amongst others, the number of Rights Shares to be issued and the level of returns generated from the utilisation of the proceeds to be raised from the Rights Issue with Warrants.

In general, the consolidated EPS (or LPS) of KAG will be diluted as a result of the increase in the number of KAG Shares in issue following the issuance of the Rights Shares and the new KAG Shares arising from the exercise of the Warrants B.

Assuming the Rights Issue with Warrants had been completed on 1 January 2015, being the beginning of the latest audited FYE 31 December 2015, the pro forma effects of the Rights Issue with Warrants on the consolidated losses and LPS of KAG, after taking into consideration subsequent events, would be as follows:-

	Audited FYE 31 December 2015	After subsequent events[(1)]	After the Rights Issue with Warrants			After the Rights Issue with Warrants and full exercise of Warrants B		
			Minimum Scenario	Base Case Scenario	Maximum Scenario	Minimum Scenario	Base Case Scenario	Maximum Scenario
(LAT) attributable to owners of the Company (RM'000)	(9,203)	(9,203)	(9,203)	(9,203)	(9,203)	(9,203)	(9,203)	(9,203)
No. of KAG Shares ('000)	580,800	819,055	1,019,055	1,638,110	2,502,343	1,119,055	2,047,637	3,127,928
(LPS) (sen)	(1.58)	(1.12)	(0.90)	(0.56)	(0.37)	(0.82)	(0.45)	(0.29)

<u>Note:-</u>
(1) After accounting for the:-
(i) issuance of 58,080,000 new KAG Shares pursuant to a private placement exercise which was completed on 18 January 2016;
(ii) issuance of 100,174,853 new KAG Shares as earn-out incentive to Digital Paper Sdn Bhd, being the vendor of DPS. The said KAG Shares were listed on 4 May 2016; and
(iii) issuance of 80,000,000 new KAG Shares pursuant to the exercise of SIS Options since 1 January 2016 up to the LPD.

8.5 Convertible securities

As at the LPD, save for the SIS Options and Warrants A, KAG does not have any other outstanding convertible securities.

The Rights Issue with Warrants may give rise to an adjustment to the number and exercise price of the granted SIS Options and Warrants A pursuant to the provisions of the By-Laws and Deed Poll A respectively. The adjustment is to ensure that the status of the Warrant A Holders would not be prejudiced after the implementation of the Rights Issue with Warrants.

The notices setting out the details of the abovementioned adjustments will be despatched to the holders of SIS Options and Warrant A Holders respectively in due course.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

The Board is of the opinion that, after taking into consideration the funds generated from the Company's operations, the banking facilities available to the Group as well as the proceeds to be raised from the Rights Issue with Warrants, the Group will have sufficient working capital available for a period of twelve (12) months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, the total principal amount of the Group's outstanding borrowings (all of which are interest bearing and denominated in RM) are set out as follows:-

Borrowings	Total RM'000
Short term borrowings	1,511
Long term borrowings	8,661
Total	**10,172**

There has not been any default on payments of either interest and/or principal sums on any of the above borrowings throughout the past one (1) financial year and subsequent financial period up to the LPD.

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9.3 Contingent liabilities

Save as disclosed below, as at the LPD, there are no contingent liabilities which upon becoming due or enforceable may have a material impact on the profits or NA value of the Group:-

Contingent liabilities	RM'000
Secured	
Guarantees and performance bonds issued in favour of third parties to facilitate the ordinary course of the Group's business	5,376

9.4 Material commitments

Save as disclosed below, as at the LPD, there are no material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial results or position of the Group:-

Capital commitments	RM'000
Remaining instalments for two (2) blocks of five (5)-storey shop lots	458

10. INSTRUCTIONS FOR ACCEPTANCE AND PAYMENT

Full instructions for the acceptance of and payment for the Provisional Allotments as well as Excess Rights Shares with Warrants B Applications and the procedures to be followed should you and/or your transferee(s) and/or your renouncee(s) (if applicable) wish to sell or transfer all or any part of your/his rights entitlement are set out in this Abridged Prospectus and the RSF. You and/or your transferee(s) and/or your renouncee(s) (if applicable) are advised to read this Abridged Prospectus, the RSF and the notes and instructions printed therein carefully. In accordance with Section 232(2) of the CMSA, the RSF must not be circulated unless accompanied by this Abridged Prospectus.

Acceptance of and/or payment for the Provisional Allotments which do not conform strictly to the terms of this Abridged Prospectus, the RSF or the notes and instructions printed therein or which are illegible may be rejected at the absolute discretion of the Board.

10.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments that you are entitled to subscribe for in full or in part under the terms and conditions of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for such Rights Shares with Warrants B that you have been provisionally allotted as well as to apply for Excess Rights Shares with Warrants B if you choose to do so. This Abridged Prospectus and the RSF are also available at the Registered Office, the Share Registrar or on Bursa Securities' website (http://www.bursamalaysia.com).

10.2 NPA

The Provisional Allotments are prescribed securities under Section 14(5) of the SICDA and therefore, all dealings in the NPA will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your transferee(s) and/or your renouncee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making the applications.

10.3 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Allotments allotted to you must be made on the RSF issued together with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained therein. Acceptances which do not strictly conform to the terms and conditions of this Abridged Prospectus, the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of the Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you wish to accept all or part of your entitlement to the Provisional Allotments, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST, COURIER or DELIVERED BY HAND (at your own risk) to the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at the following address:-

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia

OR

Tricor Customer Services Centre
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia

Tel : +603 - 2783 9299
Fax : +603 - 2783 9222

so as to arrive not later than 5.00 p.m. on **Thursday, 20 April 2017**, being the last date and time for the acceptance and payment for the Rights Shares with Warrants B.

If you lose, misplace or for any other reason require another copy of the RSF, you may obtain additional copies from the Registered Office, the Share Registrar or Bursa Securities' website (http://www.bursamalaysia.com).

One (1) RSF must be used for acceptance of the Provisional Allotments standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of Provisional Allotments standing to the credit of more than one (1) CDS Account. The Rights Shares with Warrants B accepted by you will be credited into the CDS Account(s) where the Provisional Allotments are standing to the credit.

Successful applicants to the Rights Shares with Warrants B will be given the Warrants B on the basis of one (1) Warrant B for every two (2) Rights Shares successfully subscribed for. The minimum number of Rights Shares with Warrants B that can be accepted is two (2) Rights Shares with one (1) Warrant B. However, you should take note that a trading board lot comprises 100 Shares. Fractions of a Rights Share and/or Warrant B arising from the Rights Issue with Warrants will be dealt with as the Board may at its absolute discretion deem fit and expedient and in the best interest of the Company.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by the Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of a banker's draft or cashier's Order or money order or postal order drawn on a bank or post office in Malaysia and which must be made payable to **"KAG RIGHTS ISSUE ACCOUNT"**, crossed **"ACCOUNT PAYEE ONLY"** and endorsed on the reverse side with your name in block letters and your CDS Account number, and must be received by the Share Registrar by 5.00 p.m. on **Thursday, 20 April 2017**. The payment must be made for the exact amount payable for the Rights Shares accepted. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF THE BOARD.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) BY ORDINARY POST TO THE ADDRESS AS SHOWN ON THE RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

PROOF OF POSTAGE SHALL NOT CONSTITUTE PROOF OF RECEIPT BY OUR SHARE REGISTRAR OR THE COMPANY.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. THE BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

YOU SHOULD NOTE THAT ANY RSF AND REMITTANCE LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

ALL RIGHTS SHARES AND WARRANTS B TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING SUCH RIGHTS SHARES AND THE WARRANTS B INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR TRANSFEREE(S) AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE OR WARRANT BERTIFICATES WILL BE ISSUED.

If acceptance of and payment for the Provisional Allotments allotted to you (whether in full or in part, as the case may be) are not received by our Share Registrar by 5.00 p.m. on **Thursday, 20 April 2017**, the provisional entitlement to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar.

The Board will then have the right to allot any Rights Shares with Warrants B not validly taken up to applicants applying for the Excess Rights Shares with Warrants B in the manner as set out in Section 10.6 of this Abridged Prospectus.

10.4 Procedures for part acceptance

If you do not wish to accept the Rights Shares with Warrants B provisionally allotted to you in full, you are entitled to accept part of your entitlements that can be subscribed / applied for. The minimum number of Rights Shares with Warrants B that may be accepted is two (2) Rights Shares with one (1) Warrant B. Fractions of a Rights Share and Warrant B arising from the Rights Issue with Warrants will be disregarded and the aggregate of such fractions shall be dealt with as the Board may at its absolute discretion deem fit and expedient and in the best interests of the Company. Applicants should take note that a trading board lot comprises 100 Shares and 100 Warrants respectively.

You must complete both Part I(A) of the RSF by specifying the number of Rights Shares with Warrants B which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to the Share Registrar in the same manner as set out in Section 10.3 of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

10.5 Procedures for sale or transfer of Provisional Allotments

As the Provisional Allotments are prescribed securities, should you wish to sell or transfer all or part of your entitlement to the Provisional Allotments to one (1) or more persons, you may do so through your stockbroker during the period up to the last date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Allotments standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Allotments, you may sell such entitlement on the open market during the period up to the last date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository during period up to the last date and time for transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository).

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL ALLOTMENTS, YOU ARE NOT REQUIRED TO DELIVER ANY DOCUMENT TO YOUR STOCKBROKER. YOU ARE HOWEVER ADVISED TO ENSURE THAT YOU HAVE SUFFICIENT NUMBER OF PROVISIONAL ALLOTMENTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT BEFORE SELLING OR TRANSFERRING.

If you have sold or transferred only part of the Provisional Allotments, you may still accept the balance of the Provisional Allotments by completing Parts I(A) and II of the RSF and delivering the RSF together with the full amount payable on the balance of the Rights Shares with Warrants B applied for to the Share Registrar. Please refer to Section 10.3 of this Abridged Prospectus for the procedures for acceptance and payment.

YOU SHOULD NOTE THAT ANY RSF AND REMITTANCE LODGED WITH THE SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

10.6 Procedures for the Excess Rights Shares with Warrants B Application

If you wish to apply for additional Rights Shares with Warrants B in excess of your entitlement, you may do so by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forwarding it with a separate remittance made in RM for the full amount payable for the Excess Rights Shares with Warrants B applied for, to our Share Registrar so as to arrive not later than 5.00 p.m. on **Thursday, 20 April 2017**, being the last time and date for Excess Rights Shares with Warrants B Applications and payment.

Payment for the Excess Rights Shares with Warrants B Application(s) be made in the same manner as set out in Section 10.3 of this Abridged Prospectus except that the banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia must be made payable to **"KAG EXCESS RIGHTS ISSUE ACCOUNT"**, crossed **"ACCOUNT PAYEE ONLY"** and endorsed on the reverse side with your name in block letters and your CDS Account number, and must be received by our Share Registrar by 5.00 p.m. on **Thursday, 20 April 2017**. The payment must be made for the exact amount payable for the Excess Rights Shares with Warrants B Application(s). Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable.

It is the intention of the Board to allot the Excess Rights Shares with Warrants B, if any, in a fair and equitable manner in the following priority:-

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, on a pro-rata basis and in board lots, to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants B, taking into consideration their respective shareholdings in our Company as at the Entitlement Date;

(iii) thirdly, on a pro-rata basis and in board lots, to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants B, taking into consideration the quantum of their respective excess application; and

(iv) finally, on a pro-rata basis and in board lots, to the renouncee(s) who have applied for Excess Rights Shares with Warrants B, taking into consideration the quantum of their respective excess application.

Notwithstanding the foregoing, the Board reserves the right to allot any Excess Rights Shares with Warrants B applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interests of the Company subject always to such allocation being made on a fair and equitable basis, and that the intention of the Board as set out in Section 10.6 (i), (ii), (iii) and (iv) above is achieved. The Board also reserves the right to allot any Excess Rights Shares with Warrants B Application, in full or in part, without assigning any reason thereof.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF THE BOARD.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE EXCESS RIGHTS SHARES WITH WARRANTS B APPLICATION OR APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

EXCESS RIGHTS SHARES WITH WARRANTS B APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. THE BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS B APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

10.7 Procedures to be followed by transferee(s) and/or renouncee(s)

As a transferee and/or renouncee, the procedures for acceptance, selling or transferring of Provisional Allotments, applying for the Excess Rights Shares with Warrants B and/or payment is the same as that which is applicable to Entitled Shareholders as described in Sections 10.3 to 10.6 of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed.

If you wish to obtain a copy of this Abridged Prospectus and/or accompanying RSF, you can request the same from the registered office of KAG, the Share Registrar or Bursa Securities' website (http://www.bursamalaysia.com).

TRANSFEREE(S) AND/OR RENOUNCEE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

10.8 CDS Account

Bursa Securities has already prescribed the Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the new securities arising from the Rights Issue with Warrants are prescribed securities and, as such, all dealings with such securities will be by book entries through CDS Accounts and shall be governed by the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares with Warrants B. Failure to comply with these specific instructions or inaccuracy of the CDS Account number may result in your application being rejected.

Your subscription for the Rights Shares with Warrants B shall signify your consent to receiving such Rights Shares with Warrants B as deposited securities that will be credited directly into your CDS Account. No physical certificates will be issued.

All Excess Rights Shares with Warrants B allotted shall be credited directly into the CDS Accounts of successful applicants. If you have multiple CDS Accounts into which the Provisional Allotments have been credited, you cannot use a single RSF to accept all these Provisional Allotments. Separate RSFs must be used for acceptance of Provisional Allotments credited into separate CDS Accounts. If successful, the Rights Shares with Warrants B that you subscribed for will be credited into the CDS Accounts where the Provisional Allotments are standing to the credit.

10.9 Foreign-Addressed Shareholders

This Abridged Prospectus, the NPA and the RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction other than Malaysia, and have not been (and will not be) lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The distribution of this Abridged Prospectus, the NPA and the RSF, as well as the acceptance of the Provisional Allotments and the subscription for or the acquisition of the Rights Shares with Warrants B may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdiction under the relevant laws of those countries or jurisdictions.

This Abridged Prospectus, the NPA and the RSF are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue with Warrants will not be made or offered or deemed made or offered for acquisition or subscription of any Rights Shares, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue with Warrants to which this Abridged Prospectus relates to is only available to Entitled Shareholders receiving this Abridged Prospectus, the NPA and the RSF electronically or otherwise within Malaysia.

As a result, this Abridged Prospectus, the NPA and the RSF have not been (and will not be) sent to our Foreign-Addressed Shareholders. However, Foreign-Addressed Shareholders may collect this Abridged Prospectus, the NPA and the RSF from the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, who will be entitled to request such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting this Abridged Prospectus, the NPA and the RSF.

If you are a Foreign-Addressed Shareholder, the Company will not make or be bound to make any enquiry as to whether you have a registered address in Malaysia or an address for service in Malaysia if not otherwise stated on our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. The Company will assume that the Rights Issue with Warrants and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue with Warrants and would not be in breach of the laws of any jurisdiction. The Company will further assume that you had accepted the Rights Issue with Warrants in Malaysia and will at all applicable times be subject to the laws of Malaysia.

A Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) may only accept or renounce all or any part of his/their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so, and our Company, the Board and officers, Mercury Securities and/or the advisers named herein ("**Parties**") would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction to which the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is or might be subject to.

The Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) shall be solely responsible to seek advice from his/their legal and/or professional advisers as to whether the acceptance or renunciation in any manner whatsoever of his entitlement under the Rights Issue with Warrants would result in the contravention of the laws of the countries or jurisdictions to which he/they is/are or might be subject to.

The Parties shall not accept any responsibility or liability in the event any acceptance or renunciation made by any Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction. The Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of his/their entitlements or to any net proceeds thereof.

The Company reserves the right, in our absolute discretion, to treat any acceptances as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Allotments relating to any acceptance which is treated as invalid will be included in the pool of Rights Shares with Warrants B available for excess application by other Entitled Shareholders and/or their transferee(s) and/or their renouncee(s).

Each person, by accepting the delivery of this Abridged Prospectus, the NPA and the RSF, accepting any Provisional Allotments by signing any of the forms accompanying this Abridged Prospectus or subscribing for or acquiring the Rights Shares with Warrants B, will be deemed to have represented, warranted, acknowledged and agreed in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:-

(i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the Entitled Shareholder and/or his transferee(s) and/or his renouncee(s) is or might be subject to;

(ii) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) has complied with the laws to which the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) is or might be subject to in connection with the acceptance or renunciation;

(iii) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) is not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Allotments, be in breach of the laws of any jurisdiction to which that person is or might be subject to;

(iv) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) is/are aware that the Rights Shares with Warrants B can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged or dealt with in any other way in accordance with all applicable laws in Malaysia;

(v) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) has/have obtained a copy of this Abridged Prospectus and has/have read and understood the contents of this Abridged Prospectus, has/have had access to such financial and other information and has/have been provided the opportunity to ask such questions to the representatives of the Parties and receive answers thereto as the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) deem(s) necessary in connection with the Foreign-Addressed Shareholder and/or his transferee and/or his renouncee's decision to subscribe for or purchase the Rights Shares and Warrants B; and

(vi) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renouncee(s) has/have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares and Warrants B, and is/are and will be able, and is/are prepared to bear the economic and financial risks of investing in and holding the Rights Shares and Warrants B.

NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN-ADDRESSED SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE TO THEM. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS SHARES AND WARRANTS B UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.

11. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants B pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in this Abridged Prospectus, the Deed Poll B, the NPA and RSF.

12. FURTHER INFORMATION

You are requested to refer to the enclosed Appendices for further information.

Yours faithfully
For and on behalf of the Board of
KEY ALLIANCE GROUP BERHAD

ROY HO YEW KEE
Executive Director

1. HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated in Malaysia as a public limited company under the Companies Act, 1965 on 25 March 2003 under the name of DVM Technology Berhad. The Company was listed on the Malaysian Exchange of Securities Dealing and Automated Quotation ("**MESDAQ**") Market of the Kuala Lumpur Stock Exchange *(now known as the ACE Market of Bursa Securities)* on 2 January 2004. On 7 November 2014, the Company changed its name to Key Alliance Group Berhad.

The principal activity of KAG is investment holding. The Group is principally involved in the provision of a comprehensive range of ICT and other information technology related services including trading of hardware and software and related services, distribution and reselling of home appliances and related services, construction, property development and property investment. The principal activities of KAG's subsidiaries are set out in Section 5 of this Appendix I.

2. SHARE CAPITAL

Details of the Company's share capital as at the LPD are as follows:-

	No. of Shares	Total RM
Share capital[(1)]	819,054,853	40,952,742.65

Note:-
(1) Excludes share premium and other capital reserves.

Details of the changes in the Company's issued share capital for the last three (3) years prior to the LPD are as follows:-

Date of Allotment	No of Shares Allotted	Consideration / Type of Issue	Cumulative share capital (RM)
29.6.2015	-	Par value reduction via the cancellation of RM0.05 of the par value of every ordinary shares of RM0.10 each in the Company	29,040,000.00
15.1.2016	58,080,000	Cash / Private placement	31,944,000.00
29.4.2016	100,174,853	Cash / Earn-out incentive shares	36,952,742.65
16.12.2016	40,000,000	Cash / Exercise of SIS Options	38,952,742.65
23.12.2016	40,000,000	Cash / Exercise of SIS Options	40,952,742.65

3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Please refer to Section 8.3 of this Abridged Prospectus for information on the substantial shareholders' shareholdings before and after the Rights Issue with Warrants.

4. DIRECTORS

The details of the Board as at the LPD are as follows:-

Name *(Designation)*	Age	Address	Nationality	Profession
Gen. (R) Tan Sri Abdul Rahman Bin Abdul Hamid *(Independent Non-Executive Chairman)*	79	Lot 4758 Jalan 12 Tmn Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan	Malaysian	Businessman
Dato' Goh Kian Seng *(Non-Independent Managing Director)*	55	8 Jalan SL 8/15 Bandar Sg Long Batu 11 43000 Kajang Selangor Darul Ehsan	Malaysian	Company Director
Roy Ho Yew Kee *(Non-Independent Executive Director)*	42	97 Jalan SS 22/37 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Lim Chin Long *(Non-Independent Executive Director)*	42	No 23 Jln Burung Garuda Tmn Bukit Maluri, Kepong 52200 Kuala Lumpur	Malaysian	Civil Engineer
Kamarudin Bin Ngah *(Independent Non-Executive Director)*	69	No 14 Jln Burhanudin Helmi Tmn Tun Dr Ismail 60000 Kuala Lumpur	Malaysian	Businessman
Yee Yit Yang *(Independent Non-Executive Director)*	50	15 Jalan Damai Rasa Alam Damai, Cheras 56000 Kuala Lumpur	Malaysian	Company Director

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Save as disclosed below, none of the Directors have any direct and/or indirect shareholding in the Company as at the LPD.

Minimum Scenario

Director	As at the LPD				(I) After the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%(1)	No. of shares	%(1)	No. of shares	%(2)	No. of shares	%(2)
Dato' Goh	93,912,500	11.47	-	-	293,912,500	28.84	-	-

Director	(II) After (I) and assuming full exercise of the Warrants B			
	Direct		Indirect	
	No. of shares	%(3)	No. of shares	%(3)
Dato' Goh	393,912,500	35.20	-	-

Notes:-

(1) Based on the share capital of 819,054,853 KAG Shares as at the LPD.
(2) Based on the enlarged share capital of 1,019,054,853 KAG Shares, under the Minimum Scenario.
(3) Based on the enlarged share capital of 1,119,054,853 KAG Shares, under the Minimum Scenario.

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Maximum Scenario

Director	As at the LPD				(I) Assuming full granting and/or exercise of the Convertible Securities			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%[1]	No. of shares	%[1]	No. of shares	%[2]	No. of shares	%[2]
Dato' Goh	93,912,500	11.47	-	-	150,000,075[5]	11.99	-	-

Director	(II) After the Rights Issue with Warrants				(III) After (I), (II) and assuming full exercise of the Warrants B			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%[3]	No. of shares	%[3]	No. of shares	%[4]	No. of shares	%[4]
Dato' Goh	300,000,150	11.99	-	-	375,000,187	11.99	-	-

Notes:-

(1) Based on the share capital of 819,054,853 KAG Shares as at the LPD.

(2) Based on the enlarged share capital of 1,251,171,308 KAG Shares, assuming all the 141,716,455 SIS Options and 290,400,000 Warrants A are fully granted and/or exercised.

(3) Based on the enlarged share capital of 2,502,342,616 KAG Shares, under the Maximum Scenario.

(4) Based on the enlarged share capital of 3,127,928,270 KAG Shares, under the Maximum Scenario.

(5) Assuming all the 56,087,500 SIS Options granted to Dato' Goh and 75 Warrants A held by Dato' Goh are fully exercised into new KAG Shares.

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5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The Company's subsidiaries and associated companies as at the LPD are as follows:-

Subsidiary	Date and place of incorporation	Share capital$^{(1)}$	Effective equity interest (%)	Principal activities
GE Green Sdn Bhd	30 April 1993; Malaysia	RM1,300,000	100.00	Trading of kitchen wares and related products
DVM Innovate Sdn Bhd	28 February 1997; Malaysia	RM8,500,000	100.00	Provision of communications systems integration and solutions, data network, data communications solutions, business and operational support systems
Corporate One Training Academy Sdn Bhd	23 January 1998; Malaysia	RM1,500,000	100.00	Provision of business and operational support systems and services, software development and business process outsourcing
Digital Paper Solutions Sdn Bhd	12 September 2000; Malaysia	RM300,000	51.00	Trading and rental of office equipment
Key Alliance Sdn Bhd	14 February 2004; Malaysia	RM1,000,000	100.00	Distribution and provision of information technology in relation to computer parts, software and accessories
DVM Allsportz Asia Sdn Bhd	21 July 2005; Malaysia	RM1,000	30.00	Streaming of audio and video on sports news
Mobile Video International Limited	1 April 2008; Cayman Islands	USD50,000	60.00	Dormant
Design Dept Sdn Bhd	3 December 2013; Malaysia	RM200,000	100.00	To carry on the business of architectural and 3D interior design and image consultants
Pacifica KAG Sdn Bhd	13 February 2015; Malaysia	RM2	100.00	Dormant

Note:-
(1) Excludes share premium and other capital reserves.

6. PROFIT AND DIVIDEND RECORD

The profit and dividend records based on the audited consolidated financial statements of the Group for the FYE 31 December 2013, FYE 31 December 2014 and FYE 31 December 2015 as well as the unaudited consolidated financial statements of the Group for the 12-month FPE 31 December 2016[(1)] are as follows:-

	Audited			Unaudited
	FYE 31 December 2013	FYE 31 December 2014	FYE 31 December 2015	12-month FPE 31 December 2016
	RM'000	RM'000	RM'000	RM'000
Revenue	22,684	57,437	38,370	27,545
Cost of sales	(20,146)	(52,985)	(32,640)	(23,898)
GP	2,538	4,452	5,730	3,647
Other income	1,154	1,716	5,425	507
Selling and distribution costs	(156)	(92)	(53)	(54)
Administrative expenses	(3,717)	(4,859)	(8,757)	(5,380)
Other expenses	(1,800)	(4,443)	(9,492)	(2,948)
Finance costs	(420)	(132)	(512)	(556)
Share of results of associated companies	(50)	(92)	(46)	-
(LBT)	**(2,450)**	**(3,450)**	**(7,707)**	**(4,784)**
Taxation	(48)	(502)	(226)	-
(LAT)	**(2,498)**	**(3,952)**	**(7,932)**	**(4,784)**
(LAT) attributable to owners of the Company	**(2,486)**	**(4,282)**	**(9,203)**	**(4,818)**
PAT / (LAT) attributable to non-controlling interests	**(12)**	**330**	**1,271**	**34**
	(2,498)	**(3,952)**	**(7,932)**	**(4,784)**
Earnings / (loss) before interest, tax, depreciation and amortisation	2,147	(811)	(4,793)	(2,686)
GP margin (%)	11.19	7.75	14.93	13.24
(LAT) margin (%)	(11.02)	(6.88)	(20.67)	(17.37)
Weighted average number of Shares in issue ('000)	580,800	580,800	580,800	704,424
Basic (LPS) (sen)[(2)]	(0.43)	(0.74)	(1.58)	(0.68)
Dividend (sen)	-	-	-	-

Notes:-

(1) As a result of change in the financial year end of the Company from 31 December to 31 March, the next audited financial statements of the Company shall be for a period of fifteen (15) months from 1 January 2016 to 31 March 2017. Thereafter, the financial year end of the Company shall end on 31 March for all subsequent years.

(2) Diluted EPS / (LPS) is not presented as the diluted EPS / (LPS) is equal to the basic EPS / (LPS) because the conversion has an anti-dilutive effect.

Commentary on past financial performance:-

(i) 12-month FPE 31 December 2016 vs FYE 31 December 2015

The Group's revenue decreased by approximately 28.20% from RM38.37 million in the FYE 31 December 2015 to RM27.55 million in the 12-month FPE 31 December 2016. The decrease in revenue was mainly due to the completion of maintenance contract under the Group's ICT services segment in the FYE 31 December 2015 and no new contracts secured during the 12-month FPE 31 December 2016.

The Group's LAT reduced by approximately 47.61% from RM9.20 million in the FYE 31 December 2015 to RM4.82 million in the 12-month FPE 31 December 2016 mainly due to:-

(a) lower impairment loss on receivables of RM0.04 million in the 12-month FPE 31 December 2016 as compared to RM4.38 million in the FYE 31 December 2015;

(b) one-off impairment loss on goodwill of RM0.65 million, impairment loss on inventories of RM0.57 million, impairment loss on other investment of RM0.36 million and impairment loss on associate of RM0.17 million in the FYE 31 December 2015;

(c) one-off share option expense of RM1.05 million arising from the granting of SIS Options to eligible employees and directors of the Group during the FYE 31 December 2015; and

(d) lower depreciation of RM1.54 million in the 12-month FPE 31 December 2016 as compared to RM2.40 million in the FYE 31 December 2015.

The above were partially offset by a one-off gain on disposal of RM2.01 million and waiver of debts of RM2.32 million, both of which arises from the disposal of a wholly-owned subsidiary, NGC Systems Sdn Bhd during the FYE 31 December 2015.

(ii) FYE 31 December 2015 vs FYE 31 December 2014

The Group's revenue decreased by approximately 33.20% from RM57.44 million in the FYE 31 December 2014 to RM38.37 million in the FYE 31 December 2015. The decrease in revenue was mainly due to the decrease in revenue contributed by the ICT services segment of approximately RM29.33 million in the FYE 31 December 2015 as compared to approximately RM53.99 million in the FYE 31 December 2014 as a result of the completion of projects secured and carried forward from prior year as well as no new project secured during 2015 and lower renewal contract value for existing ICT projects.

The Group's LAT increased by approximately 114.95% from RM4.28 million in the FYE 31 December 2014 to RM9.20 million in the FYE 31 December 2015 mainly due to:-

(a) lower revenue as a result of the above; and

(b) losses incurred by GE Green of approximately RM2.35 million mainly due to higher sales-related expenses following the weakening of RM against USD and impairment of slow moving inventories of RM0.25 million.

(iii) FYE 31 December 2014 vs FYE 31 December 2013

The Group's revenue increased significantly by approximately 153.26% from RM22.68 million in the FYE 31 December 2013 to RM57.44 million in the FYE 31 December 2014. The increase in revenue was mainly due to:-

(a) revenue of approximately RM27.02 million contributed by amongst others, the cloud computing project secured on 6 August 2013 (which only commenced during the FYE 31 December 2014) and an order for the supply of hardware, parts and accessories for a telecommunication system (which was secured during the FYE 31 December 2014); and

(b) revenue consolidated from newly acquired subsidiaries, namely GE Green (acquisition was completed on 31 October 2014) and DPS (acquisition was completed on 31 May 2014) of approximately RM2.92 million and RM13.75 million, respectively.

Despite the significant increase in revenue, the Group's LAT increased by approximately 71.89% from RM2.49 million in the FYE 31 December 2013 to RM4.28 million in the FYE 31 December 2014. The increase in LAT was mainly due to:-

(a) increase in employees' benefit expenses from approximately RM2.38 million in the FYE 31 December 2013 to approximately RM3.06 million in the FYE 31 December 2014 following the acquisition of new subsidiaries, namely DPS and GE Green; and

(b) impairment of goodwill arising from the acquisition of GE Green of RM0.50 million (as the estimated recoverable amount of the cash-generating unit was assessed to be lower than its carrying amount pursuant to an annual impairment test conducted) and impairment of other investment of RM0.30 million.

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7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of KAG Shares traded on Bursa Securities for the past twelve (12) months up to February 2017 (being the last full trading month prior to the date of this Abridged Prospectus) are as follows:-

	High (RM)	Low (RM)
2016		
March	0.080	0.055
April	0.070	0.060
May	0.070	0.050
June	0.060	0.040
July	0.050	0.045
August	0.065	0.045
September	0.050	0.045
October	0.045	0.040
November	0.045	0.035
December	0.045	0.030
2017		
January	0.050	0.040
February	0.050	0.040

	RM
Last transacted market price on 17 May 2016, being the last Market Day immediately prior to the first announcement of the Corporate Exercises	0.065
Last transacted market price as at the LPD	0.050
Last transacted market price on 24 March 2017, being the Market Day immediately prior to the ex-date for the Rights Issue with Warrants	0.065

(Source: Bloomberg)

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APPENDIX II – CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT THE EGM HELD ON 18 JULY 2016

CERTIFIED TRUE COPY
(Company Secretary)

PANG KAH MAN (F)
MIA NO : 18831

KEY ALLIANCE GROUP BERHAD (Company No: 609953-K)
(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON 18 JULY 2016.

RESOLVED:

AGENDA 1 (ORDINARY RESOLUTION NO. 1)
PROPOSED DIVERSIFICATION OF THE BUSINESS OF KAG AND ITS SUBSIDIARIES INTO THE BUSINESS OF CONSTRUCTION, PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT ("PROPOSED DIVERSIFICATION")

THAT approval be and is hereby given to the Board to implement the diversification of the business of KAG and its subsidiaries into the business of construction, property development and property investment;

AND THAT the Board be and is hereby empowered and authorised to do all such acts, deeds and things to execute, sign and deliver on behalf of the Company all such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as they may deem fit, necessary or expedient or appropriate in order to give full effect to the Proposed Diversification with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant authorities or deemed necessary by the Board in the best interest of the Company.

AGENDA 2 (ORDINARY RESOLUTIONS NO. 2)
PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,251,171,308 NEW ORDINARY SHARES OF RM0.05 EACH IN KAG ("KAG SHARES" OR "SHARES") ("RIGHTS SHARES") TOGETHER WITH UP TO 625,585,654 FREE DETACHABLE WARRANTS IN KAG ("WARRANTS B") ON THE BASIS OF TWO (2) RIGHTS SHARES TOGETHER WITH ONE (1) FREE WARRANT B FOR EVERY TWO (2) EXISTING KAG SHARES HELD BY THE ENTITLED SHAREHOLDERS OF KAG ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

THAT approval be and is hereby given for the Company to undertake the Proposed Rights Issue with Warrants as follows:-

(i) to provisionally issue and allot by way of renounceable rights issue of up to 1,251,171,308 Rights Shares together with up to 625,585,654 Warrants B to the shareholders of the Company ("Shareholders") whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined by the Board ("Entitlement Date") ("Entitled Shareholders"), and/or their renouncee(s), on the basis of two (2) Rights Shares for every two (2) KAG Shares held and one (1) free Warrant B for every two (2) Rights Shares subscribed for on the Entitlement Date at an issue price to be determined by the Board and on such terms and conditions and in such manner as the Board may determine;

(ii) to enter into and execute the deed poll constituting the Warrants B ("Deed Poll B") and to do all acts, deeds and things as the Board may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll B wherein each of the Warrants B will carry the rights to subscribe, subject to any adjustment in accordance with the Deed Poll B to be executed, at any time during the "Exercise Period" as defined in the Deed Poll B, for one (1) new Share at an exercise price to be determined by the Board at a later date and that the Common Seal of the Company be affixed to the Deed Poll B in accordance with the provisions of the Articles of Association of the Company;

2/=

CERTIFIED TRUE COPY
(Company Secretary)

PANG KAH MAN (F)
MIA NO : 18831

KEY ALLIANCE GROUP BERHAD
Extract of the Minutes of the Extraordinary General Meeting held on 18 July 2016
Page 2

(iii) to issue and allot in registered form to the Entitled Shareholders (and/or their renouncee(s), as the case may be) who subscribe for and are allotted the Rights Shares, each Warrant B conferring the right to subscribe for one (1) new KAG Share at an exercise price to be determined by the Board on such Entitlement Date, subject to the provisions for adjustment to the subscription rights attached to the Warrants B in accordance with the provisions of the Deed Poll B;

(iv) to issue and allot such number of additional Warrants B as may be required or permitted to be issued as a result of any adjustments under the provisions of the Deed Poll B ("Additional Warrants B") and to adjust from time to time the exercise price of the Warrants B as a consequence of the adjustments under the provisions of the Deed Poll B and/or to effect such modifications, variations and/or amendments as may be imposed, required or permitted by Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities or parties (if required); and

(v) to issue and allot such number of new Shares credited as fully paid-up to the holders of the Warrants B upon their exercise of the relevant Warrants B to subscribe for new Shares during the tenure of the Warrants B, and such further new Shares as may be required or permitted to be issued pursuant to the exercise of the Additional Warrants B and such adjustments in accordance with the provisions of the Deed Poll B;

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renouncee(s) shall be made available for excess applications in such manner and to such persons ("Excess Applicants") as the Board shall determine at its absolute discretion;

THAT the Rights Shares, Warrants B and new Shares to be issued pursuant to the exercise of the Warrants B and Additional Warrants B (if any) shall be listed on the ACE Market of Bursa Securities;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in Section 6 of the Circular to Shareholders dated 24 June 2016 and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient or in the best interests of the Company, subject (where required) to the approval of the relevant authorities;

THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such transactions, arrangements, agreements and/or documents as it may consider necessary or expedient in order to implement, give full effect to and complete the Proposed Rights Issue with Warrants, with full powers to assent to and accept any condition, modification, variation, arrangement and/or amendment to the terms of the Proposed Rights Issue with Warrants as the Board may deem fit, necessary and/or expedient in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the aforesaid conditions, modifications, variations, arrangements and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue with Warrants in order to implement and give full effect to the Proposed Rights Issue with Warrants;

THAT the Rights Shares shall, upon allotment, issuance and full payment of the issue price of the Rights Shares, rank *pari passu* in all respects with the then existing issued and paid-up KAG Shares, save and except that the holders of such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares;

THAT the new KAG Shares to be issued pursuant to the exercise of the Warrants B (or the Additional Warrants B, as the case may be) shall, upon allotment, issuance and full payment of the exercise price of the Warrants B (or the Additional Warrants B, as the case may be), rank *pari passu* in all respects with the then existing issued and paid-up KAG Shares, save and except that the holders of such new KAG Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of such new KAG Shares to be issued pursuant to the exercise of the Warrants B (or the Additional Warrants B, as the case may be);

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(Company Secretary)

PANG KAH MAN (F)
MIA NO : 18831

KEY ALLIANCE GROUP BERHAD
Extract of the Minutes of the Extraordinary General Meeting held on 18 July 2016
Page 3

THAT the Board be and is hereby entitled to deal with all or any of the fractional entitlements of the Rights Shares and the Warrants B arising from the Proposed Rights Issue with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner and to such persons as the Board may in its absolute discretion deem fit and in the best interest of the Company (including without limitation to disregard such fractional entitlements altogether);

AND THAT this resolution constitutes specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Rights Shares, Warrants B, Additional Warrants B (if any) and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue with Warrants.

AGENDA 3 (ORDINARY RESOLUTIONS NO. 3)
PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF THE COMPANY FROM RM100,000,000 COMPRISING 2,000,000,000 KAGSHARES TO RM300,000,000 COMPRISING 6,000,000,000KAG SHARES

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

AND THAT the Board be and ishereby empowered and authorised to do all such acts, deeds and things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Increase in Authorised Share Capital.

AGENDA 4 (SPECIAL RESOLUTIONS NO. 1)
PROPOSED AMENDMENT TO THE MEMORANDUM OF ASSOCIATION OF THE COMPANY

THAT approval be and is hereby given for the Company to alter, modify, vary and delete the Memorandum of Association of KAG in the following manner ("Proposed Amendment"):-

Memorandum of Association	Existing provision	Amended provision
Clause 5	The capital of the Company is RM100,000,000 Malaysian Currency divided into 2,000,000,000 ordinary shares of RM0.05 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.	The capital of the Company is RM300,000,000 Malaysian Currency divided into 6,000,000,000 ordinary shares of RM0.05 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.

CERTIFIED TRUE COPY
(Company Secretary)

PANG KAH MAN (F)
MIA NO : 18831

KEY ALLIANCE GROUP BERHAD
Extract of the Minutes of the Extraordinary General Meeting held on 18 July 2016
Page 4

AND THAT the Board be and is hereby authorised to give effect to the Proposed Amendment and to take all steps and do all acts and things in any manner as they may deem necessary to complete, finalise, implement and give full effect to the Proposed Amendment.

CONFIRMED BY

Director
YEE YIT YANG

Company Secretary
PANG KAH MAN (MIA 18831)

Dated this 14 March 2017

KRESTON
JOHN & GAN

Our Ref: RA/KAGB/03/17
Date: 16 March 2017

The Board of Directors
Key Alliance Group Berhad
3-2, 3rd Mile Square
No. 151, Jalan Kelang Lama
Batu 3 1/2, 58100 Kuala Lumpur

Dear Sirs,

KEY ALLIANCE GROUP BERHAD ("KAG" OR "THE COMPANY")

REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 INCLUDED IN THE ABRIDGED PROSPECTUS

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of KAG and its subsidiaries (**"KAG Group"**) as at 31 December 2015, together with the accompanying notes thereto. The pro forma consolidated statements of financial position, as set out in Appendix A of this letter (which we have stamped for the purpose of identification), have been compiled by the Board of Directors for inclusion in the Abridged Prospectus of KAG in relation to the renounceable rights issue of up to 1,251,171,308 new ordinary shares in KAG (**"KAG Shares"** or **"Shares"**) (**"Rights Shares"**) at an issue price of RM0.05 per Rights Share together with up to 625,585,654 free warrants in KAG (**"Warrants B"**) on the basis of two (2) Rights Shares together with one (1) free Warrant B for every two (2) existing KAG Shares held by the entitled shareholders (**"Rights Issue with Warrants"**).

The pro forma consolidated statements of financial position have been compiled by the Board of Directors in connection with the Rights Issue with Warrants, as set out in the accompanying notes of the pro forma consolidated statements of financial position of KAG Group as at 31 December 2015.

As part of this process, financial information on KAG Group has been extracted by the Board of Directors from KAG's audited consolidated financial statements for the financial year ended 31 December 2015, on which the audited report was dated 19 April 2016.

Directors' responsibilities for the pro forma consolidated statements of financial position

The Board of Directors of KAG is solely responsible for compiling the pro forma consolidated statements of financial position on the basis set out in the accompanying notes of the pro forma consolidated statements of financial position.

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Kreston John & Gan
Chartered Accountants • AF 0113
160-2-1, Kompleks Maluri, Business Centre, Jalan Jejaka, 55100 Kuala Lumpur.
T: + 603 92871889 F: + 603 92830889 E: audit@kreston.com.my W: www.kreston.com.my Audit I Tax I Advisory

KRESTON JOHN & GAN

Our responsibilities

Our responsibility is to express an opinion, on whether the pro forma consolidated statements of financial position have been compiled, in all material aspects, by the Board of Directors on the basis set out in the accompanying notes of the pro forma consolidated statements of financial position.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires us to comply with the ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors have compiled, in all material respects, the pro forma financial information on the basis set out in the accompanying notes of the pro forma consolidated statements of financial position.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis set out in the accompanying notes of the pro forma consolidated statements of financial position involves performing procedures to assess whether applicable criteria used by the Board of Directors in the compilation of the pro forma consolidated statements of financial position provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:-

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of KAG Group, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentations of the pro forma consolidated statements of financial position. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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KRESTON JOHN & GAN

Opinion

In our opinion,

(a) The pro forma consolidated statements of financial position of KAG Group, which have been prepared by the Directors of KAG, have been prepared on the basis and assumptions as set out in the accompanying notes using financial statements prepared in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies adopted by KAG Group; and

(b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

OTHER MATTERS

This letter is issued by us solely for the purpose of inclusion in the Abridged Prospectus in connection with the Rights Issue with Warrants. Our work had been carried out in accordance with ISAE issued by Malaysian Institute of Accountants and accordingly should not be relied upon as if it had been carried in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Rights Issue with Warrants described above. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Rights Issue with Warrants.

Yours faithfully,

Kreston John & Gan
Chartered Accountants
Firm Number: AF 0113

Charles Lee King Long
Approval No. 3142/04/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia

APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

The Pro forma Consolidated Statements of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the Pro forma Consolidated Statements of Financial Position of the KAG Group as at 31 December 2015 and also based on the assumptions that the following events have been effected on that date.

APPENDIX A

MINIMUM SCENARIO

	Audited Consolidated Statement of Financial Position as at 31 December 2015 RM	Adjustments for Subsequent Events RM	Pro forma (I) (5) After Rights Issue with Warrants RM	Pro forma (II) After Pro forma (I) and assuming full exercise of Warrants B RM
ASSETS				
Non-current Assets				
Plant and equipment	7,238,762	7,238,762	7,238,762	7,238,762
Investment properties	14,028,966	14,028,966	14,028,966	14,028,966
Intangible assets	8,375,221	8,375,221	8,375,221	8,375,221
Investment in associated companies	1	1	1	1
Other investments	2,427,001	2,427,001	2,427,001	2,427,001
	32,069,951	32,069,951	32,069,951	32,069,951
Current Assets				
Inventories	6,773,008	6,773,008	6,773,008	6,773,008
Trade receivables	13,705,491	13,705,491	13,705,491	13,705,491
Other receivables, deposits and prepayments	3,895,214	3,895,214	3,895,214	3,895,214
Current tax assets	186,270	186,270	186,270	186,270
Deposits with licensed banks	5,668,315	5,668,315	5,668,315	5,668,315
Cash and bank balances	2,507,684	(1) 9,210,834	(6) 18,460,834	(10) 23,460,834
	32,735,982	39,439,132	48,689,132	53,689,132
Total Assets	**64,805,933**	**71,509,083**	**80,759,083**	**85,759,083**

Kreston John & Gan
Chartered Accountants • AF 0113
For identification purposes only

APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

MINIMUM SCENARIO

	Audited Consolidated Statement of Financial Position as at 31 December 2015 RM	Adjustments for Subsequent Events RM	Pro forma (I) [5] After Rights Issue with Warrants RM	Pro forma (II) After Pro forma (I) and assuming full exercise of Warrants B RM
EQUITY AND LIABILITIES				
Equity attributable to owners				
Share capital	29,040,000	[2] 40,952,743	[7] 50,952,743	[11] 55,952,743
Share premium	10,087,157	[3] 10,369,907	[8] 9,619,907	9,619,907
Share option reserve	1,053,280	[4] 569,680	569,680	569,680
Warrant reserve	3,775,200	3,775,200	[9] 4,775,200	[11] 3,775,200
Accumulated losses	(10,983,227)	(10,983,227)	[9] (11,983,227)	(10,983,227)
Total Equity	32,972,410	44,684,303	53,934,303	58,934,303
Non-controlling interests	1,321,673	1,321,673	1,321,673	1,321,673
	34,294,083	46,005,976	55,255,976	60,255,976
Non-current Liabilities				
Deferred tax liabilities	1,615,317	1,615,317	1,615,317	1,615,317
Borrowings	6,302,162	6,302,162	6,302,162	6,302,162
	7,917,479	7,917,479	7,917,479	7,917,479
Current Liabilities				
Trade payables	6,884,330	6,884,330	6,884,330	6,884,330
Other payables and accruals	12,207,636	7,198,893	7,198,893	7,198,893
Borrowings	3,502,405	3,502,405	3,502,405	3,502,405
	22,594,371	17,585,628	17,585,628	17,585,628
Total Liabilities	30,511,850	25,503,107	25,503,107	25,503,107
Total Equity and Liabilities	**64,805,933**	**71,509,083**	**80,759,083**	**85,759,083**

Kreston John & Gan
Chartered Accountants • AF 0113
For identification purposes only

APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

MINIMUM SCENARIO

	Audited Consolidated Statement of Financial Position as at 31 December 2015 RM	Adjustments for Subsequent Events RM	Pro forma (I) (5) After Rights Issue with Warrants RM	Pro forma (II) After Pro forma (I) and assuming full exercise of Warrants B RM
Number of KAG Shares	580,800,000	819,054,853	1,019,054,853	1,119,054,853
Net assets (RM)	32,972,410	44,684,303	53,934,303	58,934,303
Net assets per KAG Share (RM)	0.06	0.05	0.05	0.05
Borrowings (RM)	9,804,567	9,804,567	9,804,567	9,804,567
Gearing (times)	0.30	0.22	0.18	0.17

Notes:-

(1) *After adjusting for net cash proceeds arising from the following:-*

- (i) *issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to a private placement exercise which was completed on 18 January 2016;*
- (ii) *issuance of 80,000,000 new KAG Shares of RM0.05each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively; and*
- (iii) *after deducting estimated expenses incurred in relation to the private placement and acquisition of Digital Paper Solutions Sdn Bhd of RM200,850 ("Corporate Exercises") completed on 18 January 2016 and 4 May 2016 respectively.*

(2) *After accounting for the following:-*

- (i) *issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to a private placement exercise which was completed on 18 January 2016;*
- (ii) *issuance of 100,174,853 new KAG Shares at RM0.05 each as earn-out incentive to Digital Paper Sdn Bhd, being the vendor of DPS. The said KAG Shares were listed on 4 May 2016; and*
- (iii) *issuance of 80,000,000 new KAG Shares at RM0.05 each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively.*

(3) *After charging expenses of RM200,850 incidental to the Corporate Exercises completed in 2016 and transferring RM483,600 from share option reserve to share premium following the issuance of 80,000,000 new KAG Shares of RM0.05 each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively.*

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Notes:-

(4) *After transferring RM483,600 from share option reserve to share premium following the issuance of 80,000,000 new KAG Shares of RM0.05 each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively.*

(5) *Based on the Minimum Subscription Level of 200,000,000 Rights Shares together with 100,000,000 Warrants B at the issue price of RM0.05 per Rights Share.*

(6) *After accounting for net cash proceeds of RM9.25 million arising from the issuance 200,000,000 Rights Shares with 100,000,000 Warrants B at an issue price of RM0.05 per Rights Share under the Minimum Subscription Level.*

(7) *After accounting for issuance of 200,000,000 Rights Shares with 100,000,000 Warrants B at an issue price of RM0.05 per Rights Share.*

(8) *After accounting for estimated expenses of RM0.75 million incidental to the Rights Issue with Warrants.*

(9) *After recognising the fair value of RM0.01 per Warrant B pursuant to the Rights Issue with Warrants which is credited against the warrant reserve with a corresponding debit against the accumulated losses of RM1.0 million. For illustrative purposes, the fair value of RM0.01 per Warrant B was derived based on the Trinomial option pricing model with data sourced from Bloomberg. The warrant reserve will be set off against accumulated losses upon full exercise of the Warrants B.*

(10) *After accounting for net cash proceeds of RM5.0 million pursuant to the exercise of 100,000,000 Warrants B at an exercise price of RM0.05 per Share.*

(11) *After accounting for the issuance of 100,000,000 Shares pursuant to the exercise of 100,000,000 Warrants B at an exercise price of RM0.05 each and setting of warrant reserve of RM1.0 million against accumulated losses.*

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APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

BASE CASE

	Audited Consolidated Statement of Financial Position as at 31 December 2015 RM	Adjustments for Subsequent Events RM	Pro forma (I) [5] After Rights Issue with Warrants RM	Pro forma (II) After Pro forma (I) and assuming full exercise of Warrants B RM
ASSETS				
Non-current Assets				
Plant and equipment	7,238,762	7,238,762	7,238,762	7,238,762
Investment properties	14,028,966	14,028,966	14,028,966	14,028,966
Intangible assets	8,375,221	8,375,221	8,375,221	8,375,221
Investment in associated companies	1	1	1	1
Other investments	2,427,001	2,427,001	2,427,001	2,427,001
	32,069,951	32,069,951	32,069,951	32,069,951
Current Assets				
Inventories	6,773,008	6,773,008	6,773,008	6,773,008
Trade receivables	13,705,491	13,705,491	13,705,491	13,705,491
Other receivables, deposits and prepayments	3,895,214	3,895,214	3,895,214	3,895,214
Current tax assets	186,270	186,270	186,270	186,270
Deposits with licensed banks	5,668,315	5,668,315	5,668,315	5,668,315
Cash and bank balances	2,507,684	[1] 9,210,834	[6] 49,413,577	[10] 69,889,948
	32,735,982	39,439,132	79,641,875	100,118,246
Total Assets	**64,805,933**	**71,509,083**	**111,711,826**	**132,188,197**

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APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

BASE CASE

	Audited Consolidated Statement of Financial Position as at 31 December 2015 RM	Adjustments for Subsequent Events RM	Pro forma (I) [5] After Rights Issue with Warrants RM	Pro forma (II) After Pro forma (I) and assuming full exercise of Warrants B RM
EQUITY AND LIABILITIES				
Equity attributable to owners				
Share capital	29,040,000	[2] 40,952,743	[7] 81,905,486	[11] 102,381,857
Share premium	10,087,157	[3] 10,369,907	[8] 9,619,907	9,619,907
Share option reserve	1,053,280	[4] 569,680	569,680	569,680
Warrant reserve	3,775,200	3,775,200	[9] 7,870,474	3,775,200
Accumulated losses	(10,983,227)	[4] (10,983,227)	[9] (15,078,501)	(10,983,227)
Total Equity	32,972,410	44,684,303	84,887,046	105,363,417
Non-controlling interests	1,321,673	1,321,673	1,321,673	1,321,673
	34,294,083	46,005,976	86,208,719	106,685,089
Non-current Liabilities				
Deferred tax liabilities	1,615,317	1,615,317	1,615,317	1,615,317
Borrowings	6,302,162	6,302,162	6,302,162	6,302,162
	7,917,479	7,917,479	7,917,479	7,917,479
Current Liabilities				
Trade payables	6,884,330	6,884,330	6,884,330	6,884,330
Other payables and accruals	12,207,636	7,198,893	7,198,893	7,198,893
Borrowings	3,502,405	3,502,405	3,502,405	3,502,405
	22,594,371	17,585,628	17,585,628	17,585,628
Total Liabilities	30,511,850	25,503,107	25,503,107	25,503,107
Total Equity and Liabilities	**64,805,933**	**71,509,083**	**111,711,826**	**132,188,197**

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

BASE CASE

	Audited Consolidated Statement of Financial Position as at 31 December 2015 RM	Adjustments for Subsequent Events RM	Pro forma (I) [5] After Rights Issue with Warrants RM	Pro forma (II) After Pro forma (I) and assuming full exercise of Warrants B RM
Number of KAG Shares	580,800,000	819,054,853	1,638,109,706	2,047,637,132
Net assets (RM)	32,972,410	44,684,303	84,887,046	105,363,417
Net assets per KAG Share (RM)	0.06	0.05	0.05	0.05
Borrowings (RM)	9,804,567	9,804,567	9,804,567	9,804,567
Gearing (times)	0.30	0.22	0.12	0.09

Notes:-

(1) *After adjusting for net cash proceeds arising from the following:-*

- (i) *issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to a private placement exercise which was completed on 18 January 2016;*
- (ii) *issuance of 80,000,000 new KAG Shares of RM0.05each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively; and*
- (iii) *after deducting estimated expenses incurred in relation to the private placement and acquisition of Digital Paper Solutions Sdn Bhd of RM200,850 ("Corporate Exercises") completed on 18 January 2016 and 4 May 2016 respectively.*

(2) *After accounting for the following:-*

- (i) *issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to a private placement exercise which was completed on 18 January 2016;*
- (ii) *issuance of 100,174,853 new KAG Shares at RM0.05 each as earn-out incentive to Digital Paper Sdn Bhd, being the vendor of DPS. The said KAG Shares were listed on 4 May 2016; and*
- (iii) *issuance of 80,000,000 new KAG Shares at RM0.05 each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively.*

(3) *After charging expenses of RM200,850 incidental to the Corporate Exercises completed in 2016 and transferring RM483,600 from share option reserve to share premium following the issuance of 80,000,000 new KAG Shares of RM0.05 each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively.*

(4) *After transferring RM483,600 from share option reserve to share premium following the issuance of 80,000,000 new KAG Shares of RM0.05 each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively*

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Notes:-

(5) *Assuming that none of the existing Convertible Securities are exercised / converted into new KAG Shares on or prior to the entitlement date and all the entitled shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe to their entitlements under the Rights Issue with Warrants*

(6) *After accounting for net cash proceeds of RM40.20 million (net of estimated expenses of RM0.75 million) pursuant to the Rights Issue with Warrants, whereby all the entitled shareholders and/or their renouncee(s) fully subscribe for their respective entitlements of 819,054,853 Rights Shares at the issue price ot RM0.05 per Rights Share with 409,527,426 Warrants B. For illustrative purposes, the proceeds to be utilised for construction works for the Pano Project and working capital are included in cash and bank balances when received.*

(7) *After accounting for issuance of 819,054,853 Rights Shares with 409,527,426 Warrants B at an issue price of RM0.05 per Rights Share.*

(8) *After accounting for estimated expenses of RM0.75 million incidental to the Rights Issue with Warrants.*

(9) *After recognising the fair value of RM0.01 per Warrant B pursuant to the Rights Issue with Warrants which is credited against the warrant reserve with a corresponding debit against the accumulated losses of RM4.10 million. For illustrative purposes, the fair value of RM0.01 per Warrant B was derived based on the Trinomial option pricing model with data sourced from Bloomberg. The warrant reserve will be set off against accumulated losses upon full exercise of the Warrants B.*

(10) *After accounting for net cash proceeds of RM20.5 million pursuant to the exercise of 409,527,426 Warrants B at an exercise price ot RM0.05 per Share.*

(11) *After accounting for the issuance of 409,527,426 Shares pursuant to the exercise of 409,527,426 Warrants B at an exercise price of RM0.05 each and setting ot warrant reserve of RM4.10 million against accumulated losses.*

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APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

MAXIMUM SCENARIO

	Audited Consolidated Statement of Financial Position as at 31 December 2015	Adjustments for Subsequent Events	Pro forma (I) [5] Assuming full granting and/or exercise of the Convertible Securities	Pro forma (II) After Pro forma (I) and after rights Issue with Warrants	Pro forma (III) After Pro forma (II) and assuming full exercise of Warrants B
	RM	RM	RM	RM	RM
ASSETS					
Non-current Assets					
Plant and equipment	7,238,762	7,238,762	7,238,762	7,238,762	7,238,762
Investment properties	14,028,966	14,028,966	14,028,966	14,028,966	14,028,966
Intangible assets	8,375,221	8,375,221	8,375,221	8,375,221	8,375,221
Investment in associated companies	1	1	1	1	1
Other investments	2,427,001	2,427,001	2,427,001	2,427,001	2,427,001
	32,069,951	32,069,951	32,069,951	32,069,951	32,069,951
Current Assets					
Inventories	6,773,008	6,773,008	6,773,008	6,773,008	6,773,008
Trade receivables	13,705,491	13,705,491	13,705,491	13,705,491	13,705,491
Other receivables, deposits and prepayments	3,895,214	3,895,214	3,895,214	3,895,214	3,895,214
Current tax assets	186,270	186,270	186,270	186,270	186,270
Deposits with licensed banks	5,668,315	5,668,315	5,668,315	5,668,315	5,668,315
Cash and bank balances	2,507,684	[1] 9,210,834	[6] 45,336,657	[9] 102,145,222	[13] 133,424,505
	32,735,982	39,439,132	75,564,955	132,373,520	163,652,803
Total Assets	**64,805,933**	**71,509,083**	**107,634,906**	**164,443,471**	**195,722,754**

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APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

MAXIMUM SCENARIO

	Audited Consolidated Statement of Financial Position as at 31 December 2015	Adjustments for Subsequent Events	Pro forma (I) [5] Assuming full granting and/or exercise of the Convertible Securities	Pro forma (II) After Pro forma (I) and after rights Issue with Warrants	Pro forma (III) After Pro forma (II) and assuming full exercise of Warrants B
	RM	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners					
Share capital	29,040,000	[2] 40,952,743	[6] 77,078,566	[10] 139,637,131	[14] 170,916,414
Share premium	10,087,157	[3] 10,369,907	[7] 10,939,587	[11] 10,189,587	10,189,587
Share option reserve	1,053,280	[4] 569,680	[7] -	-	-
Warrant reserve	3,775,200	3,775,200	[8] -	[12] 6,255,857	[14] -
Accumulated losses	(10,983,227)	[4] (10,983,227)	[8] (7,208,027)	[12] (13,463,884)	(7,208,027)
Total Equity	32,972,410	44,684,303	80,810,126	142,618,691	173,897,974
Non-controlling interests	1,321,673	1,321,673	1,321,673	1,321,673	1,321,673
	34,294,083	46,005,976	82,131,799	143,940,364	175,219,647
Non-current Liabilities					
Deferred tax liabilities	1,615,317	1,615,317	1,615,317	1,615,317	1,615,317
Borrowings	6,302,162	6,302,162	6,302,162	[13] 2,705,457	4,804,567
	7,917,479	7,917,479	7,917,479	4,320,774	6,419,884
Current Liabilities					
Trade payables	6,884,330	6,884,330	6,884,330	6,884,330	6,884,330
Other payables and accruals	12,207,636	7,198,893	7,198,893	7,198,893	7,198,893
Borrowings	3,502,405	3,502,405	3,502,405	[13] 2,099,110	-
	22,594,371	17,585,628	17,585,628	16,182,333	14,083,223
Total Liabilities	30,511,850	25,503,107	25,503,107	20,503,107	20,503,107
Total Equity and Liabilities	**64,805,933**	**71,509,083**	**107,634,906**	**164,443,471**	**195,722,754**

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APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

MAXIMUM SCENARIO

	Audited Consolidated Statement of Financial Position as at 31 December 2015 RM	Adjustments for Subsequent Events RM	Pro forma (I) [5] Assuming full granting and/or exercise of the Convertible Securities RM	Pro forma (II) After Pro forma (I) and after rights Issue with Warrants RM	Pro forma (III) After Pro forma (II) and assuming full exercise of Warrants B RM
Number of KAG Shares	580,800,000	819,054,853	1,251,171,308	2,502,342,616	3,127,928,270
Net assets (RM)	32,972,410	44,684,303	80,810,126	142,618,691	173,897,974
Net assets per KAG Share (RM)	0.06	0.05	0.06	0.06	0.06
Borrowings (RM)	9,804,567	9,804,567	9,804,567	4,804,567	4,804,567
Gearing (times)	0.30	0.22	0.12	0.03	0.03

Notes:-

(1) *After adjusting for net cash proceeds arising from the following:-*

- (i) *issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to a private placement exercise which was completed on 18 January 2016;*
- (ii) *issuance of 80,000,000 new KAG Shares of RM0.05each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively; and*
- (iii) *after deducting estimated expenses incurred in relation to the private placement and acquisition of Digital Paper Solutions Sdn Bhd of RM200,850 ("**Corporate Exercises**") completed on 18 January 2016 and 4 May 2016 respectively.*

(2) *After accounting for the following:-*

- (i) *issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to a private placement exercise which was completed on 18 January 2016;*
- (ii) *issuance of 100,174,853 new KAG Shares at RM0.05 each as earn-out incentive to Digital Paper Sdn Bhd, being the vendor of DPS. The said KAG Shares were listed on 4 May 2016; and*
- (iii) *issuance of 80,000,000 new KAG Shares at RM0.05 each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively.*

(3) *After charging expenses of RM200,850 incidental to the Corporate Exercises completed in 2016 and transferring RM483,600 from share option reserve to share premium following the issuance of 80,000,000 new KAG Shares of RM0.05 each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively.*

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Notes:-

(4) *After transferring RM483,600 from share option reserve to share premium following the issuance of 80,000,000 new KAG Shares of RM0.05 each pursuant to the exercise of SIS Options on 21 December 2016 and 29 December 2016 respectively*

(5) *Assuming that all the existing Convertible Securities are exercised / converted into new KAG Shares on or prior to the entitlement date and all the entitled shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe to their entitlements of the Rights Shares with Warrants B.*

(6) *Assuming all the*

- (i) *141,716,455 SIS Options are granted and/or exercised at an illustrative exercise price of RM0.05 per SIS Option; and*
- (ii) *290,400,000 outstanding Warrants A are exercised at the exercise price of RM0.10 per Warrant A.*

(7) *After setting of share option reserve of RM0.57 million against share premium account, assuming full exercise of 141,716,455 SIS Options into new KAG Shares.*

(8) *After setting of warrant reserve of RM3.78 million against accumulated losses, assuming full exercise of 290,400,000 outstanding Warrants A into new KAG Shares.*

(9) *After accounting for net cash proceeds of RM56.81 million (net of repayment of bank borrowings of RM5.0 million and estimated expenses of RM0.75 million) pursuant to the Rights Issue with Warrants, whereby all the entitled shareholders and/or their renouncee(s) fully subscribe for their respective entitlements of 1,251,171,308 Rights Shares at the issue price of RM0.05 per Rights Share with 625,585,654 Warrants B. For illustrative purposes, the proceeds to be utilised for construction works for the Pano Project, acquisition and/or investment in other complementary businesses and working capital are included in cash and bank balances when received.*

(10) *After accounting for issuance of 1,251,171,308 Rights Shares with 625,585,654 Warrants B at an issue price of RM0.05 per Rights Share.*

(11) *After accounting for estimated expenses of RM0.75 million incidental to the Rights Issue with Warrants.*

(12) *After recognising the fair value of RM0.01 per Warrant B pursuant to the Rights Issue with Warrants which is credited against the warrant reserve with a corresponding debit against the accumulated losses of RM6.26 million. For illustrative purposes, the fair value of RM0.01 per Warrant B was derived based on the Trinomial option pricing model with data sourced from Bloomberg. The warrant reserve will be set off against accumulated losses upon full exercise of the Warrants B.*

(13) *After repayment of bank borrowings of RM5.0 million.*

(14) *After accounting for the issuance of 625,585,654 Shares pursuant to the exercise of 625,585,654 Warrants B at an exercise price of RM0.05 each and setting of warrant reserve of RM6.26 million against accumulated losses.*

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015

1. **Basis of preparation**

The Pro forma consolidated statements of financial position of KAG Group have been prepared based on the audited consolidated financial statements of KAG as at 31 December 2015 and incorporating subsequent completed events up to 28 February 2017 had the Rights Issue with Warrants, the full exercise of Warrants B issued pursuant to the Rights Issue with Warrants as described in the accompanying notes below, have been effected on that date. The pro forma consolidated statements of financial position have been properly compiled on the basis stated using financial statements prepared in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards in Malaysia, and a manner consistent with both the format of the financial statements and the accounting policies of KAG Group.

2. **Adjustment for the subsequent events**

The pro forma consolidated statements of financial position of the Group have been prepared after adjusting for the following events undertaken by the Company subsequent to 31 December 2015 up to 28 February 2017, being the latest practicable date (**"LPD"**):-

(a) Issuance of 58,080,000 new KAG Shares at RM0.05 each pursuant to the private placement exercise which was completed on 18 January 2016; and

(b) Issuance of 100,174,853 new KAG Shares at RM0.05 each as earn-out-incentive to Digital Paper Sdn Bhd (**"DPSB"**), being the vendors of Digital Paper Solutions Sdn Bhd (**"DPS"**). The said KAG Shares were listed on 4 May 2016; and

(c) Issuance of 80,000,000 new KAG Shares at RM0.05 each pursuant to the exercise of SIS options on 21 December 2016 and 29 December 2016 respectively

The subsequent events have the following impact on the audited Consolidated Statement of Financial Position of the Group as at 31 December 2015:-

	Increase/ (Decrease) Effects on Total Assets RM	Effects on Total Equity and Liabilities RM
Cash, deposits and bank balances	6,703,150	-
Share premium	(1) 200,850	(2) 483,600
Accumulated losses	-	-
Other payables and accruals	-	(5,008,743)
Share option reserve		(483,600)
Share capital	-	11,912,743
	6,904,000	6,904,000

Notes

(1) After deducting expenses of RM200,850 incurred for the private placement exercise.
(2) After crediting RM483,600 from Share option reserve account pursuant to the exercise of 80,000,000 SIS options in December 2016.

As at the LPD, KAG has an issued share capital of RM40,952,743 comprising 819,054,853 KAG Shares with 290,400,000 outstanding Warrants A and 141,716,455 SIS Options which have not been granted and/or exercised.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

3. Rights Issue with Warrants

The pro forma consolidated statements of financial position of the Group have been prepared assuming the Rights Issue with Warrants is effected on 31 December 2015.

The pro forma consolidated statements of financial position of KAG are presented into three (3) scenarios as follows:-

Minimum Scenario

(i) Assuming that none of the 290,400,000 outstanding Warrants A and 141,716,455 SIS Options as at the LPD (**collectively referred to as "Existing Convertible Securities"**) are exercised or converted prior to the entitlement date;

(ii) Assuming the Rights Issue with Warrants is undertaken on the Minimum Subscription Level of 200,000,000 Rights Shares at the issue price of RM0.05 each together with 100,000,000 Warrants B; and

(iii) Assuming 100,000,000 Warrants B are fully exercised into new KAG Shares at the exercise price of RM0.05 each and none of the Existing Convertible Securities are exercised or converted.

Base Case

(i) Assuming that none of the Existing Convertible Securities are exercised or converted prior to the entitlement date;

(ii) All the entitled shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe to their respective entitlements totalling 819,054,853 Rights Shares at the issue price of RM0.05 each together with 409,527,426 Warrants B.

(iii) Assuming 409,527,426 Warrants B are fully exercised into new KAG Shares at the exercise price of RM0.05 each and none of the Existing Convertible Securities are exercised or converted.

Maximum Scenario

(i) Assuming that all the Existing Convertible Securities are exercised or converted prior to the entitlement date;

(ii) Assuming the Rights Issue with Warrants is undertaken on a full subscription basis of 1,251,171,308 Rights Shares at the issue price of RM0.05 each together with 625,585,654 Warrants B; and

(iii) Assuming 625,585,654 Warrants B are fully exercised into new KAG Shares at the exercise price of RM0.05 each.

3.1 Fair value of Warrants B

The allocated fair value of Warrants B is credited to a warrant reserve which is non-distributable. The Directors have allocated an adjusted fair value of approximately RM0.01 per Warrant B. The adjusted fair value of the Warrant B is derived based on the Trinomial Option Pricing Model with data source from Bloomberg. The assumptions used to arrive at this adjusted fair value are as follows:-

(i)	Indicative exercise price	:	RM0.05 per warrant
(ii)	Tenure	:	5 years
(iii)	Volatility rate	:	10.00%
(iv)	Risk-free interest rate	:	3.65%
(v)	Dividend rate	:	-

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4. Minimum Scenario

The pro forma consolidated statements of financial position are based on the assumption that none of the Existing Convertible Securities are exercised or converted prior to the entitlement date and the Rights Issue with Warrants is undertaken on the Minimum Subscription Level of 200,000,000 Rights Shares at the issue price of RM0.05 each together with 100,000,000 Warrants B.

4.1 Pro forma (I)- After Rights Issue with Warrants

Pro forma I incorporates the effects of the Rights Issue with Warrants based on the Minimum Subscription Level.

The adjusted fair value of each Warrant B is assumed to be RM0.01 after taking into account of the indicative fair value of Warrant B, derived based on Trinomial Option Pricing Model extracted from Bloomberg.

The actual quantum of warrant reserve will only be determined upon issuance of the Warrant B. As such, the actual quantum may differ from the indicative fair value of Warrants B.

Based on the issue price of RM0.05 each for the Rights Share, the Rights Issue with Warrants is expected to raise gross proceeds of RM10,000,000, which shall be utilised for construction works for the Pano Project, which is expected to commence by the 3rd quarter of 2017 and complete within thirty (30) months from the date of commencement. The Rights Issue with Warrants has the following impact on the pro forma consolidated statements of financial position of the KAG Group:-

	Increase/ (Decrease) Effects on Total Assets	Effects on Total Equity and Liabilities
	RM	RM
Cash and bank balances	9,250,000	-
Share capital	-	10,000,000
Share premium	-	(750,000)*
Warrant reserve	-	1,000,000
Accumulated losses	-	(1,000,000)
	9,250,000	**9,250,000**

* *After deducting estimated expenses of RM750,000 incurred incidental to the exercise.*

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

4.2 Pro forma (II)- After Pro forma (I) and assuming full exercise of Warrants B

The exercise of 100,000,000 Warrants B is based on an exercise price of RM0.05 each. This will generate gross cash proceeds of RM5,000,000. Pursuant to the exercise of 100,000,000 Warrants B, 100,000,000 new KAG Shares will be issued and this will increase the issued and paid-up share capital by RM5,000,000. The warrant reserve of RM1,000,000 will be set off against accumulated losses upon exercise of Warrants B.

The full exercise of Warrants B has the following impact on the pro forma consolidated statements of financial position of the KAG Group:-

	Increase/ (Decrease)	
	Effects on Total Assets RM	**Effects on Total Equity and Liabilities RM**
Cash and bank balances	5,000,000	-
Share capital	-	5,000,000
Warrant reserve	-	(1,000,000)
Accumulated losses	-	1,000,000
	5,000,000	**5,000,000**

5. Base Case

The pro forma consolidated statements of financial position are based on the assumption that none of the Existing Convertible Securities are exercised or converted prior to the entitlement date and all the entitled shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe to their respective entitlements totalling 819,054,853 Rights Shares at the issue price of RM0.05 each together with 409,527,426 Warrants B.

5.1 Pro forma (I)- After Rights Issue with Warrants

Pro forma I incorporates the effects of the Rights Issue with Warrants based on the assumption that all the entitled shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe to their respective entitlements totalling 819,054,853 Rights Shares at the issue price of RM0.05 each together with 409,527,426 Warrants B.

The adjusted fair value of each Warrant B is assumed to be RM0.01 after taking into account of the indicative fair value of Warrant B, derived based on Trinomial Option Pricing Model extracted from Bloomberg.

The actual quantum of warrant reserve will only be determined upon issuance of the Warrant B. As such, the actual quantum may differ from the indicative fair value of Warrants B.

Based on the issue price of RM0.05 each for the Rights Share, the Rights Issue with Warrants is expected to raise gross proceeds of RM40,952,743.

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The gross proceeds are expected to be utilised in the following manner:-

Details of utilisation	Proceeds RM'000	Timeframe for the utilisation of proceeds
Construction works for the Pano Project	35,000	Within thirty (30) months from the completion of the Rights Issue with Warrants
Working capital	5,203	Up to twenty four (24) months from the completion of the Rights Issue with Warrants
Estimated expenses for the Proposal	750	Commencing immediately from the completion of the Rights Issue with Warrants
Total	**40,953**	

The Rights Issue with Warrants has the following impact on the pro forma consolidated statements of financial position of the KAG Group:-

	Increase/ (Decrease) Effects on Total Assets RM	Effects on Total Equity and Liabilities RM
Cash and bank balances	40,202,743	-
Share capital	-	40,952,743
Share premium	-	(750,000)*
Warrant reserve	-	4,095,274
Accumulated losses	-	(4,095,274)
	40,202,743	**40,202,743**

* *After deducting estimated expenses of RM750,000 incurred incidental to the exercise.*

5.2 Pro forma (II)- After Pro forma (I) and assuming full exercise of Warrants B

The exercise of 409,527,426 Warrants B is based on an exercise price of RM0.05 each. This will generate gross cash proceeds of RM20,476,371. Pursuant to the exercise of 409,527,426 Warrants B, 409,527,426 new KAG Shares will be issued and this will increase the issued and paid-up share capital by RM20,476,371. The warrant reserve of RM4,095,274 will be set off against accumulated losses upon exercise of Warrants B.

The full exercise of Warrants B has the following impact on the pro forma consolidated statements of financial position of the KAG Group:-

	Increase/ (Decrease) Effects on Total Assets RM	Effects on Total Equity and Liabilities RM
Cash and bank balances	20,476,371	-
Share capital	-	20,476,371
Warrant reserve	-	(4,095,274)
Accumulated losses	-	4,095,274
	20,476,371	**20,476,371**

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

6. Maximum Scenario

The pro forma consolidated statements of financial position are based on the assumption that all the Existing Convertible Securities are exercised or converted prior to the entitlement date and the Rights Issue with Warrants is undertaken on a full subscription basis of 1,251,171,308 Rights Shares at the issue price of RM0.05 each together with 625,585,654 Warrants B.

6.1 Pro forma I- After Full exercise of the Existing Convertible Securities

The full exercise of existing 290,400,000 Warrants A and 141,716,455 SIS Options has the following impact on the pro forma consolidated statements of financial position of the KAG Group:-

	Increase/ (Decrease)	
	Effects on Total Assets RM	Effects on Total Equity and Liabilities RM
Cash and bank balances	36,125,823	-
Share capital	-	36,125,823
Share premium		569,680
Share option reserve		(569,680)
Warrant reserve		(3,775,200)
Accumulated losses	-	3,775,200
	36,125,823	**36,125,823**

6.2 Proforma II- After Proforma I and Rights Issue with Warrants

Proforma II incorporates the effects of the Rights Issue with Warrants based on the Maximum Scenario.

The adjusted fair value of each Warrant B is assumed to be RM0.01 after taking into account of the indicative fair value of Warrant B, derived based on Trinomial Option Pricing Model extracted from Bloomberg.

The actual quantum of warrant reserve will only be determined upon issuance of the Warrant B. As such, the actual quantum may differ from the indicative fair value of Warrants B.

Based on the issue price of RM0.05 each for the Rights Share, the Rights Issue with Warrants is expected to raise gross proceeds of RM62.56 million.

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

The gross proceeds are expected to be utilised in the following manner:-

Details of utilisation	Proceeds RM'000	Timeframe for the utilisation of proceeds
Construction works for the Pano Project	35,000	Within thirty (30) months from the completion of the Rights Issue with Warrants
Repayment of bank borrowings	5,000	Commencing immediately from the completion of the Rights Issue with Warrants
Acquisition and/or investment in other complementary businesses	15,000	Within twenty four (24) months from the completion of the Rights Issue with Warrants
Working capital	6,809	Up to twenty four (24) months from the completion of the Rights Issue with Warrants
Estimated expenses for the Proposal	750	Commencing immediately from the completion of the Rights Issue with Warrants
Total	62,559	

The Rights Issue with Warrants has the following impact on the pro forma consolidated statements of financial position of the KAG Group:-

	Increase/ (Decrease) Effects on Total Assets RM	Effects on Total Equity and Liabilities RM
Cash and bank balances	56,808,565	-
Share capital	-	62,558,565
Share premium	-	(750,000)*
Borrowings		(5,000,000)
Warrant reserve	-	6,255,857
Accumulated losses	-	(6,255,857)
	56,808,565	56,808,565

* *After deducting estimated expenses of RM750,000 incurred incidental to the exercise.*

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6.3 Pro forma III-After Pro forma II and assuming full exercise of Warrants B

The exercise of 625,585,654 Warrants B is based on an exercise price of RM0.05 each. The exercise will generate gross cash proceeds of RM31,279,283. Pursuant to the exercise of 625,585,654 Warrants B, 625,585,654 new KAG Shares will be issued and this will increase the issued and paid-up share capital by RM31,279,283. The warrant reserve of RM6,255,857 will be set off against accumulated losses upon exercise of Warrants B.

The full exercise of Warrants B has the following impact on the pro forma consolidated statements of financial position of the KAG Group:-

	Increase/ (Decrease) Effects on Total Assets RM	Effects on Total Equity and Liabilities RM
Cash, deposits and bank balances	31,279,283	-
Share capital	-	31,279,283
Warrant reserve	-	(6,255,857)
Accumulated losses	-	6,255,857
	31,279,283	**31,279,283**

7. Cash and bank balances

The movements in the cash and bank balances of KAG Group are as follows:

7.1 Minimum Scenario

	RM
As at 31 December 2015	2,507,684
Proceeds arising from the private placement exercise	2,703,150
Proceeds arising from exercise of SIS Options	4,000,000
Adjustment for Subsequent Events	9,210,834
Arising from the Rights Issue with Warrants	10,000,000
Estimated expenses for the Rights Issue with Warrants	(750,000)
As per Proforma I	18,460,834
Arising upon full exercise of Warrants B	5,000,000
As per Proforma II	**23,460,834**

7.2 Base Case

	RM
As at 31 December 2015	2,507,684
Proceeds arising from the private placement exercise	2,703,150
Proceeds arising from exercise of SIS Options	4,000,000
Adjustment for Subsequent Events	9,210,834
Arising from the Rights Issue with Warrants	40,952,743
Estimated expenses for the Rights Issue with Warrants	(750,000)
As per Proforma I	49,413,577
Arising upon full exercise of Warrants B	20,476,371
As per Proforma II	**69,889,948**

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

7.3 Maximum Scenario

	RM
As at 31 December 2015	2,507,684
Proceeds arising from the private placement exercise	2,703,150
Proceeds arising from exercise of SIS Options	4,000,000
Adjustment for Subsequent Events	9,210,834
Arising upon full granting and exercise of SIS Options	7,085,823
Arising upon full exercise of Warrants A	29,040,000
As per Pro forma I	45,336,657
Arising from the Rights Issue with Warrants	62,558,565
Repayment of Borrowings	(5,000,000)
Estimated expenses for the Rights Issue with Warrants	(750,000)
As per Pro forma II	102,145,222
Arising upon full exercise of Warrants B	31,279,283
As per Pro forma III	**133,424,505**

For illustrative purposes, the proceeds to be utilised for construction works for the Pano Project, acquisition and/or investment in other complementary businesses and working capital are included in cash and bank balances when received.

8. Share capital

The movements in the share capital of KAG Group are as follows:

8.1 Minimum Scenario

	Unit ('000)	RM'000
As at 31 December 2015	580,800,000	29,040,000
Shares issued pursuant to private placement exercise	58,080,000	2,904,000
Shares issued pursuant to earn-out-incentive to DPSB	100,174,853	5,008,743
Shares issued pursuant to exercise of SIS Options	80,000,000	4,000,000
Adjustment for Subsequent Events	819,054,853	40,952,743
Arising from the Rights Issue with Warrants	200,000,000	10,000,000
As per Pro forma I	1,019,054,853	50,952,743
Arising upon full exercise of Warrants B	100,000,000	5,000,000
As per Pro forma II	**1,119,054,853**	**55,952,743**

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8.2 Base Case

	Unit ('000)	RM'000
As at 31 December 2015	580,800,000	29,040,000
Shares issued pursuant to private placement exercise	58,080,000	2,904,000
Shares issued pursuant to earn-out-incentive to DPSB	100,174,853	5,008,743
Shares issued pursuant to exercise of SIS Options	80,000,000	4,000,000
Adjustment for Subsequent Events	819,054,853	40,952,743
Arising from the Rights Issue with Warrants	819,054,853	40,952,743
As per Pro forma I	1,638,109,706	81,905,486
Arising upon full exercise of Warrants B	409,527,426	20,476,371
As per Pro forma II	**2,047,637,132**	**102,381,857**

8.3 Maximum Scenario

	Unit ('000)	RM'000
As at 31 December 2015	580,800,000	29,040,000
Shares issued pursuant to private placement exercise	58,080,000	2,904,000
Shares issued pursuant to earn-out-incentive to DPSB	100,174,853	5,008,743
Shares issued pursuant to exercise of SIS Options	80,000,000	4,000,000
Adjustment for Subsequent Events	819,054,853	40,952,743
Arising upon full granting and exercise of SIS Options	141,716,455	7,085,823
Arising upon full exercise of Warrants A	290,400,000	29,040,000
As per Pro forma I	1,251,171,308	77,078,566
Arising from the Rights Issue with Warrants	1,251,171,308	62,558,565
As per Pro forma II	2,502,342,616	139,637,131
Arising upon full exercise of Warrants B	625,585,654	31,279,283
As per Pro forma III	**3,127,928,270**	**170,916,414**

9. Share premium

The movements in share premium of KAG Group are as follows:

9.1 Minimum Scenario

	RM
As at 31 December 2015	10,087,157
Shares issued pursuant to private placement exercise	(200,850)
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	483,600
Adjustment for Subsequent Events	10,369,907
Arising from the Rights Issue with Warrants	(750,000)
As per Pro forma I	9,619,907
Arising upon full exercise of Warrants B	-
As per Pro forma II	**9,619,907**

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For identification purposes only

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

9.2 Base Case

	RM
As at 31 December 2015	10,087,157
Shares issued pursuant to private placement exercise	(200,850)
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	483,600
Adjustment for Subsequent Events	10,369,907
Arising from the Rights Issue with Warrants	(750,000)
As per Pro forma I	9,619,907
Arising upon full exercise of Warrants B	-
As per Pro forma II	**9,619,907**

9.3 Maximum Scenario

	RM
As at 31 December 2015	10,087,157
Shares issued pursuant to private placement exercise	(200,850)
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	483,600
Adjustment for Subsequent Events	10,369,907
Arising upon full exercise of Warrants A	-
Arising upon full granting and exercise of SIS Options	569,680-
As per Pro forma I	10,939,587
Arising from the Rights Issue with Warrants	(750,000)
As per Pro forma II	10,189,587
Arising upon full exercise of Warrants B	-
As per Pro forma III	**10,189,587**

10. **Share option reserve**

The movements in share option reserve of KAG Group are as follows:

10.1 Minimum Scenario

	RM
As at 31 December 2015	1,053,280
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	(483,600)
Adjustment for Subsequent Events	569,680
Arising from the Rights Issue with Warrants	-
As per Pro forma I	569,680
Arising upon full exercise of Warrants B	-
As per Pro forma II	**569,680**

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For identification purposes only

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

10.2 Base Case

	RM
As at 31 December 2015	1,053,280
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	(483,600)
Adjustment for Subsequent Events	569,680
Arising from the Rights Issue with Warrants	-
As per Pro forma I	569,680
Arising upon full exercise of Warrants B	-
As per Pro forma II	**569,680**

10.3 Maximum Scenario

	RM
As at 31 December 2015	1,053,280
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	(483,600)
Adjustment for Subsequent Events	569,680
Arising upon full exercise of Warrants A	-
Arising upon full granting and exercise of SIS Options	(569,680)
As per Pro forma I	-
Arising from the Rights Issue with Warrants	-
As per Pro forma II	-
Arising upon full exercise of Warrants B	-
As per Pro forma III	**-**

11. Warrant reserve

The movements in warrant reserve of KAG Group are as follows:

11.1 Minimum Scenario

	RM
As at 31 December 2015	3,775,200
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	3,775,200
Arising from the Rights Issue with Warrants	1,000,000
As per Pro forma I	4,775,200
Arising upon full exercise of Warrants B	(1,000,000)
As per Pro forma II	**3,775,200**

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11.2 Base Case

	RM
As at 31 December 2015	3,775,200
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	3,775,200
Arising from the Rights Issue with Warrants	4,095,274
As per Pro forma I	7,870,474
Arising upon full exercise of Warrants B	(4,095,274)
As per Pro forma II	**3,775,200**

11.3 Maximum Scenario

	RM
As at 31 December 2015	3,775,200
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	3,775,200
Arising upon full exercise of Warrants A	(3,775,200)
Arising upon full granting and exercise of SIS Options	-
As per Pro forma I	-
Arising from the Rights Issue with Warrants	6,255,857
As per Pro forma II	6,255,857
Arising upon full exercise of Warrants B	(6,255,857)
As per Pro forma III	-

12. **Accumulated losses**

The movements in accumulated losses of KAG Group are as follows:

12.1 Minimum Scenario

	RM
As at 31 December 2015	(10,983,227)
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	(10,983,227)
Arising from the Rights Issue with Warrants	(1,000,000)
As per Pro forma I	(11,983,227)
Arising upon full exercise of Warrants B	1,000,000
As per Pro forma II	**(10,983,227)**

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For Identification purposes only

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

12.2 Base Case

	RM
As at 31 December 2015	(10,983,227)
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	(10,983,227)
Arising from the Rights Issue with Warrants	(4,095,274)
As per Pro forma I	(15,078,501)
Arising upon full exercise of Warrants B	4,095,274
As per Pro forma II	**(10,983,227)**

12.3 Maximum Scenario

	RM
As at 31 December 2015	(10,983,227)
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	(10,983,227)
Arising upon full exercise of Warrants A	3,775,200
Arising upon full granting and exercise of SIS Options	-
As per Pro forma I	(7,208,027)
Arising from the Rights Issue with Warrants	(6,255,857)
As per Pro forma II	(13,463,884)
Arising upon full exercise of Warrants B	6,255,857
As per Pro forma III	**(7,208,027)**

13. Borrowings

The movements in borrowings of KAG Group are as follows:

13.1 Minimum Scenario

	RM
As at 31 December 2015	9,804,567
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	9,804,567
Arising from the Rights Issue with Warrants	-
As per Pro forma I	9,804,567
Arising upon full exercise of Warrants B	-
As per Pro forma II	**9,804,567**

Kreston John & Gan
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For Identification purposes only

KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

13.2 Base Case

	RM
As at 31 December 2015	9,804,567
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	9,804,567
Arising from the Rights Issue with Warrants	-
As per Pro forma I	9,804,567
Arising upon full exercise of Warrants B	-
As per Pro forma II	**9,804,567**

13.3 Maximum Scenario

	RM
As at 31 December 2015	9,804,567
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	-
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	9,804,567
Arising upon full exercise of Warrants A	-
Arising upon full granting and exercise of SIS Options	-
As per Pro forma I	9,804,567
Arising from the Rights Issue with Warrants	(5,000,000)
As per Pro forma II	4,804,567
Arising upon full exercise of Warrants B	-
As per Pro forma III	**4,804,567**

14. Other payables and accruals

The movements in other payables and accruals of KAG Group are as follows:

14.1 Minimum Scenario

	RM
As at 31 December 2015	12,207,636
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	(5,008,743)
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	7,198,893
Arising from the Rights Issue with Warrants	-
As per Pro forma I	7,198,893
Arising upon full exercise of Warrants B	-
As per Pro forma II	**7,198,893**

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KEY ALLIANCE GROUP BERHAD (609953-K)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KAG GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

14.2 Base Case

	RM
As at 31 December 2015	12,207,636
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	(5,008,743)
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	7,198,893
Arising from the Rights Issue with Warrants	-
As per Pro forma I	7,198,893
Arising upon full exercise of Warrants B	-
As per Pro forma II	**7,198,893**

14.3 Maximum Scenario

	RM
As at 31 December 2015	12,207,636
Shares issued pursuant to private placement exercise	-
Shares issued pursuant to earn-out-incentive to DPSB	(5,008,743)
Shares issued pursuant to exercise of SIS Options	-
Adjustment for Subsequent Events	7,198,893
Arising upon full exercise of Warrants A	-
Arising upon full granting and exercise of SIS Options	-
As per Pro forma I	7,198,893
Arising from the Rights Issue with Warrants	-
As per Pro forma II	7,198,893
Arising upon full exercise of Warrants B	-
As per Pro forma III	**7,198,893**

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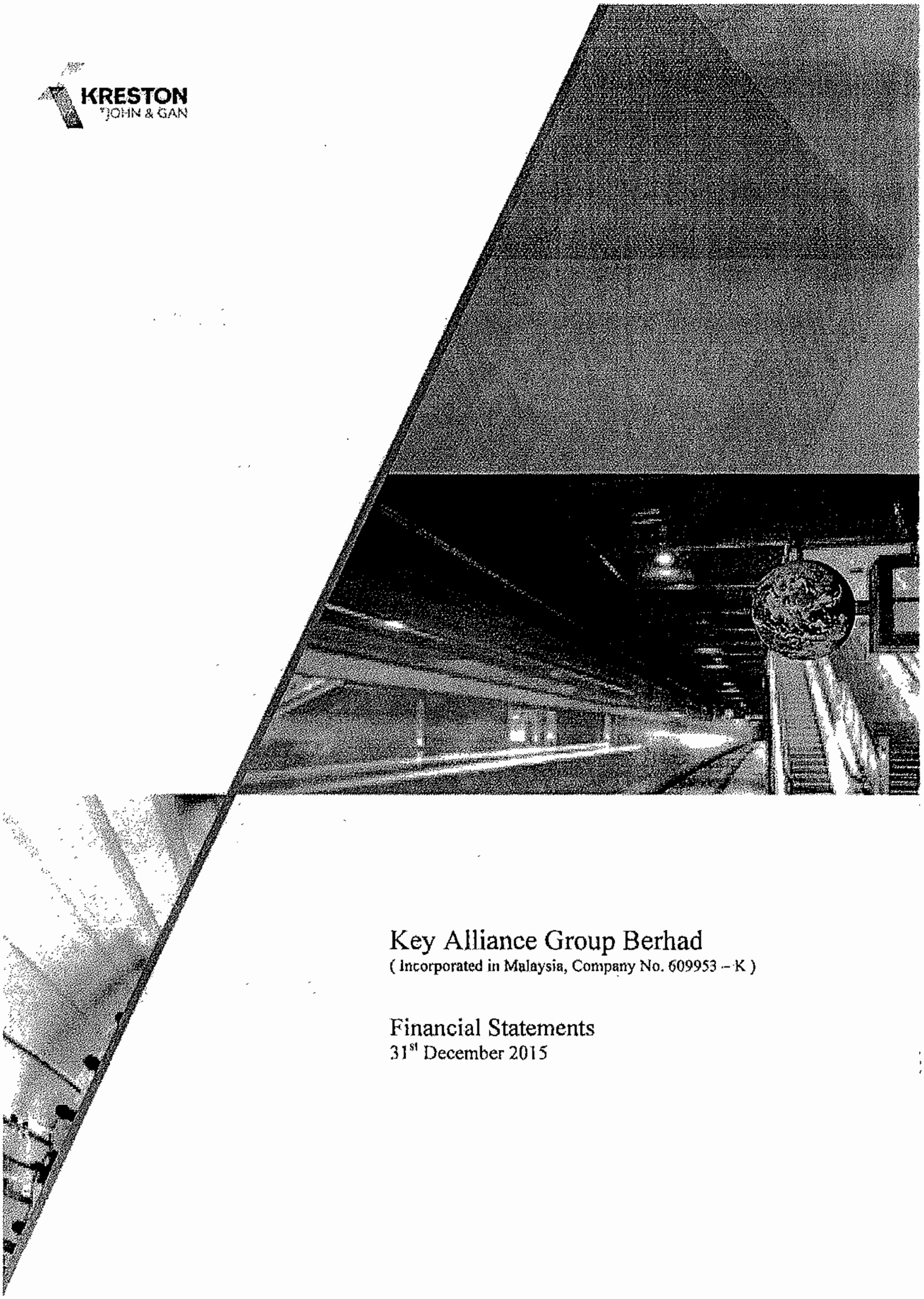
JOHN & GAN



Key Alliance Group Berhad

(Incorporated in Malaysia, Company No. 609953 – K)

Financial Statements

31st December 2015

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Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Financial Statements

31st December

2015

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Corporate Information

for the year ended 31st December 2015

Board of Directors	:	Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid (Independent Non-Executive Chairman)
	:	Dato' Goh Kian Seng (Managing Director)
	:	Roy Ho Yew Kee (Executive Director)
	:	Kamarudin Bin Ngah (Independent Non-Executive Director)
	:	Yee Yit Yang (Independent Non-Executive Director)
Audit Committee	:	Kamarudin Bin Ngah - Chairman
	:	Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
	:	Yee Yit Yang
Remuneration Committee	:	Kamarudin Bin Ngah - Chairman
	:	Dato' Goh Kian Seng
	:	Yee Yit Yang
Nomination Committee	:	Kamarudin Bin Ngah - Chairman
	:	Yee Yit Yang
Share Issuance Scheme Committee	:	Dato' Goh Kian Seng (Managing Director)
	:	Roy Ho Yew Kee (Executive Director)
	:	Kamarudin Bin Ngah (Independent Non-Executive Director)
	:	Yee Yit Yang (Independent Non-Executive Director)
Company Secretary	:	Pang Kah Man (MIA 18831)
Auditors	:	Kreston John & Gan Chartered Accountants (Firm No. AF 0113)
Registered Office	:	3-2, 3rd Mile Square, No. 151, Jalan Kelang Lama Batu 3½, 58100 Kuala Lumpur Tel: 603-7987 5300 Fax: 603-7987 5200

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Corporate Information

for the year ended 31st December 2015

Share Registrar	:	Tricor Investor & Issuing House Services Sdn. Bhd. Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3 Bangsar South No.8, Jalan Kerinchi, 59200 Kuala Lumpur Tel: 603-2783 9299 Fax: 603-2783 9222
Business Address	:	Lot 11.3, 11th Floor Menara Lien Hoe No. 8 Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor Darul Ehsan Tel: 603-7805 3868 Fax: 603-7805 3863 Website: www.kag.com.my Email: info@kag.com.my
Principal Bankers	:	Malayan Banking Berhad
	:	CIMB Bank Berhad
	:	United Overseas Bank (Malaysia) Bhd
	:	Public Bank Berhad
Stock Exchange Listing	:	ACE Market of the Bursa Malaysia Securities Berhad ("BMSB")
Stock Short Name	:	KGROUP
Stock Code	:	0036

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Directors' Report

for the year ended 31st December 2015

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

Principal activities

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

Results

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

Dividends

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

Reserves and provisions

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

Warrants 2013/2018

The salient features of the warrants are : -

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

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

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

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

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Directors' Report

for the year ended 31st December 2015

Warrants 2013/2018 (Cont'd.)

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

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

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

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

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

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

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

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

Options granted over unissued shares

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Directors' Report

for the year ended 31st December 2015

Options granted over unissued shares (Cont'd.)

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

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

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

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

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

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

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

Bad and doubtful debts

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

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

Current assets

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Directors' Report

for the year ended 31st December 2015

Valuation methods

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

Contingent and other liabilities

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

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

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

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

Change of circumstances

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

Items of an unusual nature

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

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

Directors of the Company

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

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

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Directors' Report

for the year ended 31st December 2015

Directors' interests

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

	Number of ordinary shares of RM0.05 each			
	As at 1/1/2015	Bought	Sold	As at 31/12/2015
Direct interests				
Dato' Goh Kian Seng	4,000,000	-	-	4,000,000
Indirect interests				
Dato' Goh Kian Seng	89,912,500	-	-	89,912,500

	Number of warrants 2013/2018			
	As at 1/1/2015	Bought	Sold	As at 31/12/2015
Direct interests				
Dato' Goh Kian Seng	75	-	-	75

	Number of Share Issuance Scheme Options			
	As at 1/1/2015	Granted	Exercised	As at 31/12/2015
Direct interests				
Dato' Goh Kian Seng	-	56,087,500	-	56,087,500
Yee Yit Yang	-	5,000,000	-	5,000,000
Roy Ho Yew Kee	-	5,000,000	-	5,000,000

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

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

Directors' benefits

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Directors' Report

for the year ended 31st December 2015

Directors' benefits (Cont'd.)

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiaries companies is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, apart from the issue of the Share Issuance Scheme Options.

Significant events

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

Auditors

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

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

Dato' Goh Kian Seng

Roy Ho Yew Kee

Petaling Jaya,
Date : 19 APR 2016

KRESTON
JOHN & GAN

Independent Auditors' Report

to members of Key Alliance Group Berhad (Company No. 609953 - K)

Report on the Financial Statements

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

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31st December 2015 and of their financial performance and cash flows for the year then ended in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Kreston John & Gan
Chartered Accountants • AF 0113

160-2-1, Kompleks Maluri, Business Centre, Jalan Jejaka, 55100 Kuala Lumpur.
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KRESTON JOHN & GAN

Independent Auditors' Report

to members of Key Alliance Group Berhad (Company No. 609953 - K)

Report on Other Legal and Regulatory Requirements

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

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

b) We have considered the financial statements and the auditors' reports of a subsidiary of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

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

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

Other Reporting Responsibilities

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

Other Matters

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

Kreston John & Gan

Kreston John & Gan
Chartered Accountants
(AF 0113)

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

Kuala Lumpur,
Date : 19 APR 2016

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Kreston John & Gan
Chartered Accountants - AF 0113

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Consolidated Statement of Financial Position

31st December 2015

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

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

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Kreston John & Gan
Chartered Accountants - AF 0113

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2015

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Consolidated Statement of Changes in Equity

for the year ended 31st December 2015

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Consolidated Statement of Cash Flows

for the year ended 31st December 2015

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Consolidated Statement of Cash Flows

for the year ended 31st December 2015

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Statement of Financial Position

31st December 2015

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2015

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Statement of Changes in Equity

for the year ended 31st December 2015

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Statement of Cash Flows

for the year ended 31st December 2015

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Statement of Cash Flows

for the year ended 31st December 2015

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

1. **General information**

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

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

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

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

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

2. **Basis of preparation of financial statements**

a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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

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

- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative

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

a) Statement of compliance (Cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (Cont'.d)

- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

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

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

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

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

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

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

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

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

MFRS 9, Financial Instruments

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

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

a) Statement of compliance (Cont'd.)

MFRS 15, Revenue from Contracts with Customers

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

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

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

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

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

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

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

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

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

ii) Depreciation of plant and equipment

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

iii) Fair value of investment property

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

iv) Income tax expense

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

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

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

v) Impairment losses for receivables

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

vi) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses and unabsorbed capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised deferred tax assets arising from unabsorbed tax losses and capital allowances was approximately RM2,054,000 (2014 - RM4,063,000).

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

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

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

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

Notes to the Financial Statements

31st December 2015

3. **Significant accounting policies**

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

a) Basis of consolidation

i) Subsidiaries

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

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

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

ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as : -

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

a) Basis of consolidation (Cont'd.)

iii) Acquisitions of non-controlling interests

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

iv) Loss of control

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

v) Associates

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

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

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

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

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

a) Basis of consolidation (Cont'd.)

v) Associates (Cont'd.)

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

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

vi) Non-controlling interests

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

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

vii) Transactions eliminated on consolidation

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

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

b) Foreign currency

i) Foreign currency transactions

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

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

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

b) Foreign currency (Cont'd.)

i) Foreign currency transactions (Cont'd.)

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

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

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

ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1st January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company.

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

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

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

c) Financial instruments

i) Initial recognition and measurement

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

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

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

ii) Financial instrument categories and subsequent measurement

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

Financial assets

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

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

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

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

b) *Held-to-maturity investments*

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

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

c) Financial instruments (Cont'd.)

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

Financial assets (Cont'd.)

c) *Loans and receivables*

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

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

d) *Available-for-sale financial assets*

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

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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

Financial liabilities

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

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

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

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

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

c) Financial instruments (Cont'd.)

iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

iv) Regular way purchase or sale of financial assets

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

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

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

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

v) Derecognition

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

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

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

d) Plant and equipment

i) Recognition and measurement

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

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

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

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

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

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

ii) Subsequent costs

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

iii) Depreciation

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

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

d) Plant and equipment (Cont'd.)

iii) Depreciation (Cont'd.)

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

	Rate %
Computer software and equipment	20
Furniture and fittings, office equipment and renovation	20
Motor vehicles	20
Rental equipment	20

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

e) Leased assets

i) Finance lease

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

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

ii) Operating lease

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

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

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

f) Intangible assets

i) Goodwill

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

ii) Research and development

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

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

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

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

iii) Other intangible assets

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

iv) Subsequent expenditure

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

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

f) Intangible assets (Cont'd.)

v) Amortisation

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

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

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

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

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

	Rate %
Software development expenditure	20

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

g) Investment property

i) Investment property carried at fair value

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

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

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

g) Investment property (Cont'd.)

ii) Reclassification to /from investment property

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

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

h) Inventories

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

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

i) Cash and cash equivalents

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

j) Impairment

i) Financial assets

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

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

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

j) Impairment (Cont'd.)

i) Financial assets (Cont'd.)

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

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

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

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

ii) Other assets

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

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

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

j) Impairment (Cont'd.)

ii) Other assets (Cont'd.)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

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

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

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

k) Equity instruments

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

i) Issue expenses

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

ii) Ordinary shares

Ordinary shares are classified as equity.

l) Compound financial instruments

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

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

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

l) Compound financial instruments (Cont'd.)

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

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

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

m) Employee benefits

i) Short-term employee benefits

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

ii) State plans

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

iii) Share-based payment transactions

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

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

m) Employee benefits (Cont'd.)

iii) Share-based payment transactions (Cont'd.)

The fair value of the employee share options is measured using a "Trinomial" pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv) Termination benefits

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

n) Provisions

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

o) Revenue and other income

i) Goods sold

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

ii) Services

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

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

o) Revenue and other income (Cont'd.)

iii) Rental income

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

iv) Interest income

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

v) Fees

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

vi) Commissions

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

p) Borrowing costs

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

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

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

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

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

q) Income tax

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

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

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

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

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

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

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

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

r) Discontinued operation

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

s) Earnings per ordinary shares

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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

t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

u) Contingencies

i) Contingent liabilities

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

Notes to the Financial Statements

31st December 2015

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

u) Contingencies (Cont'd.)

ii) Contingent assets

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

v) Fair value measurements

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

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

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

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

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

Level 3 : unobservable inputs for the asset or liability.

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

4. Plant and equipment

Group 2015	Computer software and equipment RM	Furniture and fittings, office equipment and renovation RM	Motor vehicles RM	Rental equipment RM	Total RM
At cost					
Balance at 1/1/2015	21,810,258	1,995,469	3,029,224	2,180,617	29,015,568
Additions	77,402	390,002	-	1,109,205	1,576,609
Disposal /Written off	(17,008,255)	(191,522)	-	-	(17,199,777)
Balance at 31/12/2015	4,879,405	2,193,949	3,029,224	3,289,822	13,392,400
Accumulated Depreciation					
Balance at 1/1/2015	19,237,290	671,834	598,602	436,123	20,943,849
Charge for the year	929,725	274,886	566,181	629,061	2,399,853
Deletion	(16,998,561)	(191,503)	-	-	(17,190,064)
Balance at 31/12/2015	3,168,454	755,217	1,164,783	1,065,184	6,153,638
Net Book Value	1,710,951	1,438,732	1,864,441	2,224,638	7,238,762

2014					
At cost					
Balance at 1/1/2014	36,589,379	373,981	220,000	-	37,183,360
Acquisition of subsidiaries	12,969	666,795	435,662	1,384,660	2,500,086
Additions	424,649	1,245,121	2,373,562	2,897,776	6,941,108
Disposal /Written off	(15,216,739)	(290,428)	-	(2,101,819)	(17,608,986)
Balance at 31/12/2014	21,810,258	1,995,469	3,029,224	2,180,617	29,015,568
Accumulated Depreciation					
Balance at 1/1/2014	33,214,270	366,906	3,667	-	33,584,843
Acquisition of subsidiaries	1,701	497,575	297,337	-	796,613
Charge for the year	1,238,054	97,781	297,598	436,123	2,069,556
Deletion	(15,216,735)	(290,428)	-	-	(15,507,163)
Balance at 31/12/2014	19,237,290	671,834	598,602	436,123	20,943,849
Net Book Value	2,572,968	1,323,635	2,430,622	1,744,494	8,071,719

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

Company 2015	Computer software and equipment RM	Furniture and fittings, office equipment and renovation RM	Total RM
At cost			
Balance at 1/1/2015	66,624	205,471	272,095
Additions	11,983	-	11,983
Disposal /Written off	(39,432)	(24,078)	(63,510)
Balance at 31/12/2015	39,175	181,393	220,568
Accumulated Depreciation			
Balance at 1/1/2015	60,232	200,580	260,812
Charge for the year	4,871	1,135	6,006
Deletion	(39,420)	(24,069)	(63,489)
Balance at 31/12/2015	25,683	177,646	203,329
Net Book Value	13,492	3,747	17,239
2014			
At cost			
Balance at 1/1/2014	62,634	199,942	262,576
Additions	3,990	5,529	9,519
Balance at 31/12/2014	66,624	205,471	272,095
Accumulated Depreciation			
Balance at 1/1/2014	52,532	193,267	245,799
Charge for the year	7,700	7,313	15,013
Balance at 31/12/2014	60,232	200,580	260,812
Net Book Value	6,392	4,891	11,283

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

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

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

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

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

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

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

Notes to the Financial Statements

31st December 2015

5. **Investment properties**

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

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

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

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

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

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

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

Fair value information

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

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

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

Level 2 fair value

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

6. **Intangible assets**

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

Goodwill on consolidation

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

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

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

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

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

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

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

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

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

	RM'000
Information communication technology (ICT) and related activities	115
Kitchen appliances	71

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

	RM'000
Information communication technology (ICT) and related activities	1,056
Kitchen appliances	544

7. **Investment in subsidiary companies**

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

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

Name of companies	Place of incorporation	Principal activities	Effective ownership interest	
			2015	2014
			%	%
DVM Innovate Sdn. Bhd. (5)	Malaysia	Provision of communications systems integration and solutions, data network, data communications solutions, business and operational support systems.	**100**	100
NGC Systems Sdn. Bhd. (1)	Malaysia	Development of software applications and provision of communication solutions.	-	100

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

Name of companies	Place of incorporation	Principal activities	Effective ownership interest 2015 %	2014 %
Key Alliance Sdn. Bhd. (5)	Malaysia	Distribution and provision of information technology in relation to computer parts, software and accessories.	**100**	100
Design Dept Sdn. Bhd. (5)	Malaysia	To carry on the business of architectural and 3D interior design and image consultants.	**100**	100
Corporate One Training Academy Sdn. Bhd. (2)	Malaysia	Provision of business and operational support systems and services, software development and business process outsourcing.	**100**	100
Precious Essence Sdn. Bhd. (5)	Malaysia	Property investment.	**100**	100
GE Green Sdn. Bhd.	Malaysia	Trading of kitchen wares and related products.	**100**	100
Pacifica KAG Sdn. Bhd.	Malaysia	Dormant.	**100**	-
MobileVideo International Limited (5)	Cayman Island	Dormant.	**60**	60
Digital Paper Solutions Sdn. Bhd. (3)	Malaysia	Trading and rental of office equipment.	**51**	51
DVM Allsportz Asia Sdn. Bhd. (4)	Malaysia	Streaming of audio and video on sports news.	**-**	-

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

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

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

Notes to the Financial Statements

31st December 2015

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

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

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

Non-controlling interest in subsidiaries

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

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

Summarised financial information before intra-group elimination : -

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements
31st December 2015

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

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

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

Summarised financial information before intra-group elimination : -

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

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

Notes to the Financial Statements

31st December 2015

8. Investment in associated companies

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

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

The associated companies are as follows : -

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

Notes to the Financial Statements

31st December 2015

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

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

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

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

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

Group 2015	LeBlanc KAG Sdn. Bhd.	Fatfish Capital Ltd.	DVM Allsportz Asia Sdn. Bhd.	Total
Percentage of ownership interest and voting interest	50%	33%	30%	
Summarised financial information : -				
	RM	RM	RM	RM
As at 31st December				
Non-current assets	-	817,184	17,123	834,307
Current assets	2	277,052	26,504	303,558
Non-current liabilities	-	-	-	-
Current liabilities	(5,093)	(605,886)	(305,912)	(916,891)
Net liabilities	(5,091)	488,350	(262,285)	220,974
Year ended 31st December				
Loss from continuing operations	(5,093)	(343,740)	(184,334)	(533,167)
Other comprehensive income	-	-	-	-
Total comprehensive loss	(5,093)	(343,740)	(184,334)	(533,167)
Included in total comprehensive income is				
Revenue	-	-	48,530	48,530

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

Group (Cont'd.)	LeBlanc KAG Sdn. Bhd.	Fatfish Capital Ltd.	DVM Allsportz Asia Sdn. Bhd.	Total
2015	RM	RM	RM	RM
Reconciliation of net assets to carrying amount : -				
As at 31st December				
Group's share of net assets	1	-	-	1
Goodwill	-	-	-	-
Elimination of unrealised profit	-	-	-	-
Carrying amount in the statement of financial position	1	-	-	1
Group's share of results : -				
Year ended 31st December				
Group's share of profit or loss from continuing operations - current year	-	(46,127)	-	(46,127)
Group's share of total comprehensive loss	-	(46,127)	-	(46,127)
Other information : -				
Dividends received	-	-	-	-

2014

Percentage of ownership interest and voting interest		33%	30%	
Summarised financial information : -				
As at 31st December				
Non-current assets		728,934	22,194	751,128
Current assets		308,171	38,106	346,277
Non-current liabilities		-	-	-
Current liabilities		(312,109)	(138,251)	(450,360)
Net assets /(liabilities)		724,996	(77,951)	647,045

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements
31st December 2014

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

Group 2014	Fatfish Capital Ltd.	DVM Allsportz Asia Sdn. Bhd.	Total
Year ended 31st December			
Loss from continuing operations	(67,739)	(58,769)	(126,508)
Other comprehensive income	-	-	-
Total comprehensive loss	(67,739)	(58,769)	(126,508)
Included in total comprehensive income is			
Revenue	-	110,000	110,000
Reconciliation of net assets to carrying amount : -			
As at 31st December			
Group's share of net assets	46,127	-	46,127
Goodwill	-	-	-
Elimination of unrealised profit	-	-	-
Carrying amount in the statement of financial position	46,127	-	46,127
Group's share of results : -			
Year ended 31st December			
Group's share of profit or loss from continuing operations			
- current year	(99,907)	(300)	(100,207)
- under recognition in prior year	8,192	-	8,192
Group's share of total comprehensive loss	(91,715)	(300)	(92,015)
Other information : -			
Dividends received	-	-	-

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

9. Other investments

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

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

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

Notes to the Financial Statements

31st December 2015

9. **Other investments (Cont'd.)**

Company	Unquoted Shares
2014	RM
Non-current	
Available-for-sale financial assets	956,000
Accumulated impairment losses	
Balance at beginning of the year	-
Impairment losses recognised	-
Balance at end of the year	-
	956,000

10. **Inventories**

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

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

11. **Trade receivables**

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

The reconciliation of the allowance account is as follows : -

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

11. **Trade receivables (Cont'd.)**

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

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

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

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

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

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

12. **Other receivables, deposits and prepayments**

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

The reconciliation of the allowance account is as follows : -

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

12. **Other receivables, deposits and prepayments (Cont'd.)**

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

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

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

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

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

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

The reconciliation of the allowance account is as follows : -

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

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

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

14. **Amount due from an associated company**

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

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

The reconciliation of the allowance account is as follows : -

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

15. **Deposits with licensed banks**

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

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

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

Notes to the Financial Statements

31st December 2015

16. **Share capital**

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

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

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

17. **Reserves**

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

Share premium

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

17. **Reserves (Cont'd.)**

Warrant reserve

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

Fair value of warrants and assumptions

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

Share option reserve

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

18. **Non-controlling interests**

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

19. **Deferred tax liabilities**

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

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

Group	As at 1st Jan	Recognised in profit or loss	As at 31st Dec
2015	RM	RM	RM
Deferred tax assets			
Unabsorbed tax losses	**(33,000)**	**-**	**(33,000)**
Unabsorbed capital allowances	**(207,000)**	**78,000**	**(129,000)**
	(240,000)	**78,000**	**(162,000)**
Deferred tax liabilities			
Accelerated capital allowances	**841,787**	**(260,470)**	**581,317**
Fair value gain on investment property	**1,072,400**	**123,600**	**1,196,000**
	1,914,187	**(136,870)**	**1,777,317**
2014			
Deferred tax assets			
Unabsorbed tax losses	(26,000)	(7,000)	(33,000)
Unabsorbed capital allowances	-	(207,000)	(207,000)
	(26,000)	(214,000)	(240,000)
Deferred tax liabilities			
Accelerated capital allowances	879,345	(37,558)	841,787
Fair value gain on investment property	952,300	120,100	1,072,400
	1,831,645	82,542	1,914,187
Company			
2015			
Deferred tax assets			
Accelerated capital allowances	**(2,800)**	**800**	**(2,000)**
Deferred tax liabilities			
Fair value gain on investment property	**1,072,400**	**123,600**	**1,196,000**
2014			
Deferred tax assets			
Accelerated capital allowances	(2,800)	-	(2,800)
Deferred tax liabilities			
Fair value gain on investment property	952,300	120,100	1,072,400

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and where the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are : -

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

20. **Borrowings**

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

20. Borrowings (Cont'd.)

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

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

21. Bank overdrafts and bill payables

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

Group

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

i) Corporate guarantee by the Company;

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

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

22. Term loan

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

22. **Term loan** (Cont'd.)

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

The term loan is secured by the following : -

i) corporate guarantee by the Company;

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

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

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

23. **Finance lease liabilities**

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

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

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

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

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

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

24. **Trade payables**

Group

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

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

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

25. Other payables and accruals

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

Group

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

Group and Company

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

Contingent consideration

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

26. Revenue

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

27. Other income

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

28. Loss before taxation

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Loss before tax is arrived at after charging : -				
Auditors' remuneration				
- Kreston John & Gan				
- current year	**90,000**	96,500	**25,000**	25,000
- under /(over) provision in previous year	**1,500**	(3,800)	-	8,000
- Other auditors	**30,000**	30,000	-	-
Amortisation of development expenditure	-	437,137	-	-
Bad debts written off	**24,190**	300,002	-	-
Depreciation of plant and equipment	**2,399,853**	2,069,556	**6,006**	15,013
Directors' remunerations				
- The Company	**475,000**	432,000	**420,000**	432,000
- Subsidiary company	**200,000**	224,000	-	-
Employee benefits expense (Note 29)	**5,315,644**	3,064,271	**1,685,741**	634,761

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

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

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Loss before tax is arrived at after charging : -				
Finance costs : -				
- Bank overdrafts	**83,628**	14,514	-	-
- Bank guarantee commission	**5,774**	12,856	-	-
- Bill payables	**27,131**	9,000	-	-
- Finance lease	**145,481**	51,919	-	-
- Term loans	**250,094**	69,079	-	-
Impairment losses on : -				
- Amount due from associated company	**162,764**	2,005	**18**	2,005
- Amount due from subsidiary companies	-	-	**3,164,544**	4,631,165
- Goodwill on consolidation	**650,000**	500,000	-	-
- Inventories	**572,990**	-	-	-
- Investment in an associated company	-	92,015	**46,127**	92,015
- Investment in subsidiary companies	-	-	**12,090,839**	1,328,000
- Other investment	**359,999**	300,000	**149,999**	-
- Other receivables	**3,987,171**	-	**47,413**	24,091
- Trade receivables	**397,586**	285,000	-	-
Lease rental	**3,696,151**	2,590,695	-	-
Loss on disposal of plant and equipment	**1,081**	-	-	-
Loss on foreign exchange : -				
- Realised	**150,190**	31,738	-	-
- Unrealised	**41,922**	-	-	-
Plant and equipment written off	**29**	4	**21**	-
Rental expenses	**179,910**	95,043	-	-
Rental of equipment	**384,473**	177,902	**5,245**	4,980
Rental of premises	**1,558,862**	986,444	**215,220**	215,220
and after crediting : -				
Bad debts recovered	**700**	-	-	-
Fair value adjustment			-	-
- investment property	**500,000**	500,000	**500,000**	500,000
- trade payables	-	30,057	-	-
- other payable and accruals	-	4,445	-	-
Gain on disposal of subsidiary company	**2,005,993**	20,200	-	-
Interest income : -				
- Fixed deposits	**212,149**	58,592	**133,000**	15,814
- Subsidiary companies	-	-	**171,903**	15,983
- Others	**37,146**	374,778	**37,146**	332,901
Rental income receivable from : -				
- Third party	**254,786**	638,262	-	628,680
- Subsidiary companies	-	-	**185,064**	185,064
- Associated company	**36,000**	21,000	-	-
Reversal of impairment loss on amount due from subsidiary companies	-	-	**519,316**	-
Unrealised gain on foreign exchange	**11,251**	-	-	-
Waiver of debts	**2,316,981**	-	-	-

Notes to the Financial Statements

31st December 2015

29. Employee benefits expense

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

Included in employee benefits expense of the Group and of the Company are directors' emoluments amounting to RM359,018 (2014 – RM296,477) and RM296,300 (2014 – RM296,477) respectively as disclosed in Note 30.

30. Directors' remuneration

	Gorup		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Directors of the Company				
Executive directors				
- Fees	**60,000**	-	**60,000**	-
- Other emoluments	**235,000**	180,000	**180,000**	180,000
- EPF contributions	**28,750**	21,600	**21,600**	21,600
- Social security cost	**568**	-	**-**	-
Non-executive directors				
- Fees	**96,000**	168,000	**96,000**	168,000
- Other emoluments	**84,000**	84,000	**84,000**	84,000
- EPF Contributions	**10,080**	10,080	**10,080**	10,080
- Social security cost	**620**	797	**620**	797
	515,018	464,477	**452,300**	464,477
Total excluding benefits-in-kind	**515,018**	464,477	**452,300**	464,477
Directors of a subsidiary company				
Executive directors				
- Fees	**200,000**	224,000	**-**	-
Total excluding benefits-in-kind	**200,000**	224,000	**-**	-

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

30. **Directors' remuneration (Cont'd.)**

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

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

31. **Income tax expense**

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

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

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

31. **Income tax expense (Cont'd.)**

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

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

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

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

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

32. **Loss per share**

Basic :

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

32. **Loss per share (Cont'd.)**

Diluted :

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

33. **Employee benefits**

Share-based payments arrangements

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

Fair value of share options and assumptions

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

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

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

34. **Disposal of subsidiary company**

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

34. **Disposal of subsidiary company (Cont'd.)**

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

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

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

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

35. **Purchase of plant and equipment**

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

36. Purchase of investment properties

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

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

37. Cash and cash equivalents

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

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

38. Segment information

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

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

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

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

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

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

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

Segment assets and liabilities

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

Segment capital expenditure

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

38. **Segmental information** (Cont'd.)

a) Business segment

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

Notes to the Financial Statements

31st December 2015

38. **Segmental information (Cont'd.)**

a) Business segment (Cont'd.)

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

Notes to the Financial Statements
31st December 2015

38. **Segmental information** (Cont'd.)

a) Business segment (Cont'd.)

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

38. **Segmental information (Cont'd.)**

a) Business segment

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

38. **Segmental information** (Cont'd.)

a) Business segment (Cont'd.)

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

38. **Segmental information** (Cont'd.)

a) Business segment (Cont'd.)

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

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

38. **Segmental information (Cont'd.)**

b) Geographical segments

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

Major customers

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

	Revenue 2015 RM	Revenue 2014 RM	Segment
All common control companies of : -			
- Customer A	7,478,392	19,925,822	ICT
- Customer B	4,063,122	9,554,758	ICT
	11,541,514	29,480,580	

39. **Financial instruments**

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows : -
i) Loans and receivables ("L&R");
ii) Available-for-sale financial assets ("AFS");
iii) Financial liabilities measured at amortised cost ("FL").

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

39. **Financial instruments** (Cont'd.)

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

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

Company	Carrying amount RM	L&R RM	AFS RM	FL RM
2015				
Financial assets				
Other investments	**2,077,001**	**-**	**2,077,001**	**-**
Other receivables	**23,230**	**23,230**	**-**	**-**
Amount due from subsidiary companies	**8,393,836**	**8,393,836**	**-**	**-**
Deposits with licensed banks	**4,366,934**	**4,366,934**	**-**	**-**
Cash and bank balances	**654,572**	**654,572**	**-**	**-**
	15,515,573	**13,438,572**	**2,077,001**	**-**
Financial liabilities				
Other payables and accruals	**(5,243,658)**	**-**	**-**	**(5,243,658)**
Amount due to a subsidiary company	**(1,153,326)**	**-**	**-**	**(1,153,326)**
	(6,396,984)	**-**	**-**	**(6,396,984)**

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

39. **Financial instruments** (Cont'd.)

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

Company	Carrying amount RM	L&R RM	AFS RM	FL RM
2014				
Financial assets				
Other investments	956,000	-	956,000	-
Other receivables	8,047	8,047	-	-
Amount due from subsidiary companies	13,651,395	13,651,395	-	-
Deposits with licensed banks	3,007,767	3,007,767	-	-
Cash and bank balances	3,103,089	3,103,089	-	-
	20,726,298	19,770,298	956,000	-
Financial liabilities				
Other payables and accruals	(5,202,852)	-	-	(5,202,852)
Amount due to a subsidiary company	(1,250,783)	-	-	(1,250,783)
	(6,453,635)	-	-	(6,453,635)

b) Net gain and losses arising from financial instruments

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

c) Financial risk management

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

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

i) Credit risk

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

39. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables

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

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

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

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

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

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

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

Group	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
2015				
Not past due	**1,207,987**	-	-	**1,207,987**
Past due 1-30 days	**2,731,669**	-	(3,377)	**2,728,292**
Past due over 30 days	**12,251,412**	(2,721,557)	(13,623)	**9,516,232**
	16,191,068	(2,721,557)	(17,000)	**13,452,511**

39. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'd.)

Group	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
2014				
Not past due	6,756,945	-	-	6,756,945
Past due 1-30 days	917,300	-	-	917,300
Past due over 30 days	5,134,917	(597,133)	-	4,537,784
	12,809,162	(597,133)	-	12,212,029

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

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

Inter–company loans and advances

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the results of the subsidiary companies regularly.

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

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

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

39. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Financial guarantees

Risk management objectives, policies and processes for managing the risk
The Company provides financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral
The maximum exposure to credit risk is RM10,749,950 (2014 – RM9,150,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

ii) Liquidity and cash flow risk

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

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

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

39. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

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

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : -

Group	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2015							
Non-derivative financial liabilities							
Trade payables	6,884,330	-	6,884,330	6,884,330	-	-	-
Other payables and accruals	12,207,636	-	12,207,636	12,207,636	-	-	-
Bank overdrafts	1,963,398	7.85	1,963,398	1,963,398	-	-	-
Bill payables	344,928	7.85	372,005	372,005	-	-	-
Term loan	4,527,519	4.95	5,491,920	627,648	627,648	1,882,944	2,353,680
Finance lease liabilities	2,968,722	2.41-7.84	3,418,509	841,344	841,332	1,735,833	-
	28,896,533		30,337,798	22,896,361	1,468,980	3,618,777	2,353,680

Notes to the Financial Statements
31st December 2015

39. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

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

Maturity analysis (Cont'd.)

Group	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2014							
Non-derivative financial liabilities							
Trade payables	8,388,690	-	8,388,690	8,388,690	-	-	-
Other payables and accruals	14,008,848	-	14,008,848	14,008,848	-	-	-
Bank overdrafts	1,979,332	7.85	1,979,332	1,979,332	-	-	-
Term loan	4,905,078	4.95	6,119,568	627,648	627,648	1,882,944	2,981,328
Finance lease liabilities	2,322,942	2.50-7.84	2,573,332	525,437	525,437	1,254,567	267,891
	31,604,890		33,069,770	25,529,955	1,153,085	3,137,511	3,249,219

Notes to the Financial Statements

31st December 2015

39. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

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

Maturity analysis (Cont'd.)

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

39. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

iii) Market risk

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

Currency risk

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

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

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

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

Group	**2015** Equity RM	Loss for the year RM	2014 Equity RM	Loss for the year RM
USD	**(23,912)**	**(23,912)**	(5,111)	(5,111)
EUR	**5,453**	**5,453**	-	-
	(18,459)	**(18,459)**	(5,111)	(5,111)

39. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

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

Interest rate risk

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

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

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

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

39. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Interest rate risk sensitivity analysis : -

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

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

iv) Operational risk

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

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

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

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

d) Fair value information

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

39. **Financial instruments (Cont'd.)**

d) Fair value information (Cont'd.)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
2015										
Financial asset										
Other investments	-	-	2,427,001	2,427,001	-	-	-	-	2,427,001	2,427,001
Financial liabilities										
Bank overdraft	-	-	-	-	-	-	1,687,983	1,687,983	1,687,983	1,963,398
Bill payables	-	-	-	-	-	-	296,543	296,543	296,543	344,928
Term loans	-	-	-	-	-	-	4,368,587	4,368,587	4,368,587	4,527,519
Finance lease liabilities	-	-	-	-	-	-	2,459,433	2,459,433	2,459,433	2,968,722
	-	-	-	-	-	-	8,812,546	8,812,546	8,812,546	9,804,567

Notes to the Financial Statements

31st December 2015

39. **Financial instruments (Cont'd.)**

d) Fair value information (Cont'd.)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
2014										
Financial asset										
Other investments	-	-	1,516,000	1,516,000	-	-	-	-	1,516,000	1,516,000
Financial liabilities										
Trade payables	-	-	375,712	375,712	-	-	-	-	375,712	375,712
Other payables and accruals	-	-	55,557	55,557	-	-	-	-	55,557	55,557
Bank overdraft	-	-	-	-	-	-	1,835,434	1,835,434	1,835,434	1,979,332
Term loans	-	-	-	-	-	-	4,760,553	4,760,553	4,760,553	4,905,078
Finance lease liabilities	-	-	-	-	-	-	2,212,043	2,212,043	2,212,043	2,322,942
	-	-	431,269	431,269	-	-	8,808,030	8,808,030	9,239,299	9,638,621

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

39. **Financial instruments (Cont'd.)**

d) Fair value information (Cont'd.)

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

Notes to the Financial Statements

31st December 2015

39. **Financial instruments (Cont'd.)**

d) Fair value information (Cont'd.)

Level 3

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

i) Financial instruments carried at fair value

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

Sensitivity analysis

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

ii) Financial instruments not carried at fair value

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

Valuation process applied by the Group for Level 3 fair value

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

40. **Capital management**

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

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

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

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

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

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

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

41. Commitments

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

The Group leases an office lot under operating leases. The lease typically run for a period of 3 years, with option to renew the lease after that date.

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

41. **Commitments (Cont'd.)**

Lease rental recognised as an expense during the financial year are amounted to RM1,217,662 (2014 – RM967,051).

42. **Contingent liabilities**

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Unsecured				
Corporate guarantees issued to banks for finance lease facility granted to a subsidiary company	-	-	**1,150,000**	1,150,000
Corporate guarantees issued to a leasing company for finance lease facility granted to a subsidiary company	-	-	**500,000**	-
	-	-	**1,650,000**	1,150,000
Secured				
Bankers' guarantees issued in favour of third parties by a licensed bank secured by way of earmarking current account against issuance of Bankers' guarantee.	**86,480**	5,000	-	-
Bank guarantees issued in favour of third parties by a licensed bank secured by the deposits pledged to the licensed bank	-	228,000	-	-
Bank guarantee issued in favour of third parties by a licensed bank through utilising part of the subsidiary company's credit facility.	7,141	-	-	-
Fixed deposit pledged to bank for credit facilities granted to subsidiary companies	**4,099,950**	3,000,000	**4,099,950**	3,000,000
Investment property pledged to a bank for bank facilities granted to a subsidiary company	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Letter of credits issued in favour of third parties	**102,979**	-	-	-
	9,296,550	8,233,000	9,099,950	8,000,000

42. Contingent liabilities (Cont'd.)

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

	2015	2014
Letter of credits		
US Dollar	**RM102,979**	-

43. Related parties

Identity of related parties

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

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

The Group has related party relationship with its subsidiary companies, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are show below. The related party balances are shown in Note 11, 13, 14, 24 and 25.

a) Related party /companies transactions : -

i) Transactions with subsidiary companies : -

	Company	
	2015 RM	2014 RM
Rental of premise		
- Key Alliance Sdn. Bhd.	**99,996**	99,996
- DVM Innovate Sdn. Bhd.	**73,152**	73,152
- Design Dept Sdn. Bhd.	**11,916**	11,916

ii) Transaction with an associated company : -

	Group	
	2015 RM	2014 RM
Rental of premise		
- DVM Allsportz Asia Sdn. Bhd.	**36,000**	21,000

43. **Related parties (Cont'd.)**

Significant related party transactions (Cont'd.)

a) Related party /companies transactions : - (Cont'd.)

iii) Transaction with a non-controlling corporate shareholder of a subsidiary company : -

	Group and Company	
	2015	2014
	RM	RM
Rental of equipment		
- Digital Paper Sdn. Bhd.	**3,445**	3,180

iv) Transaction with a company director : -

	Group	
	2015	2014
	RM	RM
Sale of kitchen appliances		
- Roy Ho Yew Kee	**4,634**	-

b) Compensation of key management personnel

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

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Short-term employee benefits	**676,188**	656,797	**420,620**	432,797
Post-employment benefits : -				
- Defined contribution plan				
- EPF	**38,830**	31,680	**31,680**	31,680
	715,018	688,477	**452,300**	464,477

Included in the total key management personnel are : -

	Group		Company	
	2015	2014	**2015**	2014
	RM	RM	**RM**	RM
Directors' remuneration (Note 30)				
- Directors of the Company	**515,018**	464,477	**452,300**	464,477
- Directors of the subsidiary companies	**200,000**	224,000	-	-
	715,018	688,477	**452,300**	464,477

44. **Acquisition of subsidiary and non-controlling interests**

i) Acquisition of non-controlling interest – Design Dept Sdn. Bhd.

On 16th January 2014, the Company acquired an additional 50% interest in Design Dept Sdn. Bhd. ("DDSB") for RM1 in cash increasing its ownership from 50% to 100%.

The effects to the result of the Group for the financial year and effects had the acquisition taken effect at the beginning of the financial year are not material.

Following the acquisition of the remaining 50% equity interest in DDSB, the subsidiary increased its issued and paid-up share capital by additional 199,998 ordinary shares which was fully subscribed by the Company at cash of RM199,998.

ii) Acquisition of subsidiary – Precious Essence Sdn. Bhd.

On 3rd April 2014, the Company entered into an agreement with two individuals to acquire 2 shares in Precious Essence Sdn. Bhd. ("PESB") which represent the entire equity interest in PESB at a total consideration of RM328,002.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date : -

Fair value of consideration transferred

	Group 2014
Cash and cash equivalents	RM328,002

Identifiable assets acquired and liabilities assumed

	Group 2014 RM
Cash and cash equivalents	21
Liabilities	(800)
Total net assets acquired	(779)

Net cash outflow arising from acquisition of subsidiary

	Group 2014 RM
Purchase consideration settled in cash and cash equivalents	328,002
Cash and cash equivalents	(21)
	327,981

44. **Acquisition of subsidiary and non-controlling interests (Cont'd.)**

ii) Acquisition of subsidiary – Precious Essence Sdn. Bhd. (Cont'd.)

Goodwill was recognised as a result of the acquisition as follows : -

	Group 2014 RM
Total consideration transferred	328,002
Fair value of identifiable net assets	779
	328,781

iii) Acquisition of subsidiary – Digital Paper Solutions Sdn. Bhd.

On 5th May 2014, the Company entered into an agreement with Digital Paper Sdn. Bhd. ("DPSB") to acquire 153,000 shares in its subsidiary, Digital Paper Solutions Sdn. Bhd. ("DPSSB") representing the 51% of the entire issued and paid up capital of DPSSB for a total consideration of RM257,036. DPSSB, a company incorporated in Malaysia and principally engaged in trading and rental of office equipments. In the seven months to 31st December 2014, the subsidiary contributed revenue of RM13,752,567 and profit of RM668,343 . If the acquisition had occurred on 1st January 2014, management estimates that consolidated revenue would have been RM22,471,819 and consolidation profit for the financial year would have been RM1,636,844. In determining these amounts, management has assumed that the fair value adjustments, determining provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1st January 2014.

Contingent consideration arrangement

As part of the sale and purchase agreement with the DPSB, a portion of the purchase consideration for the DPPSB acquisition is subject to the following arrangement and considered to be a contingent consideration : -

a) contingent consideration will be satisfied, either by cash, via the issuance of KAG Shares ("Earn-Out Shares"), or a combination of both;

b) in the event KAG decides to satisfy the contingent consideration by way of cash, the following shall apply : -

   i) if the annual Net profit after tax ("NPAT") of DPSSB for financial year ending 31st December 2014 less than RM150,000 ("Earn-Out Benchmark"), no contingent consideration will be given to DPSB; or

   ii) for every RM1 of annual NPAT of DPSSB for financial year ending 31st December 2014, DPSB will be entitled to a sum equivalent to the following formula : -

   51% x 6PE x NPAT

   51% x 6PE x RM1,636,844 = RM5,008,000

44. **Acquisition of subsidiary and non-controlling interests (Cont'd.)**

iii) Acquisition of subsidiary – Digital Paper Solutions Sdn. Bhd. (Cont'd.)

c) in the event KAG decides to satisfy the contingent consideration by way of issuance of Earn-Out Shares, the following shall apply : -

i) KAG has receipt of the approval of Bursa Securities for the listing and quotation of the Earn-Out Shares;

ii) If the annual NPAT of DPSSB for financial year ending 31st December 2014 less than RM150,000 ("Earn-Out Benchmark"), no Earn-Out Shares will be issued to DPSB; or

iii) For every RM1 of annual NPAT of DPSSB for financial year ending 31st December 2014, the Earn-Out Shares will be issued to DPSB based on the following formula at an issue price based on the 5 day volume weighted average price of KAG Shares or RM0.10 each, whichever is higher credited as fully paid-up and ranking pari passu in all respects with KAG Shares on the date of the issuance of the Earn-out Shares : -

51% x 6PE x NPAT

iv) there are no participating rights or entitlement conferred on any Earn-Out Shares and DPSB will not entitled to participate with respect to any Earn-Out Shares in new issues in the capital offered to ordinary shareholders pending the issue of the Earn-Out Shares; and

v) any Earn-Out Shares is to be credited as fully paid ordinary shares, any rights in relation to them are not transferable prior to their issue, and their issue is subject to any restriction on selling of the ordinary shares once the same has been issued.

d) in the event KAG decides to satisfy the contingent consideration by way of combination of cash and issuance of Earn-Out Shares, the terms and conditions of above shall be applicable.

e) in any event, a maximum of RM10,000,000 worth of contingent consideration will be given to DPSB. For example, if the annual NPAT is RM6,000,000 or more, DPSB will only be entitled to RM10,000,000 contingent consideration.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date : -

Fair value of consideration transferred

	Group 2014 RM
Cash and cash equivalents	257,036
Contingent consideration	5,008,000
	5,265,036

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

44. **Acquisition of subsidiary and non-controlling interests (Cont'd.)**

iii) Acquisition of subsidiary – Digital Paper Solutions Sdn. Bhd. (Cont'd.)

Identifiable assets acquired and liabilities assumed

	Group 2014 RM
Cash and cash equivalents	40,613
Intercompany	(500,000)
Assets	12,697,780
Liabilities	(10,551,749)
Total net assets acquired	1,686,644
Non-controlling interests	(826,456)
	860,188

Net cash outflow arising from acquisition of subsidiary

	Group 2014 RM
Purchase consideration settled in cash and cash equivalents	257,036
Cash and cash equivalents	(40,613)
	216,423

Goodwill was recognised as a result of the acquisition as follows :

	Group 2014 RM
Total consideration transferred	5,265,036
Fair value of identifiable net assets	(860,188)
	4,404,848

iv) Acquisition of subsidiary – GE Green Sdn. Bhd.

On 24th June 2014, the Company acquired all the shares in GE Green Sdn. Bhd. ("GEGSB"), a company incorporated in Malaysia for a total consideration of RM7,000,000. The subsidiary is principally engaged in sale of kitchen appliances in Malaysia. In the six months to 31st December 2014, the subsidiary contributed revenue of RM2,920,139 and loss of RM102,796. If the acquisition had occurred on 1st June 2014, management estimates that consolidated revenue would have been RM25,676 and consolidation profit for the financial year would have been RM5,965,063. In determining these amounts, management has assumed that the fair value adjustments, determining provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1st June 2014.

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

44. **Acquisition of subsidiary and non-controlling interests (Cont'd.)**

iv) Acquisition of subsidiary – GE Green Sdn. Bhd. (Cont'd.)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date : -

Fair value of consideration transferred

	Group 2014 RM
Cash and cash equivalents	7,000,000

Identifiable assets acquired and liabilities assumed

	Group 2014 RM
Cash and cash equivalents	79,109
Assets	8,181,869
Liabilities	(6,052,570)
Total net assets acquired	2,208,408

Net cash outflow arising from acquisition of subsidiary

	Group 2014 RM
Purchase consideration settled in cash and cash equivalents	7,000,000
Cash and cash equivalents	(79,109)
	6,920,891

Goodwill was recognised as a result of the acquisition as follows : -

	Group 2014 RM
Total consideration transferred	7,000,000
Fair value of identifiable net assets	(2,208,408)
	4,791,592

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

45. **Significant events**

a) On 25th February 2014, the Company announced its intention of undertaking a proposed private placement of up to 10% of the issued and paid up share capital of the company. On 22nd September 2014, Bursa Malaysia Securities Berhad granted the Company an extension of time until 19th March 2015 to complete the Private Placement. On 16th March 2015, Bursa Malaysia Securities Berhad granted the Company another extension of time until 19th September 2015 to complete the Private Placement. On 18th September 2015, Bursa Malaysia Securities Berhad granted the Company a further extension of time until 19th March 2016 to complete the Private Placement.

On 8th January 2016, Company has fixed the issue price for the placement of 58,080,000 placement shares at RM0.05 per Placement Share.

On 18th January 2016, 58,080,000 ordinary shares of RM0.05 each were allotted and issued pursuant to the Private Placement and listed on the Bursa Securities Malaysia Berhad.

b) On 5th May 2014, the Company entered into a Shares Sale Agreement with Digital Paper Sdn. Bhd. ("DPSB") to acquire 153,000 ordinary shares of RM1.00 each in Digital Paper Solutions Sdn. Bhd. ("DPSSB"), representing 51% of equity interest in DPSSB, with a total purchase consideration of RM257,036. However, in the event that DPSSB satisfies the Earn-Out Incentives via issuance of Earn-Out Shares, or in a combination of cash and issuance of Earn-Out Shares, the net assets per share of the Group may have certain effects and the share capital and substantial shareholders' holdings would have reflected the number of new shares to be issued.

On 25th November 2015, Company entered into a supplemental agreement with DPSB to amend and vary the calculation of Earn-Out Incentive of the Share Sale Agreement due to the change in the par value of Company's ordinary shares from RM0.10 each to RM0.05 each.

On 30th November 2015, Company proposed to undertake the proposed issuance of 100,174,853 new ordinary shares of RM0.05 each in Company to DPSB for the 51% equity interest in DPSSB at an issue price of RM0.05 per Earn-Out Shares as Earn-Out Incentive. The proposal is subject to the approval from the shareholders of the Company to be held on 27th April 2016.

c) On 11th February 2015, the Company proposed to reduce the issued and fully paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965 involving the cancellation of RM0.05 of the par value of the ordinary shares of RM0.10 each in the Company to RM0.05 each in the Company ("Proposed Par Value Reduction").

Besides, the Company also proposed amendment to the Memorandum of Association of the Company to facilitate the Proposed Par Value Deduction ("Proposed Amendment").

The Proposed Par Value Reduction and the Proposed Amendment are inter-conditional upon each other.

The Proposed Par Value Reduction and the Proposed Amendment have been approved at the Extraordinary General Meeting held on 10th April 2015. On 29th May 2015, the Proposed Par Value Reduction was affirmed and approved by the High Court.

45. **Significant events (Cont'd.)**

d) On 11th February 2015, the Company proposed establishment and implementation of a share issuance scheme of up to 30% of the Company's issued and fully paid-up share capital (excluding treasury shares, if any) at any one time during the duration of the scheme ("Proposed SIS"), for Directors and employees of the Company and its subsidiaries, the Group (excluding dormant subsidiaries) who fulfil the eligibility criteria.

Subsequently, on 24th February 2015, the Bursa Malaysia Securities Berhad approved the listing of such number of new Company Shares, representing up to 30% of the issued and fully paid-up ordinary share capital (excluding treasury shares, if any) of the Company, to be issued pursuant to the exercise of options under the Proposed SIS. The Proposed SIS has been approved at the Extraordinary General Meeting held on 10th April 2015.

On 7th May 2015, Company announced that the effective date for the implementation of the SIS is 7 May 2015, which is the date of full compliance of the SIS in accordance with Rule 6.44(1) of the Listing Requirements.

On 23rd October 2015, Company revised the exercise price of Options offered from RM0.10 to RM0.05 due to the par value reduction.

e) On 13th February 2015, the Company invested 50% equity interest in a newly incorporated company, Pacifica KAG Sdn. Bhd. for a total consideration of RM1.00. On 9th March 2015, the Company acquired the remaining 1 ordinary shares of RM1.00 each in Pacifica KAG Sdn. Bhd. ("PKSB"), representing 50% equity interest in PKSB, for a total cash consideration of RM1.00. Following the acquisition, Pacifica KAG Sdn. Bhd. became the wholly-owned subsidiary of the Company. The acquisition does not have any significant impact to the financial statements of the Group.

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

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

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Notes to the Financial Statements

31st December 2015

46. Comparative figures

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

Group	As reclassified RM	As previously report RM
Consolidated Statement of Profit or Loss and Other Comprehensive Income : -		
- Selling and distribution costs	91,888	145,730
- Other expenses	4,443,203	4,389,361
Company		
Statement of Profit or Loss and Other Comprehensive Income : -		
- Selling and distribution costs	-	53,842
- Other expenses	6,146,131	6,092,289

47. Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group and of the Company at 31st December, into realised and unrealised losses, pursuant to Rules 2.07 and 2.23 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements, are as follows : -

Group	2015 RM	2014 RM
Total accumulated losses of the Company and its subsidiaries:		
- realised	**(29,180,279)**	(49,814,008)
- unrealised	**(599,256)**	(658,126)
	(29,779,535)	(50,472,134)
Total share of retained profits /(accumulated losses) of an Associate	**(253,253)**	230,941
Less : Consolidation adjustments	**19,049,561**	19,420,969
Total accumulated losses	**(10,983,227)**	(30,820,224)

Company	2015 RM	2014 RM
Total accumulated losses of the Company		
- realised	**(15,771,672)**	(28,002,690)
- unrealised	**(501,270)**	(376,870)
Total accumulated losses	**(16,272,942)**	(28,379,560)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20th December 2010.

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Goh Kian Seng and Roy Ho Yew Kee, being two of the directors of Key Alliance Group Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 11 to 116 are drawn up in accordance with applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31st December 2015 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 47 on page 117 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

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

Dato' Goh Kian Seng

Roy Ho Yew Kee

Petaling Jaya,
Date: 19 APR 2016

Key Alliance Group Berhad
(Incorporated In Malaysia, Company No. 609953 – K)

Statutory Declaration

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

I, Dato' Goh Kian Seng, being the director primarily responsible for the financial management of Key Alliance Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 116, to the best of my knowledge and belief, are correct.

And, I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Kuala Lumpur on 19 APR 2016

Dato' Goh Kian Seng

Before me

PESURUHJAYA SUMPAH
NO:W320
D. SELVARAJ
MALAYSIA

27B, JALAN PERKASA 1
N MALURI, CHERAS
KUALA LUMPUR.

Commissioner of Oaths

KEY ALLIANCE GROUP BERHAD (609953-K)
(Incorporated in Malaysia)
FOURTH QUARTER ENDED 31 DECEMBER 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	2016	2015	2016	2015
	CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
REVENUE	8,036	9,958	27,545	39,487
Operating profit	814	(3,802)	(3,193)	(5,274)
Other income	21	56	315	226
Interest income	45	63	192	250
Amortisation and depreciation	(384)	(534)	(1,542)	(2,510)
Interest expense	(156)	(125)	(556)	(489)
Fair value adjustment on investment	0	500	0	500
Share of results of associate company	0	0	0	(46)
Profit/(Loss) before taxation	340	(3,842)	(4,784)	(7,343)
Taxation	0	101	0	78
Profit/(Loss) after taxation	340	(3,741)	(4,784)	(7,265)
Profit/(loss) attributable to:				
Equity holders of the company	231	(3,542)	(4,818)	(8,520)
Non-controlling interest	109	(199)	34	1,255
Profit/(Loss) after taxation	340	(3,741)	(4,784)	(7,265)
Weighted average number of shares in issue ('000)	704,424	580,800	704,424	580,800
Earnings per share (sen) - basic	0.03	(0.61)	(0.68)	(1.47)

The unaudited condensed consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial statements.

KEY ALLIANCE GROUP BERHAD (609953-K)
(Incorporated in Malaysia)
FOURTH QUARTER ENDED 31 DECEMBER 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT END OF CURRENT QUARTER 12/31/2016 (Unaudited) RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 12/31/2015 (Audited) RM'000
ASSETS		
Non-current Assets		
Property, Plant and Equipment	26,706	21,268
Other investment	2,131	2,427
Goodwill	8,047	8,375
	36,884	**32,070**
Current Assets		
Inventories	7,944	6,773
Trade and other receivables	19,623	17,601
Amount owing by associate	87	-
Tax recoverable	507	186
Fixed deposits with licensed banks	6,174	5,668
Cash and bank balances	2,401	2,508
	36,736	**32,736**
TOTAL ASSETS	**73,620**	**64,806**
EQUITY AND LIABILITIES		
Capital and Reserves		
Issued capital	40,953	29,040
Share premium	9,554	10,087
Accumulated loss	(14,748)	(10,983)
Share option reserve	0	1,053
Warrants reserve	3,775	3,775
	39,534	**32,972**
Non-controlling interest	1,356	1,322
Total Equity	**40,890**	**34,294**
Non-current Liability		
Deferred tax liabilities	1,615	1,615
Borrowings	6,901	6,302
	8,516	**7,917**
Current Liabilities		
Trade and other payables	19,417	14,084
Bank overdrafts	2,507	1,963
Bank borrowings	2,290	1,540
Contingent consideration	0	5,008
	24,214	**8,511**
Total Liabilities	**32,730**	**16,428**
TOTAL EQUITY AND LIABILITIES	**73,620**	**50,722**
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.0561	0.0568

The unaudited condensed consolidated Balance Sheet should be read in conjuction with the annual audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial statements.

KEY ALLIANCE GROUP BERHAD (609953-K)
(Incorporated in Malaysia)
FOURTH QUARTER ENDED 31 DECEMBER 2016

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	12-MONTHS ENDED 31/12/16 (Unaudited) RM'000	12-MONTHS ENDED 31/12/15 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(4,784)	(7,707)
Adjustment for:		
Non-cash items	2,813	4,863
Non-operating items	364	263
Operating loss before working capital changes	**(1,607)**	**(2,581)**
Net changes in current assets	(3,193)	(211)
Net changes in current liabilities	5,333	1,155
Cash used in operations	533	(1,637)
Interest paid	(556)	(512)
Net tax paid	(316)	(756)
Net cash used in operating activities	**(339)**	**(2,905)**
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	192	249
Placement of fixed deposits	(506)	(1,398)
Purchase of property, plant and equipment	(5,393)	(2,291)
Proceeds from disposal of plant and equipment	31	3
Advance to an associate	(87)	(163)
Net cash flow on deemded disposal of subsidiary	0	(6)
Purchase of investment	296	(1,271)
Net cash used in investing activities	**(5,467)**	**(4,877)**
CASH FLOWS FOR FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to private placement	2,904	-
Proceeds from share issuance scheme	4,000	-
Share issuance expenses	(533)	(188)
Repayment of finance lease iahilities	(803)	(463)
Repayment of term loan	(413)	(378)
Proceeds from bill payables	0	345
Net cash (used in)/generated from financing activities	**5,155**	**(684)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(651)**	**(8,466)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	**545**	**9,011**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	**(106)**	**545**
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Fixed deposits with licensed bank	6,174	5,668
Cash and bank balances	2,401	2,508
Bank overdrafts	(2,507)	(1,963)
	6,068	6,213
Less : Fixed deposits pledged	(6,174)	(5,668)
	(106)	**545**

The unaudited condensed consolidated Cash Flow Statement should be read in conjunction with the annual audited financial statements for tbe financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial statements.

KEY ALLIANCE GROUP BERHAD (609953-K)
(Incorporated in Malaysia)
FOURTH QUARTER ENDED 31 DECEMBER 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Share Premium	Warrant Reserve	Share Option Reserve	Accumulated Loss	Non - Controlling Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as of 1 January 2016	29,040	10,087	3,775	1,053	(10,983)	1,322	34,294
Total comprehensive loss for the period	0	0	0	0	(4,818)	34	(4,784)
Exercise of share issuance scheme	4,000	0	0	(1,053)	1,053	0	4,000
Share issuance	7,913	(533)	0	0	0	0	7,380
Balance as of 31 December 2016	40,953	9,554	3,775	0	(14,748)	1,356	40,890

	Issued Capital	Share Premium	Warrant Reserve	Capital Reserve	Accumulated Loss	Non - Controlling Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as of 1 January 2015	58,080	10,275	3,775	0	(30,820)	51	41,361
Total comprehensive loss for the period	0	0	0	0	(8,520)	1,255	(7,265)
Share issuance scheme granted	0	0	0	1,034	0	0	1,034
Par value reduction	(29,040)	(188)	0	0	29,040	0	(188)
Balance as of 31 December 2015	29,040	10,087	3,775	1,034	(10,300)	1,306	34,942

The unaudited condensed consolidated Statement of Changes in Equity should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial statements.

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the fourth quarter ended 31 December 2016

A. EXPLANATORY NOTES

A1. Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Malaysia Financial Reporting Standards ("MFRSs") 134 – *Interim Financial Reporting* and Rule 9.22 of the ACE Marketing Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2015.

The significant accounting policies adopted by the Group are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015.

The explanatory notes provides an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

A2. Auditors' Report

The auditors' report for the Group's annual financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

A3. Seasonal or Cyclical Factors

The Group does not experience any significant seasonal or cyclical sales cycle. However, there may be fluctuations between the quarters due to the nature of the Group's integration businesses which are secured on a project by project basis.

A4. Unusual Items

During the financial quarter under review, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

A5. Material Changes in Estimates

There were no changes in the estimate of amounts reported in the prior quarter or financial year which have material effect on the current quarter results.

A6. Changes in Debts and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares during the current quarter under review.

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report
For the fourth quarter ended 31 December 2016

A7. Dividend

No dividend has been declared or paid during the current financial year-to-date under review.

A8. Segmental Reporting

The Group's reportable segments were identified as follows:

- Information Communication Technology ("ICT") Services – Provision of comprehensive range of ICT and other information technology related services including trading of hardware and software and related services
- Kitchen Appliances Services – Provision of distributing and reselling of kitchen appliances and related services
- Property Business – The business property development and property investment. This business has not commenced for the current quarter under review.

Other non-reportable comprise operations related to investment holding and 3D interior design and image consultants' services.

Business Segments	ICT Services	Kitchen Appliances Services	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Current quarter ended 31 December 2016					
Revenue	5,538	2,194	304	-	8,036
Segment results	748	403	(431)	51	771
Interest expenses					(156)
Interest income					45
					660
Loss on disposal of subsidiary					(320)
Loss before tax					340
Segment assets	23,455	5,933	39,416	4,816	73,620

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report
For the fourth quarter ended 31 December 2016

A8. Segmental Reporting (Cont'd)

Bnsiness Segments	ICT Services	Kitchen Appliances Services	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
For the quarter ended 31 December 2015					
Revenue	7,628	995	1,334	-	9,957
Segment results	(1,550)	(639)	(1,002)	61	(3,130)
Interest expenses					(125)
Interest income					63
					(3,192)
Share of loss of associate					(650)
Loss before tax					(3.842)
Segment assets	19,020	730	50,125	(7,421)	62,454

A9. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment were brought forward without any amendments from the preceding annual financial statements.

A10. Subsequent Events

There were no material events subsequent to the end of the current quarter under review up to the date of this quarterly report.

A11. Changes in the Composition of the Group

On 19 October 2016, the Group has disposed its entire interest in Precious Essence Sdn Bhd (PESB) at RM2.00. The principal activity of PESB is to carry on the business of a real property company.

There were no other material changes to the composition of the Group for the current quarter under review.

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the fourth quarter ended 31 December 2016

A12. Changes in Contingent Assets and Contingent Liabilities

Contingent liabilities of the Group as at 31 December 2016 are as follows:

	Group Level	
	As at 31 December 2016	**As at 31 December 2015**
Secured	**RM'000**	**RM'000**
Bank guarantees issued in favour of third parties for projects secured by subsidiaries	5,487	1,517

A13. Capital Commitments

Capital commitments of the Group as at 31 December 2016 is as follow:

	RM'000
Instalments payable for properties	458

There were no other material capital commitments for the purchase of property, plant and equipment incurred or known to be incurred for in the current quarter under review.

A14. Change of Financial Year End

On 29 November 2016, the Company had announced to Bursa Malaysia Securities Berhad that the Company had changed its financial year end from 31 December 2016 to 31 March 2017. Accordingly, the next audited report of the Group and the Company shall be for a period of 15 months, made up from 1 January 2016 to 31 March 2017.

Thereafter, the subsequent financial years of the Company shall end on 31 March every year.

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the fourth quarter ended 31 December 2016

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. Review of Performance

The Group recorded revenue of RM8.04 million, 19.28% lower than RM9.96 million recorded in the corresponding quarter last year.

The Group recorded a net profit after taxation of RM0.34 million as compared to the last year corresponding quarter's loss after taxation of RM3.84 million. This performance is as a result of the overprovision of cost and delivery of projects for the quarter under review.

The performance of the respective business segments for the quarter ended 31 December 2016 as compared to the last year corresponding quarter is analysed as follows:-

1) ICT Services

The ICT services segment recorded revenue of RM5.54 million in the current financial quarter ended 31 December 2016 compared to RM7.63 million in the last year corresponding quarter. This is due to the completion of the maintenance project. Digital Paper Solutions Sdn Bhd has recorded revenue of RM5.45 million for the quarter under review, representing an increase of 5.62% as compared to revenue of RM5.16 million for the last year corresponding quarter.

2) Kitchen Appliances Services

The kitchen appliance services segment recorded revenue of RM2.19 million in the current financial quarter ended 31 December 2016 compared to RM1.00 million in the last year corresponding quarter. This is due to the delivery of appliances for projects.

3) Property Business

The Property Business segment has not commenced for the quarter under review.

B2. Future Prospect

The Board is of the view that the Group's prospect will remain challenging in near future.

B3. Changes in Profit/Loss before Taxation against Immediate Preceding Quarter

For the current quarter under review, the Group's revenue was RM8.04 million represents an increase of RM2.63 million as compared to immediate preceding corresponding quarter revenue of RM5.41 million.

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the fourth quarter ended 31 December 2016

B3. Changes in Profit/Loss before Taxation against Immediate Preceding Quarter (Con't)

Current quarter recorded a profit after tax of RM0.34 million as compared to a loss after tax of RM1.69 million for the immediate preceding corresponding quarter.

The performance of the respective business segments for the quarter ended 31 December 2016 as compared to the immediate preceding corresponding quarter is analysed as follows:-

1) ICT Services

The ICT services segment recorded revenue of RM5.45 million in the current financial quarter ended 31 December 2016 compared to RM4.89 million in the immediate preceding corresponding quarter. This is due to the higher billing for the current quarter.

2) Kitchen Appliances Services

The kitchen appliances services segment recorded revenue of RM2.19 million in the current financial quarter ended 31 December 2016 as compared to immediate preceding corresponding quarter revenue of RM0.53 million. This segment recorded a profit after taxation of RM0.38 million in the current quarter under review as compared to immediate preceding corresponding quarter loss after taxation of RM0.64 million. This is due to the billing and delivery of appliances for project.

B4. Profit Forecast

(a) No profit forecast was announced hence there was no comparison made with the actual results.

(b) There is no shortfall in profit guarantee as the Group did not provide any profit guarantee.

B5. Taxation

	12-months ended 31/12/2016 RM'000	12-months ended 31/12/2015 RM'000
Income tax		
- Current year provision	-	284
- Under/(over) provision in previous year	-	1
Deferred taxation	-	(59)
Total	-	226

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

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the fourth quarter ended 31 December 2016

B6. Profit on sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments and/or properties for the current quarter and financial year-to-date under review.

B7. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities for the current quarter and financial year-to-date under review. The Group does not have any material investment in quoted securities as at the reporting date.

B8. Corporate Proposals

Multiple Proposals

On 18 May 2016, the Company ("Company" or "KAG") announced the following proposals:

(I) proposed diversification of the business of KAG and its subsidiaries into the business of construction, property development and property investment ("**Proposed Diversification**");

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

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

(IV) proposed amendment to the Memorandum of Association of the Company ("**Proposed Amendment**")

The above proposals have been approved by the shareholders at the extraordinary general meeting on 18th July 2016.

Bursa Securities had vide its letter dated 20 December 2016 resolved to approve the extension of time for a period of six (6) months from 16 December 2016 until 15 June 2017.

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report
For the fourth quarter ended 31 December 2016

B9. Group Borrowings and Debt Securities

	Short-term RM'000	Long-term RM'000	Total RM'000
Secured			
Finance Lease	953	3.210	4,163
Term loan	423	3,692	4,115
Letter of credit	914	-	914
Bank overdraft	2,507	-	2,507
Total	4,797	6,902	11,699

B10. Off Balance Sheet Financial Instruments

The Group does not have any off-balance sheet financial instruments as at the date of this quarterly report.

B11. Material Litigation

Save as disclosed below, the Group is not aware of any other proceedings pending against the Group or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Group.

Shah Alam High Court Suit No: 21NCVC-65-12/2015 ("Court")
There is a proposed settlement negotiation between DVMI and KKM.

Due to the above negotiation, the learned Judge directed as follows:

(1) Trial dates on 9 and 10 January 2017 be vacated;
(2) Unless order is given for parties to settle the matter otherwise the Trial will proceed;
(3) Case Management date is fixed on 15 March 2017 pending settlement between the parties;
(4) Trial dates will be fixed on 15 March 2017 if parties are unable to settle the matter.

B12. Dividend

No dividend has been declared or paid during the current quarter and the financial year-to-date under review.

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the fourth quarter ended 31 December 2016

B13. Loss Before Tax

Loss for the period is arrived after crediting/(charging) the following:

	Quarter Ended		Cumulative Year-To-Date Ended	
	31/12/2016 RM'000	**31/12/2015 RM'000**	**31/12/2016 RM'000**	**31/12/2015 RM'000**
Interest income	45	63	192	250
Interest expense	(156)	(125)	(556)	(489)
Depreciation & amortization	(384)	(534)	(1,542)	(2,510)
Reversal of impairment loss on receivables	10	-	57	-
Gain on disposal of property, plant and equipment	9	-	30	-
Fixed assets written off	(8)	-	(106)	-
Impairment on trade receivable	-	(7)	(44)	(1,669)
Bad debts written (off)/back	-	-	-	-
Unrealised foreign gain/(loss)	(86)	-	(109)	-
Gain/(loss) on disposal of subsidiary	(320)	-	(320)	1,952
Fair value adjustment asset	-	500	-	500

B14. Realised and Unrealised Profits/(Losses)

The realised and unrealised profits/(losses) of the group for the period ended are as follows:

	As at 31 December 2016 RM'000	**As at 31 December 2015 RM'000**
Total accumulated loss		
Realised	(32,583)	(29,180)
Unrealised	(599)	(599)
	(33,182)	(29,779)
Share of accumulated losses of an associate company	(253)	(253)
Consolidated adjustments	18,687	19,049
	(14,748)	(10,983)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20th December 2010.

KEY ALLIANCE GROUP BERHAD *(Company No. 609953-K)*
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the fourth quarter ended 31 December 2016

B15. Status of utilization of proceeds

Private Placement

On 18 January 2016, the Company had announced the completion of issuanee of 58,080,000 new ordinary shares of RM0.05 each representing 10% of the issued and paid-up share capital of the Company on the ACE Market of Bursa Securities. The breakdown of the utilisation proceeds as at 31 December 2016 is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation
Purchase of computer hardware	1,000	1,000	-
Data centre operations	1,704	-	Within 12 months
Expenses in relation to the private placement	200	200	-

B16. Earnings per Share

Basic

The earnings per share for the current quarter and cumulative quarter year-to-date are computed as follows:

	Quarter Ended		Year-To-Date Ended	
	31/12/2016 RM'000	**31/12/2015 RM'000**	**31/12/2016 RM'000**	**31/12/2015 RM'000**
Net profit/(loss) for the period (RM'000)	231	(3,542)	(4,818)	(8,520)
Weighted average number of ordinary shares in issue ('000)	704,424	580,800	704,424	580,800
Earnings per share (sen)	0.03	(0.61)	(0.68)	(1.47)

Diluted

The fully diluted loss per ordinary share for the Group for the current financial period is not presented as the warrants would be anti-dilutive as the exercise price is higher than the fair value of the Company's shares.

KEY ALLIANCE

Date: 16 MAR 2017

To: The Entitled Shareholders of Key Alliance Group Berhad ("KAG" or the "Company")

Dear Sir / Madam,

On behalf of the Board of Directors of KAG ("**Board**"), I wish to report that after due enquiry by us in relation to the interval between the period from 31 December 2015 (being the date to which the last audited consolidated financial statements of the Company and its subsidiaries ("**Group**") have been made up) to the date hereof (being a date not earlier than 14 days before the date of issuance of this Abridged Prospectus), that:-

(i) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;

(ii) in the opinion of the Board, since the last audited consolidated financial statements of the Group, no circumstances that has adversely affected the trading or the value of the assets of the Group has arisen;

(iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) save as disclosed in this Abridged Prospectus, there are no contingent liabilities that has arisen by reason of any guarantee or indemnities given by the Group;

(v) there has not been, since the last audited consolidated financial statements of the Group, any default or known event that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowings of the Group;

(vi) save as disclosed in the unaudited consolidated financial statements of the Group for the 12-month financial period ended 31 December 2016 as set out in Appendix VI of this Abridged Prospectus, there has not been, since the last audited consolidated financial statements of the Group, any material changes in the published reserves or unusual factors affecting the profits of the Group; and

(vii) as disclosed above and up the date of this letter, no other reports are required in relation to items (i) to (vi) above.

Yours faithfully
For and behalf of the Board of
KEY ALLIANCE GROUP BERHAD

ROY HO YEW KEE
Executive Director

KEY ALLIANCE GROUP BERHAD (609953-K)
Lot 11.3, 11th Floor, Menara Lien Hoe, No.8, Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: +6 03 7805 3868 Fax: +6 03 7805 3863
www.kag.eom.my

1. SHARE CAPITAL

(i) Save for the Rights Shares, Warrants B and new Shares to be issued pursuant to the exercise of the Warrants B, no securities will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issuance of this Abridged Prospectus.

(ii) As at the LPD, there is only one (1) class of shares in the Company, namely ordinary shares in the Company, all of which rank *pari passu* with one another.

(iii) As at the LPD, save as disclosed below and the Rights Shares and Warrants B, no person has been or is entitled to be granted an option to subscribe for any securities of the Company and no capital of the Company is under any option or agreed conditionally or unconditionally to be put under any option:-

(a) 290,400,000 outstanding Warrants A carrying the right to subscribe for one (1) new Share at an exercise price of RM0.10 per Warrant A; and

(b) under the SIS, the Company may grant SIS Options carrying the right to subscribe for new Shares up to but not exceeding 30% of the Company's total number of issued shares (excluding treasury shares, if any) at any one time throughout the duration of the five (5) years from the effective date of the SIS i.e. 7 May 2015. As at the LPD, 174,240,000 SIS Options have been granted, out of which 80,000,000 SIS Options have been exercised.

2. DIRECTORS' REMUNERATION

An extract of the provisions in the Company's Articles of Association ("**Articles**") in relation to the remuneration of its Directors are as follows:-

Remuneration of Directors
Article 90

The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine (or failing agreement, equally), PROVIDED ALWAYS that:-

(a) fee payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(b) salaries payable to Directors who hold an executive office in the Company may not include a commission on or percentage of turnover.

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.

(d) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Remuneration of Director holding executive office
Article 118

The remuneration of a Director holding an executive office pursuant to the Articles shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

3. MATERIAL CONTRACTS

Save as disclosed below, there are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Group during the two (2) years preceding the date of this Abridged Prospectus:-

(i) sale and purchase agreement dated 20 April 2016 between GE Green and Bukit Jalil Development Sdn Bhd ("**BJDSB**") for the purchase of a unit of shop office bearing unit no. B19 (Intermediate), Level 1 (Ground Floor) measuring approximately 993.04 square feet under the development which is known as "Aurora Place" at a purchase consideration of RM1,498,000.00;

(ii) sale and purchase agreement dated 20 April 2016 between GE Green and BJDSB for the purchase of a unit of shop office bearing unit no. B19 (Intermediate), Level 2 (First Floor) measuring approximately 1,293.89 square feet under the development which is known as "Aurora Place" at a total purchase consideration of RM987,000.00;

(iii) sale and purchase agreement dated 20 April 2016 between GE Green and BJDSB for the purchase of a unit of shop office bearing unit no. B19 (Intermediate), Level 3 (Second Floor) measuring approximately 1,293.89 square feet under the development which is known as "Aurora Place" at a total purchase consideration of RM767,000.00;

(iv) sale and purchase agreement dated 20 April 2016 between GE Green and BJDSB for the purchase of a unit of shop office bearing unit no. B19 (Intermediate), Level 4 (Third Floor) measuring approximately 1,294.00 square feet under the development which is known as "Aurora Place" at a total purchase consideration of RM685,000.00;

(v) sale and purchase agreement dated 20 April 2016 between GE Green and BJDSB for the purchase of a unit of shop office bearing unit no. B19 (Intermediate), Level 5 (Forth Floor) measuring approximately 1,180.80 square feet under the development which is known as "Aurora Place" at a total purchase consideration of RM641,000.00;

(vi) sale and purchase agreement dated 20 April 2016 between GE Green and BJDSB for the purchase of a unit of shop office bearing unit no. B20 (Intermediate), Level 1 (Ground Floor) measuring approximately 993.04 square feet under the development which is known as "Aurora Place" at a total purchase consideration of RM1,498,000.00;

(vii) sale and purchase agreement dated 20 April 2016 between GE Green and BJDSB for the purchase of a unit of shop office bearing unit no. B20 (Intermediate), Level 2 (First Floor) measuring approximately 1,293.89 square feet under the development which is known as "Aurora Place" at a total purchase consideration of RM987,000.00;

(viii) sale and purchase agreement dated 20 April 2016 between GE Green and BJDSB for the purchase of a unit of shop office bearing unit no. B20 (Intermediate), Level 3 (Second Floor) measuring approximately 1,293.89 square feet under the development which is known as "Aurora Place" at a total purchase consideration of RM767,000.00;

(ix) sale and purchase agreement dated 20 April 2016 between GE Green and BJDSB for the purchase of a unit of shop office bearing unit no. B20 (Intermediate), Level 4 (Third Floor) measuring approximately 1,294.00 square feet under the development which is known as "Aurora Place" at a total purchase consideration of RM685,000.00; and

(x) sale and purchase agreement dated 20 April 2016 between GE Green and BJDSB for the purchase of a unit of shop office bearing unit no. B20 (Intermediate), Level 5 (Fourth Floor) measuring approximately 1,180.80 square feet under the development which is known as "Aurora Place" at a total purchase consideration of RM641,000.00.

4. MATERIAL LITIGATION

Save as disclosed below, as at the date of this Abridged Prospectus, neither the Company nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the Group and, to the best of the Board's knowledge and belief, there are no other proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group:-

Shah Alam High Court ("Court") Suit No: 21NCVC-65-12/2015

DVM Innovate Sdn Bhd ("**DVM Innovate**" or the "**Plaintiff**") v Kementerian Kesihatan Malaysia & Kerajaan Malaysia ("**KKM**" or the "**Defendants**")

By a letter of award dated 12 December 2007, KKM agreed to enter into a contract with DVM Innovate, a wholly-owned subsidiary of KAG for the supply, delivery, installation, testing, commissioning and support services for a "Next Generation Communication System" (collectively, the "Services") to nine (9) hospitals and four (4) identified institutions under KKM for a period of five (5) years from 1 January 2008 to 31 December 2012 at a contract value of RM46,019,150.00. On 18 September 2009, DVM Innovate and KKM had entered into a formal contract for the Services ("**Agreement**").

As at the expiry the Agreement, DVM Innovate's position is that it had performed its duties and obligations under the Agreement and various invoices and reminders were sent to KKM requesting for outstanding payments. The total outstanding amount alleged to be payable by KKM under the Agreement was RM10,278,550.00 as at 31 December 2012 ("**Outstanding Sum**").

On 30 December 2015, DVM Innovate filed a writ of summons and statement of claim to claim for the following from the Defendants:-

(i) the Outstanding Sum;

(ii) interest of 5% on the Outstanding Sum;

(iii) legal costs; and

(iv) other reliefs.

DVM Innovate's position is that based on the terms of the Agreement, DVM Innovate may charge the rental fees for five (5) years amounting to RM33,150,000.00 ("**Rental Fees**") and the balance of the Rental Fees payable pursuant to the terms of the Agreement is the Outstanding Sum.

The Defendants have filed their statement of defence and counter claim inter alia stating and claiming as follows:-

(i) that DVM Innovate delayed the completion of the project and are claiming for RM2,196,392.12 as late penalty ("**Late Penalty**");

(ii) that DVM Innovate did not provide the maintenance for five (5) years and there is a sum of RM979,200.00 overpayment by the Defendants to DVM Innovate for the maintenance fees;

(iii) that the Defendants have paid all the Rental Fees payable to DVM Innovate for the rental period where a total sum of RM22,871,450.00 was paid as billed by DVM Innovate;

(iv) that DVM Innovate is not entitled to claim for the Outstanding Sum as all amounts payable under the rental period have been paid to DVM Innovate; and

(v) that DVM Innovate is not entitled to claim for the full five (5) years Rental Fees and the Outstanding Sum.

DVM Innovate had on 21 March 2016 filed a reply to defence and counter claim stating inter-alia as follows:-

(i) the Defendants have no rights to claim for the Late Penalty as the delay was caused by the Defendants' delay to deliver the project site to DVM Innovate;

(ii) there is no overpayment of maintenance fees as the maintenance fees of RM12,869,150.00 for five (5) years was agreed and paid by the Defendants to DVM Innovate pursuant to the terms of the Agreement; and

(iii) DVM Innovate has the right to claim for the whole of the Rental Fees pursuant to the terms of the Agreement and the representations and promises made by the Defendants.

On 25 March 2016, the Court had directed the parties to resolve the matter via mediation and the Court fixed the date for mediation on 12 May 2016 ("**Court Mediation**"). However, on 3 May 2016, the Defendants informed DVM Innovate's solicitors that they do not wish to resolve the matter via Court Mediation, and accordingly DVM Innovate had no other alternative but to proceed with the matter as a litigation claim to be pursued via court proceedings.

On 10 March 2017, a consent judgement was recorded under which the Defendants have agreed to pay DVM Innovate RM3,000,000.00 as full and final settlement of DVM Innovate's claim and the counter-claim by the Defendants against DVM Innovate is to be withdrawn with no order as to costs.

5. GENERAL

(i) There are no service contracts or proposed service contracts between the Directors and the Company or any of its subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus;

(ii) To the best knowledge of the Board, the financial condition and operations of the Group are not affected by any of the following:-

   (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the Group's liquidity;

   (b) any material commitment for capital expenditure of the Group, save as disclosed in Section 9.4 of this Abridged Prospectus;

   (c) unusual, infrequent events or transactions or any significant economic changes which materially affect the amount of reported income from operations;

   (d) known trends or uncertainties which have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the Group's revenues or operating income; and

   (e) material information, including all special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the Group's profits.

6. CONSENTS

(i) The written consents of the Principal Adviser, Company Secretary, Share Registrar, Solicitors for the Rights Issue with Warrants, Auditors and Principal Bankers for the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not been subsequently withdrawn.

(ii) The written consent of the Reporting Accountants for the inclusion in this Abridged Prospectus of their name, letter and report relating to the pro forma consolidated statements of financial position and the audited consolidated financial statements for the FYE 31 December 2015 and all references thereto in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not been subsequently withdrawn.

(iii) The written consent of Bloomberg Finance L.P. for the inclusion in this Abridged Prospectus of its name and citation of the market data made available to its subscribers in the form and context in which such name and market data appear has been given before the issuance of this Abridged Prospectus and has not been subsequently withdrawn.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of KAG at 3-2, 3rd Mile Square, No. 151 Jalan Kelang Lama, Batu 3½, 58100 Kuala Lumpur during normal business hours (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:-

(i) Memorandum and Articles of Association of KAG;

(ii) pro forma consolidated statements of financial position of the Group as at 31 December 2015 together with the Reporting Accountants' report thereon as set out in Appendix III of this Abridged Prospectus;

(iii) audited consolidated financial statements of the Group for the FYE 31 December 2014 and FYE 31 December 2015;

(iv) unaudited consolidated financial statements of the Group for the 12-month FPE 31 December 2016;

(v) the undertaking letter dated 18 May 2016 and supplemental letter dated 28 February 2017 from the Undertaking Shareholder in relation to the Undertaking referred to in Section 3 of this Abridged Prospectus;

(vi) the Directors' Report as set out in Appendix VI of this Abridged Prospectus;

(vii) material contracts referred to in Section 3 of this Appendix VII;

(viii) relevant cause papers in relation to the material litigation referred to in Section 4 of this Appendix VII;

(ix) letters of consent referred to in Section 6 of this Appendix VII; and

(x) Deed Poll B.

8. RESPONSIBILITY STATEMENT

(i) The Board has seen and approved this Abridged Prospectus, together with the NPA and RSF and they, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.

(ii) Mercury Securities, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of their knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue with Warrants.