



KEY ALLIANCE GROUP BERHAD (*Company No. 609953-K*)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

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 2014.

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 2014.

The condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements and MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards has been applied. The transition of MFRS framework does not have any material financial impact to the financial statements of the Group.

A2. Auditors’ Report

The auditors’ report for the Group’s annual financial statements for the financial year ended 31 December 2014 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.



KEY ALLIANCE GROUP BERHAD (*Company No. 609953-K*)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

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.

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

Other non-reportable comprise operations related to investment holding and 3D interior design and image consultants' services.

Business Segments	ICT Services RM'000	Kitchen Appliances Services RM'000	Others RM'000	Elimination RM'000	Group RM'000
Current quarter ended 30 September 2015					
Revenue	<u>7,612</u>	<u>878</u>	<u>104</u>	<u>(18)</u>	<u>8,576</u>
Segment results	(100)	(967)	(419)	79	(1,407)
Interest expenses					(125)
Interest income					67
					<u>(1,465)</u>
Share of loss of associate					-
Loss before tax					<u>(1,465)</u>
Segment assets	<u>18,105</u>	<u>2,095</u>	<u>49,143</u>	<u>(6,817)</u>	<u>62,526</u>



KEY ALLIANCE GROUP BERHAD (*Company No. 609953-K*)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

A9. Valuation of Property, Plant and Equipment

There was no valuation being carried out for the current quarter under review.

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

There were no material changes to the composition of the Group for the current quarter under review.

A.12 Contingent Consideration

	THE COMPANY	
	As at 30	As at 31
	September 2015	December 2014
	RM'000	RM'000
Current portion	5,008	5,008

The contingent consideration represents the fair value of the outstanding purchase consideration ("outstanding") payable to the vendors of a subsidiary which was acquired during the financial year ended 31 December 2014. The outstanding is contingent based on the actual financial performance of the subsidiary for the year ended 31 December 2014 on earn-out basis, subject to adjustment upon final payment.



KEY ALLIANCE GROUP BERHAD (Company No. 609953-K)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

A13. Changes in Contingent Assets and Contingent Liabilities

Contingent liabilities of the Group as at 30 September 2015 are as follows:

	Group Level	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Secured		
Bank guarantees issued in favour of third parties by a licensed bank	1,459	858
Investment property pledged to a bank for bank facilities granted to subsidiary	5,000	5,000
Fixed deposit pledged to bank for credit facilities to subsidiary	3,000	3,000
	<u>9,459</u>	<u>8,858</u>

A14. Capital Commitments

Capital commitments of the Group as at 30 September 2015 is as follow:

Instalments payable for properties	<u>RM'000</u> <u>5,951</u>
------------------------------------	-------------------------------

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.



KEY ALLIANCE GROUP BERHAD (*Company No. 609953-K*)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. Review of Performance

The Group recorded revenue of RM8.58 million, 54.95% lower than RM19.04 million recorded in the corresponding quarter last year.

The Group recorded a net loss after taxation of RM1.49 million as compared to the last year corresponding quarter's loss after taxation of RM1.30 million. The Group has been actively pursuing for new businesses with positive feedbacks for the coming future.

The performance of the respective business segments for the quarter ended 30 June 2015 as compared to the last year corresponding quarter is analysed as follows:-

1) *ICT Services*

The ICT services segment recorded revenue of RM7.61 million in the current financial quarter ended 30 September 2015 from RM19.04 million in the last year corresponding quarter. This was attributed to the decrease of billing in projects after completion in the quarter under review. Digital Paper Solutions Sdn Bhd has recorded revenue of RM6.49 million for the quarter under review.

2) *Kitchen Appliances Services*

No segment review done for this quarter as this is the new business venture with new income stream brought to the group whereby no comparative figures are available.

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 RM8.58 million represents a decrease of RM0.80 million as compared to immediate preceding corresponding quarter revenue of RM9.38 million.

Current quarter recorded a loss after tax of RM1.49 million as compared to a loss after tax of RM1.24 million for the immediate preceding corresponding quarter.



KEY ALLIANCE GROUP BERHAD (*Company No. 609953-K*)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

B3. Changes in Profit/Loss before Taxation against Immediate Preceding Quarter

The performance of the respective business segments for the quarter ended 30 September 2015 as compared to the immediate preceding corresponding quarter is analysed as follows:-

1) *ICT Services*

The ICT services segment recorded revenue of RM7.61 million in the current financial quarter ended 30 September 2015 from RM8.03 million in the immediate preceding corresponding quarter, representing a decrease of 5.23%. The decrease in revenue was due to the decrease in project billings.

2) *Kitchen Appliances Services*

The kitchen appliances services segment recorded revenue of RM0.88 million in the current financial quarter ended 30 September 2015 as compared to immediate preceding corresponding quarter revenue of RM1.25 million. This segment recorded a loss after taxation of RM0.98 million in the current quarter under review as compared to immediate preceding corresponding quarter loss after taxation of RM0.80 million. This is due to the significant depreciation of ringgit and the implementation of Goods and Service Tax ("GST) which affects consumer sentiments and spending.

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

	6-months ended 30/06/2015 RM'000	12-months ended 31/12/2014 RM'000
Income tax		
- Current year provision	23	610
- Under/(over) provision in previous year	-	24
Deferred taxation	-	(132)
Total	23	502

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*)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

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

Private Placement

On 25 February 2014, the Company (“Company” or “KGROUP”) announced proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of KGROUP (“Proposed Private Placement”).

Bursa Securities Berhad had, vide its letter dated 20 March 2014, approved the listing of and quotation for up to 87,120,000 Placement Shares, representing up to ten percent (10%) of the enlarged issued and paid-up share capital of KGROUP.

Bursa Securities Berhad had, vide its letter dated 22 September 2014, approved the extension of time of 6 months from 20 September 2014 until 19 March 2015 to complete the implementation of the Proposed Private Placement. Bursa Securities Berhad, vide its letter dated 16 March 2015 granted the Company an extension of time until 19 September 2015 to complete the Proposed Private Placement. Bursa Securities Berhad, vide its letter dated 18 September 2015, granted the Company a further extension of time until 19 March 2016 to complete the implementation of the Proposed Private Placement.

The Company is in the midst of identifying suitable placee.



KEY ALLIANCE GROUP BERHAD (Company No. 609953-K)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

B9. Group Borrowings and Debt Securities

	Short-term RM'000	Long-term RM'000	Total RM'000
Secured			
Hire purchase payable	184	1,233	1,417
Finance Lease	163	665	828
Term loan	394	4,236	4,630
Letter of credit	722	-	722
Bank overdraft	1,967	-	1,967
Total	3,430	6,134	9,564

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

The Group has not engaged in any material litigation either as plaintiff or defendant. The directors do not have any knowledge of any proceedings pending or threatened against the Group since the last financial year ended 31 December 2014 up to the date of this quarterly report.

B12. Dividend

No dividend has been declared or paid during the current quarter and the financial year-to-date under review.

B13. Loss Before Tax

Loss for the period is arrived after crediting/(charging) the following:

	Quarter Ended		Cumulative Year-To- Date Ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Interest income	67	81	187	320
Interest expense	(125)	(11)	(364)	(22)
Depreciation & amortization	(449)	(553)	(1,453)	(1,439)
Impairment loss on receivables	(7)	-	(1,669)	-
Gain on disposal of subsidiary	-	-	1,952	-



KEY ALLIANCE GROUP BERHAD (Company No. 609953-K)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

B14. Realised and Unrealised Profits/(Losses)

The realised and unrealised profits/(losses) of the group for the period ended are as follows:

	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Total accumulated loss		
Realised	(20,774)	(49,814)
Unrealised	(658)	(658)
	<u>(21,432)</u>	<u>(50,472)</u>
Share of accumulated losses of an associate company	277	231
Consolidated adjustments	14,397	19,421
	<u>(6,758)</u>	<u>(30,820)</u>

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.

B15. Status of utilization of proceeds

On 8 July 2013, the Rights Issue with Warrants has been completed with the listing of Rights Shares and Warrants on the ACE Market of Bursa Malaysia Securities Berhad. As at 30 September 2015, the status utilisation of the proceeds raised is as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation
Working capital expenditures			
(a) Day-today working capital expenses	26,620	24,319	Within 24 months
(b) Setting up of startup accelerator	3,900	2,868	Within 24 months
Repayment of bank borrowings	7,800	7,800	Within 6 months
To defray expenses relating to the Proposals	400	400	Within 1 month



KEY ALLIANCE GROUP BERHAD (*Company No. 609953-K*)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia)

Notes to the Interim Financial Report

For the third quarter ended 30 September 2015

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	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Net profit/(loss) for the period (RM'000)	(1,488)	(1,303)	(3,524)	(1,379)
Weighted average number of ordinary shares in issue ('000)	580,800	580,800	580,800	580,800
Earnings per share (sen)	(0.30)	(0.25)	(0.86)	(0.27)

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.