



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

## **Notes to the Interim Financial Report**

For the second quarter ended 30 September 2018

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### **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 March 2018.

The significant accounting policies adopted by the Group are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2018.

The explanatory notes provide 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 March 2018.

#### **A2. Auditors’ Report**

The auditors’ report for the Group’s annual financial statements for the financial year ended 31 March 2018 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.



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### A7. Dividend

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

### A8. Segmental Reporting

The Group's business is wholly conducted in Malaysia and therefore there's no geographical segment. Following the Group's internal restructuring during the year, the Group's new reportable segments were identified as follows:

- Cloud and IT Services – Provision of cloud and disaster recovery services
- Trading of Kitchen Appliances, IT and office automation – Provision of distributing and reselling of kitchen appliances, IT-related product and office automation and services
- Property Construction – Provision of the business property development and interior design services. This construction business has commenced for the current quarter under review.

Other non-reportable comprise operations related to investment holding and other services.

Business Segments	Cloud and IT Services	Trading of Kitchen Appliances IT and Office Automation	Property Construction	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current quarter ended 30 September 2018						
Revenue	612	4,647	4,311	95	(81)	9,584
Segment results	(428)	(142)	(88)	(444)	43	(1,059)
Interest expenses						(50)
Interest income						62
Loss before tax						(1,047)
Taxation						-
Loss after tax						(1,047)
Segment assets	6,507	9,611	2,661	80,781	2,635	102,195



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### **A8. Segmental Reporting (Cont'd)**

The cloud and IT services and property construction have not commenced and due to the internal restructuring plan during the period, the segment result for the quarter ended 30 September 2017 is not entirely comparable.

### **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**

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



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**A12. Changes in Contingent Assets and Contingent Liabilities**

Contingent liabilities of the Group as at 30 September 2018 are as follows:

	Group Level	
	As at 30 September 2018 RM'000	As at 31 March 2018 RM'000
Secured		
Bank guarantees issued in favour of third parties for credit facility granted to subsidiaries	1,330	3,911
Unsecured		
Corporate guarantees issued to banks for finance lease facility granted to subsidiary	565	565
Corporate guarantees issued to a leasing company for finance lease facility granted to subsidiary	2,884	2,602
	<u>3,449</u>	<u>3,167</u>

**A13. Capital Commitments**

There were no material capital commitments for the purchase of property, plant and equipment incurred or known to be incurred for in the current quarter under review.



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

#### **B1. Review of Performance**

The Group recorded revenue of RM9.58 million, 22.82% higher than RM7.80 million recorded in the corresponding quarter last year. This is due to the commencement of property construction business and the progress claim of the business during the quarter under review.

The Group recorded a net loss after taxation of RM1.05 million as compared to the last year corresponding quarter's profit after taxation of RM0.21 million. This is due to the reversal of impairment loss on receivables incurred in the last year corresponding's quarter.

The performance of the respective business segments for the quarter ended 30 September 2018 as compared to the last year corresponding quarter is analysed as follows:-

1) *Cloud and IT Services*

The cloud and IT services segment recorded revenue of RM0.61 million in the current financial quarter ended 30 September 2018. The cloud services had not commenced in the last year corresponding quarter.

2) *Trading of Kitchen Appliances, IT and Office Automation Equipment*

The trading of kitchen appliance recorded revenue of RM0.45 million in the current financial quarter ended 30 September 2018 compared to RM0.28 million in the last year corresponding quarter. The kitchen appliances recorded loss before tax of RM0.21 million for the current quarter ended 30 September 2018 compared to loss before tax of RM0.26 million in the last year corresponding quarter. This is due to the increase in revenue for the current quarter.

The trading of IT and office automation equipment recorded revenue of RM4.20 million for the current quarter under review as compared to RM5.60 million in the last year corresponding quarter. The IT and office automation equipment recorded profit before taxation of RM0.03 million as compared to RM0.21 million in the last year corresponding quarter. This is mainly due to the decrease in revenue.

3) *Property Construction*

The Property Construction has recorded a revenue of RM4.31 million during the quarter. The construction project has only commenced in the year 2018.



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### **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 RM9.58 million represents an increase of RM0.12 million as compared to immediate preceding corresponding quarter revenue of RM9.46 million.

Current quarter recorded loss after tax of RM1.05 million as compared to the loss after tax of RM3.21 million for the immediate preceding corresponding quarter. This is due to the loss on disposal of subsidiary in the immediate preceding corresponding quarter.

The performance of the respective business segments for the quarter ended 30 September 2018 as compared to the immediate preceding corresponding quarter is analysed as follows:-

1) *Cloud Services*

The cloud services recorded revenue of RM0.61 million in the current financial quarter ended 30 September 2018 as compared to the RM1.01 million in the immediate preceding corresponding quarter.

2) *Trading of Kitchen Appliances, IT and Office Automation Equipment*

The kitchen appliances services segment recorded revenue of RM0.45 million in the current financial quarter ended 30 September 2018 as compared to immediate preceding corresponding quarter revenue of RM0.15 million. This segment recorded a loss after taxation of RM0.21 million in the current quarter under review as compared to immediate preceding corresponding quarter loss after taxation of RM0.48 million. This is due to result of the increase in revenue arising from project.

The trading of IT and office automation equipment recorded revenue of RM4.20 million for the current quarter under review as compared to RM4.21 million in the immediate preceding corresponding quarter. The IT and office automation equipment recorded profit before taxation of RM0.03 million as compared to profit before taxation of RM0.37 million in the immediate preceding corresponding quarter. This is due to the increase in cost of sales.



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### B3. Changes in Profit/Loss before Taxation against Immediate Preceding Quarter (Cont'd)

#### 3) *Property Construction*

The construction segment recorded revenue of RM4.31 million in the current financial quarter ended 30 September 2018 as compared to immediate preceding corresponding quarter revenue of RM4.65 million. The construction segment recorded loss before taxation of RM0.08 million as compared to loss before taxation of RM0.07 million in the immediate preceding corresponding quarter.

### 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

	<b>6-months ended 30/9/2018 RM'000</b>	<b>12-months ended 31/3/2018 RM'000</b>
<b>Income tax</b>		
- Current year provision	-	130
- Under/(over) provision in previous year	-	(13)
Deferred taxation	-	(47)
Total	<u>-</u>	<u>164</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017:24%) of the estimated assessable profit for the year.

### 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.



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### B8. Corporate Proposals

There were no corporate proposal announced but not completed for the quarter under review.

### B9. Group Borrowings and Debt Securities

As at 30 September 2018	Short-term RM'000	Long-term RM'000	Total RM'000
<b>Secured</b>			
Finance Lease	956	956	1,912
Bank overdraft	1,930	-	1,930
Total	2,886	956	3,842

  

As at 31 March 2018	Short-term RM'000	Long-term RM'000	Total RM'000
<b>Secured</b>			
Finance Lease	1,319	1,265	2,584
Term loan	464	3,118	3,582
Bank overdraft	2,650	-	2,650
Total	4,433	4,383	8,816

### 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 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.

### B12. Dividend

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





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**B13. Profit/(Loss) Before Tax**

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

	Quarter Ended		Cumulative Year-To-Date Ended	
	30/9/2018 RM'000	30/9/2017 RM'000	30/9/2018 RM'000	30/9/2017 RM'000
Bad debts written off	(3)	-	(26)	(17)
Depreciation & amortization	(490)	(340)	(964)	(875)
Impairment loss on amount due from associated company	-	-	-	(7)
Impairment loss on goodwill	-	-	-	(3,642)
Reversal of/(Impairment loss) on inventory	-	-	-	-
Impairment loss on other investments	-	-	-	(370)
Reversal of/(Impairment loss) on trade and other receivables	101	-	101	(527)
Interest expense	(50)	(133)	(100)	(270)
Loss on disposal of subsidiary	-	-	(2,247)	-
Gain/(Loss) on disposal of plant and equipment	-	(35)	-	(35)
Plant and equipment written off	-	-	-	(610)
Share based payment	-	-	-	(2,475)
And crediting:-				
Interest income	62	250	84	352
Reversal of impairment loss on receivables	-	1,534	-	1,577
Unrealised foreign gain/(loss)	-	(12)	-	16



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### B14. Realised and Unrealised Profits/(Losses)

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

	<b>As at 30 September 2018 RM'000</b>	<b>As at 31 March 2018 RM'000</b>
<b>Total accumulated loss</b>		
Realised	(46,581)	(68,769)
Unrealised	(485)	(485)
	<u>(47,066)</u>	<u>(69,254)</u>
Share of accumulated losses of an associate company	(253)	(253)
Consolidated adjustments	9,499	32,332
	<u><u>(37,820)</u></u>	<u><u>(37,175)</u></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 20<sup>th</sup> December 2010.

### B15. Status of utilization of proceeds

#### *Rights issue*

On 8 May 2017, 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 31 March 2018, the status utilisation of the proceeds raised is as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation
Construction works for the Pano Project*	35,000	(8,033)	Within 30 months
Working capital	5,203	(5,203)	Up to 24 months
Estimated expenses for the Corporate Exercises	750	(750)	Immediate

*\*Proceeds of up to RM25 million will be allocated for Construction Works. The Company would allocate up to an additional RM 10 million for the Construction Works to act as a buffer to cater for any delay in the project schedule/progress payments and related expense. Any unutilized balance from this RM 10 million will be allocated for working capital.*



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**B15. Status of utilization of proceeds**

**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	
	30/9/2018 RM'000	30/9/2017 RM'000	30/9/2018 RM'000	30/9/2017 RM'000
Net loss for the period attributable to ordinary equity holders of the Company (RM'000)	(973)	178	(4,420)	(8,790)
Weighted average number of ordinary shares in issue ('000)	466,259	1,393,665	466,259	1,393,665
Earnings per share (sen)	(0.21)	0.01	(0.95)	(0.63)

**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.