KEY ALLIANCE

Annual Report 2014

Key Alliance Group Berhad
(Formerly known as DVM Technology Berhad)

KEY ALLIANCE

Annual Report 2014

Content

CORPORATE INFORMATION

BOARD OF DIRECTORS

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
(Independent Non-Executive Chairman)

Kamarudin Bin Ngah
(Independent Non-Executive Director)

Yee Yit Yang
(Independent Non-Executive Director)

Dato' Goh Kian Seng
(Managing Director)

Roy Ho Yew Kee
(Non-Independent and 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

Yee Yit Yang

Dato' Goh Kian Seng

NOMINATING COMMITTEE

Kamarudin Bin Ngah - Chairman

Yee Yit Yang

COMPANY SECRETARY

Pang Kah Man (MIA 18831)

AUDITOR

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

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
(formerly known as Equiniti Services Sdn. Bhd.)
Level 17, The Garden North Tower
Mid-Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 603-2264 3883 Fax: 603-2282 1886

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: corp@dvm.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 NAME : KGROUP

STOCK CODE : 0036

CORPORATE STRUCTURE

KEY ALLIANCE

Key Alliance Group Berhad
(Formerly known as DVM Technology Berhad)

100%	DVM Innovate Sdn Bhd
100%	Corporate One Training Academy Sdn Bhd (Formerly known as DVM Intellisource Sdn Bhd)
100%	NGC System Sdn Bhd
100%	Key Alliance Sdn Bhd
100%	Design Dept Sdn Bhd
100%	GE Green Sdn Bhd
60%	Mobile Video International Ltd
51%	Digital Paper Solutions Sdn Bhd
33.34%	Fatfish Capital Ltd
30%	DVM Allsportz Asia Sdn Bhd (Formerly known as DVM Communications Sdn Bhd)
20%	Connecxus Sdn Bhd
20%	DVM Mobipay Sdn Bhd (Formerly known as Fajar Bonanza Sdn Bhd)

BOARD OF DIRECTORS

KEY ALLIANCE

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
Independent Non-Executive Chairman

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid, aged 77, a Malaysian was appointed as the Chairman of KAG on 4 November 2003. He is also the member of the Audit Committee. He is a graduate of the Royal Military College, Malaysia and Army Staff College in Camberley, United Kingdom. Tan Sri was the Chief of the Malaysian Army and Defence Force between 1992 and 1994 and was the Acting Governor of Penang in 1994. From 1958 to 1994, he served in various capacities and appointments in the Malaysian Armed Forces. Tan Sri Abdul Rahman Bin Abdul Hamid is also the Chairman for Jaya Tiasa Holdings Berhad, Halex Holdings Berhad and AXA Affin Life Insurance Berhad, a joint venture company of Lembaga Tabung Angkatan Tentera. He is also the Chairman and Director of a few other multinational and private companies established in Malaysia. He attended all the five (5) board meetings held during the financial year ended 31 December 2014

Dato' Goh Kian Seng
Managing Director

Dato' Goh Kian Seng, aged 53, a Malaysian was appointed the Managing Director of KAG on 8 August 2003. He is also a member of the Remuneration Committee. Dato' Goh obtained his degree in Chemical Engineering from University of Malaya, Master and Doctorate of Business Administration from Southern Cross University, Australia. He is principally responsible for the overall management, marketing and strategic direction of the KAG Group. He has been in the computing, data and telecommunication industry since 1985. He has been offered an appointment as an Adjunct Professor in the City University College of Science and Technology commencing on January 2011 to December 2014. He attended all the five (5) board meetings held during the financial year ended 31 December 2014.

Roy Ho Yew Kee
Non-Independent and Non-Executive Director

Roy Ho Yew Kee, aged 40, a Malaysian was appointed the Executive Director of KAG on 30 December 2011 and redesignated as Non-Independent and Non-Executive Director on 23 May 2014. He obtained his Bachelor of Commerce from the Griffith University, Brisbane, Australia. He has extensive experience with retail broking and cross border finance companies involving with sales trading, deal origination and institutional broking. He is responsible for corporate strategy, corporate advisory and structuring within the Group's subsidiaries. He attended all the five (5) board meetings held during the financial year ended 31 December 2014.

Kamarudin Bin Ngah
Independent Non-Executive Director

Kamarudin Bin Ngah, aged 67, a Malaysian was appointed to the Board on 4 November 2003. He is also the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee. He obtained his Diploma in Civil Engineering from the Johore Technical Institute in 1970. He is presently the Managing Director of a private company involved in spiral waste storage and handling systems. He attended four (4) out of five (5) board meetings held during the financial year ended 31 December 2014.

Yee Yit Yang
Independent Non-Executive Director

Yee Yit Yang, aged 48, a Malaysian was appointed to the Board on 07 October 2011. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee. He began his career with an international accounting firm and then moved on to an investment bank in which he was involved with various corporate restructuring exercises. Currently, he is attached with a private consultancy firm. He holds a Bachelor of Economics and is a member of the Malaysian Institute of Accountants. He is an independent and non- executive director of Eka Noodles Berhad, Mlabs Systems Berhad, and Oriental Media Group Bhd. He attended all the five (5) board meetings held during the financial year ended 31 December 2014.

Notes to Director's Profile

All the Directors do not have any family relationship with any Director and/or substantial shareholders of the company. None of the directors have been convicted of any offences other than traffic offences within the past ten (10) years. None of the Directors have any conflict of interest with the company.

CHAIRMAN'S STATEMENT

KEY ALLIANCE

Dear Valued Shareholders

On behalf of the Board of Directors of Key Alliance Group Bhd (Formerly known as DVM Technology Bhd), I am pleased to present you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2014.

Financial Performance

For the current financial year under review, the Group achieved higher sales of RM57.44 million, which represents an increase of 153% from RM 22.68 million recorded in the last financial year. Apart from the projects secured from the government and private sectors, the revenue recorded by the newly acquired subsidiaries have contributed to the improvement.

The Group recorded a net loss after tax of RM 3.95 million as compared to a net loss after tax of RM 2.50 million recorded in the previous financial year. The loss after tax for the current financial year was arrived at after taking into account the impairment of goodwill and impairment on other investment.

Corporate Development

Although the overall business sentiments are still a little hazy on account of the current economic concerns, we have moving ahead with the adoption of a number of initiatives to better prepare for the challenges ahead of us. The Group has instituted not only improve operating efficiency and rein in costs where feasible, but also actively seek out potentially profitable synergistic activities to improve the Group's future income streams and ultimately its bottom line.

During the financial year under review, the Group has undertaken the following plans to strengthen its financial performance and position for the medium and long term:

(i) On 5 May 2014, KAG entered into a share sale agreement with Digital Paper Sdn Bhd to acquire 153,000 ordinary shares of RM1.00 each in Digital Paper Solutions Sdn Bhd, representing 51% of the issued and paid-up share capital of Digital Paper Solutions Sdn Bhd for a purchase consideration of RM257,036.43 satisfied via cash. The acquisition was completed on 31 May 2014.

Digital Paper Solutions Sdn Bhd is principally involved in the trading and rental of office equipment. The acquisition of Digital Paper Solutions Sdn Bhd is expected to contribute positively to the Group in the future taking into consideration its historical profit track record; and

(ii) The Group had on 27 October 2014 obtained shareholders' approval to diversify its business to include the trading of home appliances in order to mitigate the risk of over dependency on its core business in the information and communication technology ("ICT") industry and to generate another stream of revenue source via the marketing and distribution of kitchen appliances.

On 24 June 2014, KAG entered into a share sale agreement with Pacifica Group Sdn Bhd to acquire 300,000 ordinary shares of RM1.00 each representing 100% equity interest in GE Green Sdn Bhd at a total consideration of RM7,000,000 satisfied via cash. The acquisition was completed on 31 October 2014.

The acquisition of GE Green Sdn Bhd is expected to contribute positively to the Group in the future taking into consideration its historical profit track record.

(iii) The Group had on 27 October 2014 obtained shareholders' approval to change the Company's name to Key Alliance Group Berhad to reflect the Group's intention to diversify into new business activities in addition to the existing core ICT business.

CHAIRMAN'S STATEMENT

Future Prospects for 2015

We expect 2015 to be a challenging year given the global crude oil prices plunge, significant depreciation of the ringgit and their impact on the domestic economy. The implementation of the Goods and Service Tax ("GST") in April 2015 is expected to affect consumer sentiments and spending. We can expect a period of adjustment in market demand and GST will also increase ICT project cost, which would force some companies to pause contract awarding until proper budget is in place.

In this challenging and uncertain scenario, the Group will focus going forward on the development and future growth of its existing businesses and the new kitchen appliances business.

The receipt of an award from Frost & Sullivan Asia Pacific for Asia Pacific's Most Promising innovative Application/Product for the year 2009 has enabled the Group to further penetrate into the target market both locally and overseas. Further the capital outlay for the R&D will be on an ongoing basis to improve the existing product lines and to adapt to the rapidly changing technology.

The Group envisaged an exciting year ahead with the increase in teaming arrangements with a number of local and international partners who are committed and share our vision to be global player in promoting our products locally and within region of Asia.

Acknowledgement and Appreciation

On behalf of the Board, I wish to express sincere thanks and appreciation to our employees of KAG, customers, shareholders, business partners, technology partners and financiers who have given us their continuing strong support and encouragement and we look towards improved relationships as we strive for greater development in our business. I also wish to record my gratitude and appreciation to my fellow colleagues on the Board for their active participation and contribution to the Board and I look forward to their continuous support in the coming years.

The Management Team of Key Alliance Group Berhad (Formerly Known as DVM Technology Berhad)

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of the Company (or "KAG") recognised the importance of corporate governance requirements outlined in the Malaysian Code of Corporate Governance 2012 ("MCCG 2012"). The Board is continuously committed in maintaining high standards of corporate governance practices throughout the Group as to protect and enhance shareholders' value and financial performance of the Group.

The following statement described the application of the principles and recommendations and extent of compliance with the best practices of MCCG 2012 during the financial year ended 31 December 2014.

PRINCIPAL 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT

1. Role and Responsibilities of the Board

The Board is responsible for the overall performance of the Group and provides the Group's strategic direction and formulation of medium and long term goals and overseeing the conduct of the Company's business, resources and investment of the Group to maximise the shareholders' value. The Board regularly reviews the strategic direction of the Group and the Group's business operations after taking into account the changes in business environment and risk factors. The Board also maintains full and effective control over the management of the Group.

The Board has delegated certain responsibilities to the Board Committees, i.e Audit Committee, Nomination Committee and Remuneration Committee where all of which operate within the defined terms of reference. All these Board Committees shall report to the Board on all matters considered and their recommendations. The respective Board Committees are detailed below:

1.1 **Audit Committee**
The details are set out in the Audit Committee Report of this Annual Report.

1.2 **Nomination Committee**
Nomination Committee is established and maintained to ensure that there is a formal and transparent procedure for the appointment of new Directors to the Board and to assess the effectiveness of individual Director the Board and Committees. In arriving at these recommendations, due consideration is given to the competencies, required mix of skills, knowledge, expertise, experience, professionalism, integrity and other qualities, including core competencies in the composition of the Board.

The Nomination Committee comprises the following members:

Chairman : Kamarudin Bin Ngah (Independent Non-Executive Director)
Member : Yee Yit Yang (Independent Non-Executive Director)

1.3 **Remuneration Committee**
The Remuneration Committee is principally responsible for assessing and reviewing the remuneration for the Executive Directors and subsequently furnishes their recommendations to the board for adoption. The current members of the Remuneration Committee are as follows:

Chairman : Kamarudin Bin Ngah (Independent Non-Executive Director)
Member : Dato' Goh Kian Seng (Managing Director)
Member : Yee Yit Yang (Independent Non-Executive Director)

2. Strategies promoting sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating the Company's commitment to the global environmental, social, governance and sustainability agenda, is detailed in the Corporate Social Responsibility Statement of this Annual Report.

The Company manages its business responsibly by managing the economic, social and environmental aspects of its operations. The Company produces the annual report, which highlights the financial aspects of the business and provides a clear, comprehensive and transparent representation of the Company's performance annually.

PRINCIPAL 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT (Cont'd.)

3. Board Charter and Code of Ethics

The Board has established a Board Charter as a key point of reference for Boardroom activities.

The Board Charter clearly sets out to clarify the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It also serves as a reference and primary induction literature providing prospective and existing Board members and Management insights into the fiduciary and leadership functions of the Directors of the Company.

The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available for reference at the Company's website at www.kag.com.my.

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

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

4. Access to Information and Advice

The Board has full access to relevant and timely information in the form and quality required pertaining to the Group's business affairs to assist in discharging of their duties and responsibilities. The Board is supplied with all relevant information and reports on Group's financial result, strategic and business plan by way of Board papers tabled at Board meetings.

The Board members have access to the advice and services of the Company Secretary and senior management staff. The Company Secretary of KAG is a person with the relevant required qualification and is qualified to act as Company Secretary under Section 139A of the Companies Act, 1965. The Company Secretary is responsible for ensuring that deliberations on Board and Board Committee meetings are well captured and documented and Board meetings' procedures are followed and that applicable rules and regulations are complied with. The removal of the Company Secretary is a matter for the Board, as a whole to decide. Where necessary, the Directors may seek independent professional advice at the Group's expense in order to discharge their duties and responsible effectively.

5. Trading on Insider Information

The Directors and employees of the Group are prohibited from trading in securities or any other kind of property based on price sensitive information and knowledge which has not been publicly announced.

Directors are also prompted not to deal in the Company's shares at any point when price sensitive information is shared with them, occasionally in the form of Board papers.

PRINCIPLE 2 : STRENGTHEN THE COMPOSITION OF THE BOARD

1. Composition of Board

The Board currently consists of five (5) members comprising one (1) Managing Director, one (1) Non-Independent and Non-Executive Director and three (3) Independent Non-Executive Directors. The current Board composition complies with the ACE Market Listing Requirements ("Listing Requirements") of the Bursa Malaysia Securities Berhad ("Bursa Securities"). The brief write-up on each Director is set out under the Board of Directors of this Annual Report.

All the Independent Non-Executive Directors are independent of Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The wide spectrum of knowledge, skills and experience of the Board gives added strength to the leadership which is necessary for the effective stewardship of the Group.

The Board comprised of professionals from various experience and qualification in information technology, industry specific knowledge, financial, commercial and business management. The Board believes that this current composition has the required collective skills for the Board to provide for clear and effective leadership to the Company.

KEY ALLIANCE

2. Appointment to the Board

The Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company. Appointments are made upon the recommendation of the Nomination Committee. The Nomination Committee meets at least once a year but may convene additional meetings if considered necessary. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met.

On appointment of new Directors, the Management would facilitate the Directors' induction by providing the Directors with relevant information about the Group and encouraging them to visit the sites of the Group's operating units and meet with key senior executives.

The Nomination Committee had one (1) meeting during the financial year ended 31 December 2014 and it was attended by all members.

In respect of the effectiveness of the Board and Board Committees for the financial year ended 31 December 2014, the Board via recommendation made by the Nomination Committee as supported by the evaluation and annual assessment questionnaires conducted was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition in terms of size, the balance between Executive Directors, Non-Executive and Independent Directors and mix of skills was adequate.

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy as the appointment of a new Board member shall not be guided solely by gender but rather the skills-set, experience and knowledge of the candidate. However, the Board will endeavor to tap talent from human capital market from time to time with the aim to have at least one (1) female director in its Board in the future.

3. Re-election of Directors

In accordance with the Article Of Association of the Company, all directors (including Managing Director) shall retire from office once every three (3) years but shall be eligible for re-election and one-third (1/3) of Directors shall retire from office and eligible for re-election at each Annual General Meeting ("AGM")

Newly appointed directors during the financial year shall hold office until the next following AGM and shall then be eligible for re-election. Directors over seventy (70) years of age are required to submit themselves for re-appointment at every AGM in accordance with Section 129(6) of the Companies Act, 1965.

4. Director's Remuneration

The Remuneration Committee was established to assist the Board in determining the Director's remuneration. In determining the Executive Director's remuneration, the Remuneration Committee will take into account the responsibilities of each individual Director. Individual Directors are required to abstain from discussion on their own remuneration.

The Board as a whole recommends the remuneration of Non- Executive Directors in accordance with the experience and level of responsibilities undertaken with individual Directors abstaining from decision in respect of their individual remuneration. The Board, where appropriate, recommends payment of fees to Directors for approval by shareholders at the Company's AGM.

During the financial year, the Remuneration Committee met once and all members attended the meeting.

The details of remuneration of Directors who held office during the financial year ended 31 December 2014 are as follows:

	Aggregate remuneration paid/ payable (RM)		
	Executive Director	**Non- Executive Directors**	**Total**
Directors fees	-	**144,000**	**144,000**
Directors emoluments: -salaries & allowances -contribution by EPF	 **180,000** **21,600**	 **84,000** **10,080**	 **264,000** **31,680**
Total	**201,600**	**238,080**	**439,680**

4. **Director's Remuneration (Cont'd.)**

The number of Directors who held office during the financial year under review whose total remunerations fall within the following bands are as follows:

Remuneration band (in RM for the financial year)	Executive Director	Non-Executive Directors
Below 100,000		3
100,001-150,000		1
150,001 – 200,000	1	

In respect of the non-disclosure of detailed remuneration of each Director the Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the "band disclosure" presented in this Statement.

PRINCIPLE 3 : REINFORCE INDEPENDENCE OF THE BOARD

1. **Independence of the Board**

The responsibilities of the Chairman and Managing Director are clearly divided in accordance with the requirements of the MCCG 2012 to ensure that there is a balance of power and authority. The Chairman, a Independent Non-Executive Director is primarily responsible for ensuring the effective conduct of the Board. Executive management led by the Managing Director who is responsible for the day to day management of the business as well as the implementation of the Board policies, decisions and operational effectiveness. The Independent Directors provide the necessary independent perspective and rigour in the formulation of strategies, deliberation of issues and implementation of major undertakings to ensure that the interest of not only the Group, but also stakeholders and the public in general are represented. This mixture of experience and expertise is deemed necessary in light of the increasing challenging economic and operating environment in which the Group operates.

The presence of the three (3) Independence Non-Executive Directors (including the Chairman) is essential in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Board is of the opinion that given the strong independent element on the Board, any concern regarding the Group may be conveyed by shareholders or investors to any of the Independent Directors (including Chairman) and such concerns will be reviewed and addressed by the Board accordingly.

The MCCG 2012 provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. However, an Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Nomination Committee is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Listing Requirements on independence and recommend to the Board for its consideration.

2. **Tenure of Independent Director**

Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid were appointed as Independent Director since 4 November 2003 and 4 November 2003 respectively as Independent Director and Chairman of the Company. Pursuant to Recommendation 3.2 of the MCCG 2012, Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid will have served as Independent Directors for a period of more than nine (9) years by 18 June 2015 the scheduled date for the 2015 AGM.

Pursuant to Recommendation 3.3 of the MCCG 2012 and notwithstanding their long tenure in office; the Board is unanimous in its opinion that Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid's independence has not been compromised or impaired in any way after having noted the following considerations during the review and assessment of their independence made by the Nomination Committee:

PRINCIPLE 3 : REINFORCE INDEPENDENCE OF THE BOARD (Cont'd.)

2. Tenure of Independent Director (Cont'd.)

- They continue to fulfill the criteria and definition of an Independent Director as set out under Rule 1.01 of Listing Requirements;

- During their tenure in office, they have not developed, established or maintained any significant relationship which would impair his independence as an Independent Director with the Executive Director and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out their duties as Independent Non-Executive Director and Chairman or member of the Board Committees;

- During their tenure in office, they have never transacted or entered into any transactions with, nor provided any services to the Company and any of its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 9 of Listing Requirements;

- They are currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group; and

- During their tenure in office as Independent Non-Executive Director and Chairman of the Company, other than the options offered or granted by the Company pursuant to the Share Issuance Scheme Option, Directors' fees and allowances paid in accordance with the industry norm and within acceptable market rates, duly disclosed in this Annual Report, no other incentives or benefits of whatsoever nature had been paid to them by the Company.

Accordingly the Board strongly recommends retaining Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Independent Non-Executive Director and Chairman and will be tabling Ordinary Resolutions to shareholders at the 2015 AGM for the said purpose.

PRINCIPLE 4 : FOSTER COMMITMENT OF DIRECTORS

1. Board Meetings

The Board meets regularly on quarterly basis and as and when required. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers are comprehensive and encompass both quantitative and qualitative factors so that informed decisions are made. All proceedings from the Board meetings are recorded and kept at the Registered Office of the Company.

During the financial year under review, the Board met a total of five (5) times. The attendance of the Directors who held office during the financial year is set out below:

Name of Directors	Total Meetings Attended
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	5/5
Dato' Goh Kian Seng	5/5
Kamarudin Bin Ngah	4/5
Yee Yit Yang	5/5
Roy Ho Yew Kee	5/5

Based on the above, the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of KAG given all Directors have complied with the minimum fifty percent (50%) attendance requirement in respect of Board meetings as stipulated in the Listing Requirements.

During the financial year under review, the Board also resolved and approved the Company's matters through circular resolutions. Board members are provided sufficient detailed information for approval via circular resolutions and are given full access to management to clarify any matters arising.

2. Continuing Education of Directors

All Directors of the Company had completed the Mandatory Accreditation Programme as prescribed by Bursa Securities for Directors of public listed companies. The Board acknowledges that continuous education is essential for the Directors to further enhance their skills and knowledge and to keep abreast with relevant changes in laws, regulations and the business environment.

PRINCIPLE 4 : FOSTER COMMITMENT OF DIRECTORS (Cont'd.)

2. Continuing Education of Directors (Cont'd.)

Directors have attended various training programmes during the financial year under review as follows:

- Malaysian GST Mechanism, Its Impact on Business and GST Planning
- Half Day Talk on Corporate Governance for Directors & Senior Management
- Risk Management & Internal Control Workshops for Audit Committee Members
- Audit Committee Conference 2015 – Rising to New Challenges
- Nominating Committee Programme – Effective Board Evaluations

The Directors are mindful that they shall continue to undergo the relevant training programmes in order to stay abreast with the latest developments in the industry and to better enable them to fulfill their responsibilities.

The Company Secretary and external auditors have also regularly updated the Directors on the latest relevant regulatory requirements and accounting standards to enable them to keep abreast with such developments and amendments.

PRINCIPLE 5 : UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

1. Financial Reporting

The Directors have the responsibility of ensuring the proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and the Company, both quarterly and year-end, and have a duty to ensure that the financial statements comply with the Companies Act, 1965 and applicable accounting standards in Malaysia. The Board is also responsible for providing high level of disclosure to ensure integrity and consistency of the financial reports.

The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the quality of its financial reporting. As part of the governance process in reviewing the quarterly and yearly financial statements by the Audit Committee, the Managing Director provided assurance to the Audit Committee on a quarterly basis that adequate processes and controls were in place for an effective and efficient financial statement closs process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group.

The Board's obligation to establish formal and transparent arrangements in considering how it should apply financial reporting and internal controls, and maintaining an appropriate relationship with the Group's external auditors is met through the Audit Committee. The Audit Committee discusses with the external auditors the nature and scope of the audit and reporting obligations before audit commences. The Audit Committee ensures that the Management provides timely response on any material queries raised by the external auditors, in respect of the accounting records, financial accounts or system of controls. The Audit Committee is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of external auditors and review and evaluate factors relating to the independence of the external auditors. The Audit Committee works closely with the external auditors in establishing procedures in assessing the sustainability and independence of the external auditors.

PRINCIPLE 6 : RECOGNISE AND MANAGE RISKS OF THE GROUP

1. Risk management and internal control function

The Board recognizes its responsibility over the principal risks of various aspects in the Group's business.

The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment.

The responsibilities of identifying and managing risks are delegated to the respective Head of each business units. The Board and the Audit Committee are responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The Board is fully aware of the importance of the internal audit function and has outsourced this function to an independent consulting service provider to provide an independent appraisal over the system of internal control of the Group to the Audit Committee.

The internal audit adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business unit of the Group. Scheduled internal audits are carried out by the internal auditors based on the approved internal audit plan. The internal auditors provide yearly reports to the Audit Committee, reporting on the outcome of the audits conducted which highlight the effectiveness of the system of internal control and significant risks. The Audit Committee reviews and evaluates the key concerns and issues raised by the internal auditors and ensures that appropriate and prompt remedial action is taken by the Management.

The key features of the risk management and internal controls are set out in the Statement on Risk Management and Internal Control as stated in this Annual Report.

PRINCIPLE 6 : RECOGNISE AND MANAGE RISKS OF THE GROUP (Cont'd.)

2. Relationship with External Auditors

The Board through the establishment of Audit Committee maintains a transparent relationship with External Auditors in seeking professional advice and ensuring compliance with applicable approved accounting standards and statutory requirements in Malaysia.

The External Auditors are invited to attend the Audit Committee Meeting where the Group's annual financial results are considered, as well as the meetings to review and discuss the Group's audit plans and audit findings.

The Audit Committee has private sessions with External Auditors, in the absence of the Executive Directors and management, to exchange views on issues of concern.

PRINCIPLE 7 : ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

An essential aspect of an active and constructive communication policy is the promptness in disseminating information to shareholders and investors. The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures pertaining to the Group to the regulators, shareholders and stakeholders of the Company.

The Company acknowledges the need for investors to be informed of all material business and corporate developments affecting the Group.

PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHODLERS

1. Relation With Shareholders And Investors

The Company acknowledges the importance of keeping the shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via the circulars to the shareholders and the various announcements made from time to time including quarterly financial results to Bursa Securities, as well as the Annual Report which is published after the audited financial report submitted to Bursa Securities. Shareholders and investors may obtain the Company's latest announcement via the Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com.my

The Group also provides the website (www.kag.com.my) to provide public access, to highlight business activities and recent developments and for feedback for shareholders as well as interested investors.

2. **Annual General Meeting**

The Annual General Meeting ("AGM") is the principal forum for dialogue with individual shareholders where the shareholders are given the opportunity to raise questions during the question and answer session. The Directors are available to respond to those queries. Shareholders are notified twenty-one (21) days before the meeting and provided with a copy of the Company's Annual Report.

Where Extraordinary General Meetings (EGM) are held to obtain shareholders' approval on certain business or corporate proposals, comprehensive circulars to shareholders would be sent within the prescribed deadlines in accordance with the statutory and regulatory requirements.

Shareholders who are unable to attend the AGM and EGM are allowed to appoint proxies to attend and vote on their behalf.

To in line with Rule 7.21A(2) of Listing Requirements for further promoting participation of members through proxies, the Chairman will brief the members, corporate representatives and proxies present of their right to speak and vote on the resolutions set out in the Notice of the 12th Annual General Meeting dated 18 June 2015. Following the removal of the limit on the number of proxies to be appointed by an exempt authorized nominee with shares in the Company for multiple beneficial owners in one securities account under the Listing Requirements, the beneficial owners of shares will have greater participation at general meetings of the Company. The Articles further entitles a member to vote in person, by corporate representative, by proxy or by attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll as if they were a member of the Company.

3. **Encourage poll voting**

At the commencement of all general meetings, the Chairman will inform the shareholders of their rights to a poll voting. Where voting by poll is implemented, the detailed results showing the number of votes cast for and against each resolution will be announced to the public accordingly.

At the 11th AGM of the Company held on 27 June 2014, no substantive resolutions were put forth for approval, thus, the resolutions were voted on by a show of hands. The Company shall endeavor, whenever possible, to put to vote of substantive resolutions at the 12th Annual General Meetings by poll. The outcome of the 12th Annual General Meeting will be announced to Bursa Securities on the same meeting day.

COMPLIANCE STATEMENT

The Board is pleased to report that this Statement provides the corporate governance practices of the Company with reference to the MCCG 2012. The Board considers and is satisfied that the Company has fulfilled its obligations under the broad Principles as set out in the MCCG 2012. However, the Board has reserved several of the Recommendations and their Commentaries and has rationalized and provided justifications for the deviations in this Statement. Nevertheless, the Company will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

This Statement was presented and approved at the meeting of the Board on 22 May 2015.

Statement of Directors' Responsibilities

The Directors are required to ensure that the financial statements of the Group and the Company are drawn up in accordance with the applicable Financial Reporting Standards in Malaysia, the Listing Requirements 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 the Company for the financial year ended 31 December 2014.

In preparing the financial statements, the Directors have considered that:

- The Group and the Company have used appropriate accounting policies, and are consistently applied;
- Reasonable and prudent judgments and estimates were made;
- The applicable approved accounting standards in Malaysia have been applied; and
- The preparation of the financial statements is on a going concern basis.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

AUDIT COMMITTEE REPORT

KEY ALLIANCE

Members of the Audit Committee
The members of the Audit Committee appointed by the Board are as follows:

Kamarudin Bin Ngah	:	Chairman/Independent Non-Executive Director
Yee Yit Yang	:	Member/Independent Non-Executive Director
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	:	Member/Independent Non-Executive Director

Terms of Reference of the Audit Committee

1. **Composition of the Audit Committee**
   a) The Audit Committee shall be appointed by the Board of Directors from among their number and shall be composed of not fewer than 3 members of whom a majority shall be independent non-executive directors.

   b) The Board shall at all times ensure that at least one (1) member of the Committee shall be:-
   - a member of the Malaysian Institute of Accountants (MIA); or
   - If he or she is not a member of MIA, he must have at least three (3) years of working experience and :
     - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
     - he or she must be a member of the associates of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

   c) The members of the Audit Committee shall elect a Chairman from among their number who is not an executive director or employee of the Company or any related corporation. The Chairman elected shall be subject to endorsement by the Board.

   d) If a member to the Audit Committee for any reason ceases to be a member with the results that the number is reduced to below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

2. **Quorum and Committee's procedures**
   a) The Committee will meet at least once a quarter and such additional meetings, as the Chairman shall decide in order to fulfill its duties.

   b) In addition, the Chairman may call a meeting of the Committee if a request is made by any Committee Member, the Company's Managing Director, the external auditors or the internal auditors where applicable.

   c) The Chairman may appoint a Secretary responsible for keeping the minutes of meetings of the Committee, and circulating them to Committee members and to other members of the Board of Directors.

   d) A quorum shall consist of a majority of Committee members who must be independent director(s).

3. **Duties and Responsibilities**
   The duties and responsibilities of the Audit Committee are as follows:

   a) to review and recommend the appointment of the external auditors, the audit fees and any other related matters;

   b) to review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;

   c) to review the external auditors' report;

   d) to review the quarterly results and year end financial statements with both the external auditors and management prior to approval by the board of directors;

   e) to discuss problems and reservations arising from the interim and final results, and any matters that the external auditors may wish to discuss(in the absence of the management where necessary);

   f) to review the effectiveness of the internal audit function, internal control and management information systems;

   g) to review all areas of significant risks and the arrangements in place to contain those risks to acceptable levels;

   h) to review all related party transactions and potential conflict of interest situations;

   i) be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees, whenever deemed necessary;

   j) to identify and direct any special project or investigate and to report on any issue or concern in regard to the Management of the Group; and

   k) to consider other topics as defined by the Board.

AUDIT COMMITTEE REPORT

Summary of Activities

The Committee has five (5) meetings during the financial year which were attended by all members of the Committee.

Audit Committee Members	No. of Meetings Attended
Kamarudin Bin Ngah	4/5
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	5/5
Yee Yit Yang	5/5

The following activities were carried out by the AC during the financial year under review:-

i. Reviewed the unaudited quarterly results and financial statements of the Company for recommendation to the Board;

ii. Reviewed the External Audit Planning Memorandum of the Company during the financial year with the external auditors;

iii. Reviewed the audited financial statements of the Company together with the external auditors, the issues arising from the audit, management letter and the response from the managers prior to recommending to the Board for approval;

iv. Review internal audit's plan, programs and ensured outsourced internal audit function has adequate resources, consisting of people who are adequately skilled;

v. Reviewed the disclosure Statement on Corporate Governance, Audit Committee Report and Statement on Risk Management and Internal Control and recommend for adoption to the Board;

vi. Reviewed internal audit reports, recommendations and management's responses as well as implementation of these recommendations through follow up of audit reports;

vii. Reviewed and evaluated factors relating to the Independence of the external auditors and recommended to the Board for approval of the audit fees payable to and re-appointment of external auditors;

viii. Reviewed related party transactions entered into by the Company and the Group, the approval processed and disclosure of such transactions;

ix. Reviewed the Company's compliance with ACE LR and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standard Boards;

x. Reviewed the application of corporate governance principles and the extent of the Group's compliance with the Recommendation set out under the MCCG2012; and

xi. Met with the external auditors and the internal auditors twice during the year without the presence of any executive Board member and employees of the Group.

Internal Audit Function

The Board of Directors acknowledged their responsibilities for maintaining the internal audit function system of the Group and Company to ensure effectiveness and efficiency of the operations and compliance of the rules and regulations. The internal audit function is designed to meet the needs of respective business units and to manage the risks which they are exposed. The Board recognises that such risks cannot be fully avoided as there is no absolute assurance against material misstatement or loss to counter fraud and error. To achieve this objective the company has outsourced the internal audit function to an independent consulting firm, who reports directly to the Audit committee of their findings and aimed to minimise and manage the risks. The proposed professional fee is based on the understanding of the work, degree of responsibility, skill involved and the necessary time taken up.

The Group paid a total fee of RM16,000 for services rendered in respect of internal audit for the financial year ended 31 December 2014.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board of Directors is pleased to present the Statement on Risk Management and Internal Control of the Group (or "KAG Group") which outlines the key elements of its risk management framework for the year ended 31 December 2014.

Board Responsibility

The Board acknowledges the importance of sound system of internal control and risk management is an integral part of system of good corporate governance. The Board affirms its overall responsibility to maintain and review the adequacy, integrity and effectiveness of the system of internal control to safeguard shareholders' investments and the Group's assets.

However, the Board recognises that reviewing the adequacy of the Group's risk management and system of internal controls is a concerted and continuous process, designed to manage rather than to eliminate the risk of failure to achieve business objectives. It should be noted that any system could provide only reasonable, and not, absolute assurance against material misstatement or loss.

Risk Assessment

The Board recognises that effective risk management is critical for continuous profitability to enhance shareholders value and good corporate governance.

The Board is on ongoing process to identify, evaluate, manage and review the significant risks faced by the Group and accords with the Statement on Risk Management and Internal Control Guidelines for Directors of Public Listed Companies.

Key Control Activities / Processes

The key processes of internal control of the Group include:

- The Board have established delegation of responsibilities to Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee.
- Within the Group, there are organisation structure with clearly defined lines of responsibility, authority and accountability.
- The Group has documented policies, procedures and standards in place to further strengthen the internal control system. These documents will be kept updated in accordance with changes in operating environment.
- The Board and Audit Committee receive and review quarterly operating results and annual audited financial statements.
- Key management personnel, including Group Managing Director, meet regularly to address key business risk and operational issues.
- Regular training and development programmes are being attended by employees with the objective of enhancing their knowledge and skill competency.
- The Group has appointed an external professional firm to conduct the internal audit function of the Group independently reviews the control processes implemented by management.

The Board considers the risk management and system of internal controls to be at an acceptable level within the context on the business environment and level of operations and activities. The Board will continue to monitor all risks faced by the Group including taking appropriate mitigation actions that necessary to strengthen its internal control environment.

Internal Audit

The Group outsourced its internal audit function to an independent firm of consultants to provide independent review on the adequacy and integrity of the risk management and system of internal controls of the Group. The internal annual audit plan was approved by the Audit Committee prior to the execution of the assignment. The internal auditors report directly to the Audit Committee.

Review of This Statement

Pursuant to Rule 15.23 of the Listing Requirements, the external auditors have reviewed this statement for inclusion in this Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control and risk management.

Internal auditors have reviewed this statement and reported to the Audit Committee that, which it has addressed individual lapses in internal control during the course of its internal audit assignments for the financial year under review, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control and risk management system.

Conclusion

The Board also received assurance from Group Managing Director and Finance Manager of the Company that the Group's current risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

This statement was approved by the Board on 22 May 2015.

CORPORATE SOCIAL RESPONSIBILITY

KAG, being the new signatory of the UN Global Compact initiative signifies the Group's support for the Global Compact's principles in the areas of human rights, labour, the environment and anti-corruption.

KAG actively pursues the development of a continuous learning and to become a knowledge-based organisation. The Group constantly provides opportunities for employees to enhance job knowledge and develop professional skills, by encouraging employees to undertake various types of training programs sponsored by the company. The Group believes employees well-equipped with confidence are motivated to carry out their duties and responsibilities, subsequently create a sense of mutual accomplishments.

The Group also participates in the initiatives taken by the Malaysia Government to increase the employment of prospective new graduates by accepting trainees from local colleges and universities for industrial, subsequently considering them for permanent employment.

The Group steps forward and serves the community in which it operates and strives to make positive contribution to the community particular in helping the underprivileged and the less fortunate.

KAG aims for sustainable growth in increasing societal value while reducing environmental footprint. The Group promotes awareness in sustainable resource usage by encouraging employees to recycle used papers. The Group has also implemented the e-leave system to reduce the use of paper-based leave application form. These approaches not only help in reducing company expenditure but also respond to environment concern with a paperless environment.

ADDITIONAL COMPLIANCE INFORMATION

1. **Share Buyback**
   The Company does not have a scheme to buy back its shares.

2. **Options, Warrants or Convertible Securities**
   As at 31 December 2014, 290,400,000 Warrants remained unexercised.
   The Company did not issue any convertible securities during the financial year under review.

3. **Depository Receipt Programme**
   The Company did not sponsor any depository receipt programme during the financial period under review.

4. **Imposition of Sanctions and/or Penalties**
   There were no material sanctions and/or penalties imposed on the company and its subsidiaries, directors or management by the regulatory bodies during the financial year under review.

5. **Non-Audit Fees**
   Non-audit fees amounting to RM43,511 were paid to the external auditors of the Company during the financial year under review.

6. **Deviation in Results**
   There were no significant variances noted between the reported results and the unaudited results announced during the financial year under review.

7. **Profit Guarantee**
   The Company did not give any profit guarantee during the financial year under review.

8. **Revaluation Policy**
   The revaluation policy on investment properties of the Company is disclosed in the Audited Financial Statements.

9. **Profit Estimate, Forecast or Projection**
   The Company did not release any profit estimate, forecast or projection during the financial year under review.

10. **Material Contracts**
    There were no material contracts of the company and its subsidiaries involving the directors and substantial shareholders' interests during the financial year under review.

11. **Status of Utilisation Proceeds From The Right Issue**
    As at 31 December 2014, the breakdown of the utilisation proceeds raised from its rights issue which was completed on 10 June 2013 is summarised as follows:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Un-utilised RM'000
Working capital expendture			
(a) Day-to-day working capital expenses	26,620	19,979	6,641
(b) Setting up of startup accelerator	3,900	1,269	2,631
Repayment of bank borrowings	7,800	7,800	-
To defray expenses relating to the Proposals	400	400	-
Total	**38,720**	**29,448**	**9,272**

DIRECTORS' REPORT

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

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 other than the new activities of trading in kitchen appliances, provision of professional design services and related activities as ventured by the Group during the financial year.

Financial Results

	Group RM	Company RM
Loss after taxation attributable to : -		
Equity holders of the Company	(4,282,485)	(6,372,690)
Non-controlling interests	330,046	-
Loss for the financial year	(3,952,439)	(6,372,690)

Dividend

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,

(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

KEY ALLIANCE

Warrants 2013/2018 (Cont'd.)

The salient features of the warrants are : (Cont'd.)

(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 2014, 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 Employees Share Option Scheme ("ESOS") which has lapsed.

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.

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.

KEY ALLIANCE

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
Kamarudin Bin Ngah
Yee Yit Yang
Roy Ho Yew Kee

In accordance with Article 81 of the Company's Articles of Association, Dato' Goh Kian Seng 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.

Directors' interests

The interests and deemed interest in the ordinary shares and warrants 2013/2018 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 RM0.10 each			
	At 1.1.2014	**Bought**	**Sold**	**At 31.12.2014**
Direct interests				
Dato' Goh Kian Seng	4,000,000	-	-	4,000,000
Indirect interest				
Dato' Goh Kian Seng	89,912,500	-	-	89,912,500
Direct interests				
Dato' Goh Kian Seng	75	-	-	75

Save and except as disclosed above, none of the other directors holding office at the end of the financial year held any shares and warrants in the Company or in any related corporations during the financial year ended 31st December 2014.

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 42 to the financial statements.

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.

DIRECTORS' REPORT

Change of Company name
The Company changed its name from DVM Technology Berhad to Key Alliance Group Berhad on 7th November 2014.

Significant events
Details of significant events are disclosed in Note 44 to the financial statements.

Subsequent 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: 24 April 2015

INDEPENDENT AUDITORS' REPORT

to members of Key Alliance Group Berhad (Formerly known as DVM Technology Berhad)
(Company No. 609953 - K)

KEY ALLIANCE

Report on the Financial Statements

We have audited the financial statements of Key Alliance Group Berhad (formerly known as DVM Technology Berhad), which comprise the statements of financial position as at 31st December 2014 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 2014 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.

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 content of this report.

Kreston John & Gan
Chartered Accountants
(AF 0113)

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

Kuala Lumpur,

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 (DVM Technology Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 28 to 107 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 2014 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 108 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: 24 April 2015

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 (DVM Technology Berhad), do solemnly and sincerely declare that the financial statements set out on pages 28 to 107, 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

Dato' Goh Kian Seng

Before me,

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2014

	Note	2014 RM	2013 RM
ASSETS			
Non-current Assets			
Plant and equipment	4	8,071,719	3,598,517
Investment properties	5	11,704,600	8,000,000
Intangible assets	6	9,203,029	614,945
Investment in associated companies	8	46,127	137,843
Other investments	9	1,516,000	-
		30,541,475	12,351,305
Current Assets			
Inventories	10	10,028,491	545,008
Contract work performed but not bill	11	106,249	73,900
Trade receivables	12	12,212,029	13,962,837
Other receivables, deposits and prepayments	13	6,776,973	2,031,239
Amount due from an associated company	15	-	49,264
Current tax assets		35,450	27,600
Deposits with licensed banks	16	4,420,392	21,067,295
Cash and bank balances		10,840,324	5,857,539
		44,419,908	43,614,682
Total Assets		74,961,383	55,965,987
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	17	58,080,000	58,080,000
Reserves	18	(16,769,662)	(12,487,177)
		41,310,338	45,592,823
Non-controlling interests	19	51,120	(1,105,382)
Total Equity		41,361,458	44,487,441
Non-current Liabilities			
Deferred tax liabilities	20	1,674,187	1,723,500
Borrowings	21	6,157,302	125,109
		7,831,489	1,848,609
Current Liabilities			
Trade payables	26	8,388,690	5,721,715
Other payables and accruals	27	14,008,848	3,883,331
Borrowings	21	3,050,050	24,891
Income tax payable		320,848	-
		25,768,436	9,629,937
Total Liabilities		33,599,925	11,478,546
Total Equity and Liabilities		74,961,383	55,965,987

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

31 DECEMBER 2014

	Note	2014 RM	2013 RM
Revenue	28	57,437,025	22,684,221
Cost of sales		(52,985,248)	(20,145,805)
Gross profit		4,451,777	2,538,416
Other income	29	1,716,226	1,154,206
Selling and distribution costs		(145,730)	(155,792)
Administrative expenses		(4,858,738)	(3,717,080)
Other expenses		(4,389,361)	(1,799,807)
Loss from operations		(3,225,826)	(1,980,057)
Finance costs		(132,286)	(419,942)
Share of results of associated companies		(92,015)	(50,311)
Loss before taxation	30	(3,450,127)	(2,450,310)
Income tax expense	33	(502,312)	(47,740)
Loss for the year, representing total comprehensive loss for the year		(3,952,439)	(2,498,050)
Total comprehensive loss for the year attributable to :-			
Equity holders of the Company		(4,282,485)	(2,486,254)
Non-controlling interests		330,046	(11,796)
		(3,952,439)	(2,498,050)
Basic loss per share (sen)	34	(0.80)	(0.51)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
31 DECEMBER 2014

	<----------Attributable to equity holders of the company ----------->						
	<----------------- Non-Distributable ----------------->						
	Share capital RM	Share premium RM	Warrants reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
Balance at 1st December 2013	19,360,000	10,716,665	-	(20,276,285)	9,800,380	(1,093,586)	8,706,794
Transaction with owners :							
Issuance of shares arising from rights issue	38,720,000	-	-	-	38,720,000	-	38,720,000
Share issuance expenses relating to rights issue	-	(441,303)	-	-	(441,303)	-	(441,303)
Warrants reserve arising from rights issue	-	-	3,775,200	(3,775,200)	-	-	-
Total transactions with owners	38,720,000	(441,303)	3,775,200	(3,775,200)	38,278,697	-	38,278,697
Total comprehensive loss	-	-	-	(2,486,254)	(2,486,254)	(11,796)	(2,498,050)
Balance at 31st December 2013	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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

31 DECEMBER 2014

	Note	2014 RM	2013 RM
Cash flows from operating activities			
Loss before taxation		(3,450,127)	(2,450,310)
Adjustments for : -			
Amortisation of development expenditure		437,137	646,773
Bad debts written off		300,002	-
Depreciation of plant and equipment		2,069,556	3,530,971
Fair value adjustment, net		(34,502)	-
Fair value adjustment on investment property		(500,000)	-
Gain on disposal of plant & equipment		-	(62,526)
Impairment loss on investment		300,000	-
Impairment losses on investment in associated companies		2,005	-
Impairment losses on trade receivables		285,000	158,852
Impairment losses on other receivables		-	189,420
Impairment of goodwill		500,000	-
Interest expense		132,286	419,942
Interest income		(373,116)	(373,792)
Plant and equipment written off		4	877
Reversal of impairment losses on trade receivables		-	(20,697)
Reversal of unrealised gain on foreign exchange		-	26,773
Share of results of associated companies		92,015	50,311
Waiver of debts		-	(41,084)
Gain on disposal of subsidiary		(20,182)	-
Operating profit /(loss) before working capital changes		(259,922)	2,075,510
Increase in contract work performed but not billed		(32,349)	(73,900)
Increase in inventories		(2,181,316)	(545,008)
(Increase) /Decrease in trade receivables		4,891,785	(10,632,189)
Increase in other receivables, deposits and prepayments		(4,681,854)	(1,240,483)
Increase /(Decrease) in trade payables		(3,775,424)	4,567,050
Increase in other payables and accruals		2,879,474	776,340
Cash used in operations		(3,159,606)	(5,072,680)
Interest paid		(132,286)	(419,942)
Tax paid		(406,897)	(66,536)
Tax refund		23,302	12,369
Net cash used in operating activities		(3,675,487)	(5,546,789)

CONSOLIDATED STATEMENTS OF CASH FLOWS

31 DECEMBER 2014

	Note	2014 RM	2013 RM
Balance brought forward		(3,675,487)	(5,546,789)
Cash flows from investing activities			
Acquisition of subsidiary companies		(7,665,294)	-
Acquisition of an associated company		(298)	(1)
Proceeds from disposal of plant and equipment		-	877,087
Purchase of plant and equipment	35	(5,281,108)	(75,432)
Investment in corporate membership		(860,000)	-
Investment in unquoted shares		(956,000)	-
Interest received		373,116	373,792
(Pledged) /Uplift of deposits with licensed banks		(3,203,097)	1,028,240
Advance to an associated company		(2,005)	(49,264)
Advance to directors		(38,493)	-
Net cash from /(used in) investing activities		(17,633,179)	2,154,422
		(21,308,666)	(3,392,367)
Cash flows from financing activities			
Drawdown of term loan		5,000,000	-
Proceeds from issuance of shares		200,000	38,720,000
Rights issue expenses		-	(441,303)
Repayment of bankers' acceptance		(54,155)	-
Repayment of term loan		(599,559)	(7,065,268)
Repayment of hire purchase creditors		(84,149)	(30,311)
Repayment to a director		-	(2,634,000)
Net cash from financing activities		4,462,137	28,549,118
Net increase /(decrease) in cash and cash equivalents		(16,846,529)	25,156,751
Cash and cash equivalents at the beginning of the year		25,857,539	700,788
Cash and cash equivalents at the end of the year	36	9,011,010	25,857,539

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

STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2014

KEY ALLIANCE

	Note	2014 RM	2013 RM
ASSETS			
Non-current Assets			
Plant and equipment	4	11,283	16,777
Investment properties	5	8,500,000	8,000,000
Investment in subsidiary companies	7	21,661,880	8,149,574
Investment in associated companies	8	46,127	137,843
Other investments	9	956,000	-
		31,175,290	16,304,194
Current Assets			
Other receivables, deposits and prepayments	13	326,246	330,534
Amount due from subsidiary companies	14	13,651,395	10,074,156
Current tax assets		10,450	11,000
Deposits with a licensed bank	16	3,007,767	20,000,000
Cash and bank balances		3,103,089	4,602,007
		20,098,947	35,017,697
Total Assets		51,274,237	51,321,891
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	17	58,080,000	58,080,000
Reserves	18	(14,328,998)	(7,956,308)
		43,751,002	50,123,692
Non-current Liability			
Deferred tax liabilities	20	1,069,600	949,500
Current Liabilities			
Other payables and accruals	27	5,202,852	248,699
Amount due to a subsidiary company	14	1,250,783	-
		6,453,635	248,699
Total Liabilities		7,523,235	1,198,199
Total Equity and Liabilities		51,274,237	51,321,891

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

STATEMENTS OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

31 DECEMBER 2014

KEY ALLIANCE

	Note	2014 RM	2013 RM
Revenue	28	-	-
Other income	29	1,678,442	1,209,246
Selling and distribution costs		(53,842)	(79,459)
Administrative expenses		(1,755,866)	(1,304,101)
Other expenses		(6,092,289)	(11,732,642)
Loss from operations		(6,223,555)	(11,906,956)
Finance costs		-	(124,681)
Loss before taxation	30	(6,223,555)	(12,031,637)
Income tax expense	33	(149,135)	35,891
Loss for the year, representing total comprehensive loss for the year		(6,372,690)	(11,995,746)

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

STATEMENTS OF CHANGES IN EQUITY
31 DECEMBER 2014

	<------------	Non-distributable	------------>		
		<----- Reserves		----->	
	Share capital RM	Share premium RM	Warrant reserve RM	Accumulated losses RM	Total RM
Balance at 1st January 2013	19,360,000	10,716,665	-	(6,235,924)	23,840,741
Transactions with owners :					
Issuance of shares arising from rights issue	38,720,000	-	-	-	38,720,000
Share issuance expenses relating to rights issue	-	(441,303)	-	-	(441,303)
Warrant reserve arising from rights issue	-	-	3,775,200	(3,775,200)	-
Total transactions with owners	38,720,000	(441,303)	3,775,200	(3,775,200)	38,278,697
Total comprehensive loss for the year	-	-	-	(11,995,746)	(11,995,746)
Balance at 31st December 2013	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

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

STATEMENTS OF CASH FLOWS
31 DECEMBER 2014

	Note	2014 RM	2013 RM
Cash flows from operating activity			
Loss before taxation		(6,223,555)	(12,031,637)
Adjustments for : -			
Depreciation of plant and equipment		15,013	128,617
Fair value adjustment on investment property		(500,000)	-
Impairment loss on investment in subsidiary companies		1,328,000	5,603,408
Impairment loss on investment in an associated company		92,015	115,111
Impairment loss on amount due from subsidiary company		4,655,256	5,881,338
Impairment loss on amount due from associated company		2,005	4,107
Interest expenses		-	124,681
Interest income		(364,698)	(325,577)
Plant and equipment written off		-	61
Waiver of debts		-	(41,084)
Operating profit /(loss) before working capital changes		(995,964)	(540,975)
(Increase) /Decrease in other deposits and prepayments		4,288	(130,432)
Increase /(Decrease) in other payables and accruals		4,954,153	(187,304)
Cash generated from /(used in) operations		3,962,477	(858,711)
Tax paid		(28,485)	(60,536)
Interest paid		-	(124,681)
Net cash from /(used in) operating activity		3,933,992	(1,043,928)
Cash flows from investing activities			
Acquisition of an subsidiary company		(14,840,307)	-
Acquisition of an associated company		(298)	(1)
Advance to subsidiary companies		(8,232,495)	(12,237,262)
Advance to an associated company		(2,005)	(4,107)
Interest received		364,698	325,577
Placement of deposits with licensed banks		(3,007,767)	-
Purchase of other investments		(956,000)	-
Purchase of plant and equipment	35	(9,519)	-
Net cash used in investing activities		(26,683,693)	(11,915,793)
Balance carried forward		(22,749,701)	(12,959,721)
Cash flows from financing activities			
Repayment to a director		-	(250,000)
Advance from /(Repayment to) subsidiary companies		1,250,783	(6,670)
Proceeds from issuance of shares		-	38,720,000
Rights issue expenses		-	(441,303)
Repayment of term loan		-	(1,286,141)
Net cash from financing activities		1,250,783	36,735,886
Net increase /(decrease) in cash and cash equivalents		(21,498,918)	23,776,165
Cash and cash equivalents at the beginning of the year		24,602,007	825,842
Cash and cash equivalents at the end of the year	36	3,103,089	24,602,007

KEY ALLIANCE

1. General information

Key Alliance Group Berhad (formerly known as DVM Technology 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 2014 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 2014 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 24th April 2015.

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.

Amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans : Employee Contributions
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle)

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 and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- 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
- 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 114, 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)

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 2017

- MFRS 15, Revenue from Contracts with Customers

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

- MFRS 9, Financial Instruments (2014)

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

- from the annual period beginning on 1st January 2015 for those accounting standards, amendments or interpretations that are applicable to the Company and effective for annual periods beginning on or after 1st July 2014;
- from the annual period beginning on 1st January 2016 for those accounting standards, amendments or interpretations that are applicable to the Company and effective for annual periods beginning on or after 1st January 2016;
- from the annual period beginning on 1st January 2017 for those accounting standards, amendments or interpretations that are applicable to the Company and effective for annual periods beginning on or after 1st January 2017; and
- from the annual period beginning on 1st January 2018 for those accounting standards, amendments or interpretations that are applicable to the Company and effective for annual periods beginning on or after 1st 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 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.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

(b) Basis of measurementted by the Group and the Company.
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.

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.

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.

(d) Use of estimates and judgments (Cont'd.)

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.

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 RM4,250,000 (2013 – RM3,873,000).

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.

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 adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:-

- Control exists when the Group 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. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group 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 the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider 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 the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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.

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.

3. Significant accounting policies (Cont'd.)

(a) Basis of consolidation (Cont'd.)

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.

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.

3. Significant accounting policies (Cont'd.)

(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.

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.

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 foreign currency translation reserve ("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.

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 FCTR in equity.

(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 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.

3. Significant accounting policies (Cont'd.)

(c) Financial instruments (Cont'd.)

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) 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.

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) 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.

KEY ALLIANCE

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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any 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.

(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.

3. Significant accounting policies (Cont'd.)

(d) Plant and equipment (Cont'd.)

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 are depreciated separately.

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. 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 equipment and software	20
Furniture, fittings, office equipment and renovation	20
Motor vehicles	20
Rental units	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 are 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.

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.

KEY ALLIANCE

3. Significant accounting policies (Cont'd.)

(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.

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 consists of cash and bank balances (net of bank overdrafts), deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included within short term borrowings in current liabilities in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

KEY ALLIANCE

3. Significant accounting policies (Cont'd.)

(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.

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.

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.

3. Significant accounting policies (Cont'd.)

(j) Impairment (Cont'd.)

ii) Other assets (Cont'd.)

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.

The liability component of a compound financial instrument is recognised initially at fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability 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.

3. Significant accounting policies (Cont'd.)

(m) Employee benefits (Cont'd.)

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. The fair value of the employee share options is measured using a binomial lattice 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.

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. i

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) Management fees

Management fees are recognised when the services are rendered.

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.

3. Significant accounting policies (Cont'd.)

(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.

(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.

(r) 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.

3. Significant accounting policies (Cont'd.)

(s) 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. All operating segment' operating 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.

(t) 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.

ii) Contingent assets

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

(u) 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 Company 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 Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Plant and equipment

Group 2014	Computer software and equipment RM	Furniture and fittings, office equipment and renovation RM	Motor vehicles RM	Rental units RM	Total RM
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
2013					
At cost					
Balance at 1/1/2013	40,109,911	1,625,835	132,000	-	41,867,746
Additions	5,432	-	220,000	-	225,432
Disposal /Written off	(3,525,964)	(1,251,854)	(132,000)	-	(4,909,818)
Balance at 31/12/2013	36,589,379	373,981	220,000	-	37,183,360
Accumulated Depreciation					
Balance at 1/1/2013	32,558,646	1,488,406	101,200	-	34,148,252
Charge for the year	3,375,730	129,574	25,667	-	3,530,971
Deletion	(2,720,106)	(1,251,074)	(123,200)	-	(4,094,380)
Balance at 31/12/2013	33,214,270	366,906	3,667	-	33,584,843
Net Book Value	3,375,109	7,075	216,333	-	3,598,517

4. Plant and equipment (Cont'd.)

Company 2014	Computer software and equipment RM	Furniture and fittings, office equipment and renovation RM	Total RM
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
2013			
At cost			
Balance at 1/1/2013	152,330	1,404,485	1,556,815
Written off	(89,696)	(1,204,543)	(1,294,239)
Balance at 31/12/2013	62,634	199,942	262,576
Accumulated Depreciation			
Balance at 1/1/2013	122,410	1,288,950	1,411,360
Charge for the year	19,790	108,827	128,617
Deletion	(89,668)	(1,204,510)	(1,294,178)
Balance at 31/12/2013	52,532	193,267	245,799
Net Book Value	10,102	6,675	16,777

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		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Computer software and equipment	15,249,951	30,397,139	35,715	1,680
Motor Vehicle	142,696	-	-	-
Furniture and fittings, office equipment and renovation	416,243	183,277	199,028	14,270
	15,808,890	30,580,416	234,743	15,950

ii) The assets held by the Group which earn rental income under operating leases are as follow : -

Group	Office equipment	Rental units	Total
2014	RM	RM	RM
At cost	1,065,538	2,180,617	3,246,155
Less : Accumulated depreciation	(52,847)	(436,123)	(488,970)
Net Book Value	1,012,691	1,744,494	2,757,185
2013			
At cost	-	-	-
Less : Accumulated depreciation	-	-	-
Net Book Value	-	-	-

iii) The net carrying amount of leased plant and equipment at the reporting date is as follows : -

	Group	
	2014 RM	2013 RM
Motor vehicles	832,622	216,333

5 . Investment properties

Group 2014	Freehold office building RM	Building in progress RM	Total RM
At Fair Value			
Balance at 1st January 2014	8,000,000	-	8,000,000
Addition	-	3,204,600	3,204,600
Fair value adjustment	500,000	-	500,000
Balance at 31st December 2014	8,500,000	3,204,600	11,704,600
2013			
At Fair value			
Balance at 1st January 2014 and 31st December 2014	8,000,000	-	8,000,000

Company

2014	Freehold office building RM	Building in progress RM	Total RM
At Fair Value			
Balance at 1st January 2014	8,000,000	-	8,000,000
Fair value adjustment	500,000	-	500,000
Balance at 31st December 2014	8,500,000	-	8,500,000
2013			
At Fair value			
Balance at 1st January 2014 and 31st December 2014	8,000,000	-	8,000,000

Freehold office building represents commercial property that is leased to a third party.

The fair value of the freehold office building of the Group at 31st December 2014 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 RM628,680 (2013 – 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	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2014				
Investment property	-	11,704,600	-	11,704,600
2013				
Investment property	-	8,000,000	-	8,000,000
Company				
2014				
Investment property	-	8,500,000	-	8,500,000
2013				
Investment property	-	8,000,000	-	8,000,000

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. As the building in progress was property recently acquired by the Group, therefore the Group believe that the carrying amount approximate the fair value. Accordingly, the fair value of the investment properties as at 31st December 2014 was RM11,704,600.

Level 2 fair value

Level 2 fair value building has been generally derived using the open market value approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

KEY ALLIANCE

6 . Intangible assets

Group	Goodwill RM	Development expenditure RM	Total RM
2014			
Cost			
At 1st January 2014	-	5,374,787	5,374,787
Addition	9,525,221	-	9,525,221
At 31st December 2014	9,525,221	5,374,787	14,900,008
Accumulated amortisation			
At 1st January 2014	-	4,759,842	4,759,842
Amortisation for the year	-	437,137	437,137
At 31st December 2014	-	5,196,979	5,196,979
Accumulated impairment			
At 1st January 2014	-	-	-
Impairment for the year	500,000	-	500,000
At 31st December 2014	500,000	-	500,000
Net Book Value	9,025,221	177,808	9,203,029
2013			
Cost			
At 1st January 2013	-	5,374,787	5,374,787
Addition	-	-	-
At 31st December 2013	-	5,374,787	5,374,787
Accumulated amortisation			
At 1st January 2013	-	4,113,069	4,113,069
Amortisation for the year	-	646,773	646,773
At 31st December 2013	-	4,759,842	4,759,842
Net Book Value	-	614,945	614,945

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	
	2014 RM	2013 RM
Information communication technology (ICT)	4,404,848	-
Kitchen appliances services	4,291,592	-
Others	328,781	-
	9,025,221	-

6 . Intangible assets (Cont'd.)

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)	3
Kitchen appliances services	5
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.

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)	242
Kitchen appliances services	77

- A 1% decrease in future planned revenues would have reduced the value-in-use by : -

	RM'000
Information communication technology (ICT)	876
Kitchen appliances services	566

7 . Investment in subsidiary companies

	Company 2014 RM	Company 2013 RM
Unquoted shares, at cost	35,450,288	20,609,982
Less : Impairment losses	(13,788,408)	(12,460,408)
	21,661,880	8,149,574

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 2014 %	Effective ownership interest 2013 %
DVM Innovate Sdn. Bhd.	Malaysia	Provision of communications data network, data communications solutions, business and operational support systems.	100	100
NGC Systems Sdn. Bhd.	Malaysia	Development of software applications and provision of communication solutions. However, the company has temporary ceased its business operations in last financial year and remained inactive during the year.	100	100
Key Alliance Sdn. Bhd.	Malaysia	Distribution and provision of information technology in relation to computer parts, software and accessories.	100	100
MobileVideo International Limited	Cayman Island	Dormant.	60	60
Design Dept Sdn. Bhd.	Malaysia	To carry on the business of architectural and 3D interior design and image consultants.	100	50
Corporate One Training Academy Sdn. Bhd. (Formerly known as DVM Intellisource Sdn. Bhd.)	Malaysia	Provision of business and operational support systems and services, software development and business process outsourcing.	100 #	100

7 . Investment in subsidiary companies (Cont'd.)

Name of companies	Place of incorporation	Principal activities	Effective ownership interest 2014 %	2013 %
Precious Essence Sdn. Bhd.	Malaysia	Property investment.	100	-
GE Green Sdn. Bhd.	Malaysia	Trading of kitchen wares and related products.	100	-
Digital Paper Solutions Sdn. Bhd.*	Malaysia	Trading and rental of office equipment.	51	-
DVM Allsportz Asia Sdn. Bhd. (Formerly known as DVM Communications Sdn. Bhd.)	Malaysia	Streaming of audio and video on sports news.	**	100

* The financial statements of the subsidiary company were audited by a firm other than Kreston John & Gan.

**The equity interest in DVM Allsportz Asia Sdn. Bhd. (formerly known as DVM Communications 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. (formerly known as DVM Communications Sdn. Bhd.) and accordingly, DVM Allsportz Asia Sdn. Bhd. (formerly known as DVM Communications Sdn. Bhd.) became an associated company of the Company.

During the financial year, DVM Innovate Sdn. Bhd. disposed of the entire equity interest in Corporate One Training Academy Sdn. Bhd. (formerly known as DVM Intellisource Sdn. Bhd.) to Key Alliance Group Berhad (formerly known as DVM Technology Berhad) and accordingly, Corporate One Training Academy Sdn. Bhd. (formerly known as DVM Intellisource Sdn. Bhd.) became the direct subsidiary of Key Alliance Group Berhad (formerly known as DVM Technology Berhad).

KEY ALLIANCE

7 . Investment in subsidiary companies (Cont'd.)

Non-controlling interest in subsidiaries

The Group's subsidiary companies that have material non-controlling interest ("NCI") are as follows : -

	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 from operating activities	(1,563,396)	(1,337)
Cash flows from 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

7 . Investment in subsidiary companies (Cont'd.)

	2013
	MobileVideo International Limited
NCI percentage of ownership interest and voting interest	40%
Carrying amount of NCI (RM)	(1,105,382)
Loss allocated to NCI (RM)	(11,796)

Summarised financial information before intra-group elimination :

	RM
As at 31st December	
Non-current assets	519
Current assets	7,885
Non-current liabilities	-
Current liabilities	(3,826,875)
Net assets /(liabilities)	(3,818,470)
Year ended 31st December	
Revenue	-
Loss for the year, representing total comprehensive loss	(29,489)
Cash flows from operating activities	(28,953)
Cash flows from investing activities	422,867
Cash flows from financing activities	(396,340)
Net increase in cash and cash equivalents	(2,426)
Dividends paid to NCI	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.

8 . Investment in associated companies

Group	2014 RM	2013 RM
Unquoted shares at cost		
Balance at beginning of the year	252,954	252,953
Acquisition during the year	300	1
Disposal during the year	(1)	-
Balance at end of the year	253,253	252,954
Group's share of post acquisition profits or losses		
Balance at beginning of the year	(115,111)	(64,800)
Share of losses for current year	(92,015)	(50,311)
Balance at end of the year	(207,126)	(115,111)
Investment in associated companies	46,127	137,843
Company		
Unquoted shares at cost		
Balance at beginning of the year	252,954	252,953
Acquisition during the year	300	1
Disposal during the year	(1)	-
Balance at end of the year	253,253	252,954
Less : Impairment losses	(207,126)	(115,111)
Investment in associated companies	46,127	137,843

8 . Investment in associated companies (Cont'd.)

The associated companies are as follows : -

Name of companies	Place of incorporation	Principal activities	Effective ownership interest 2014 %	2013 %
Fatfish Capital Ltd.	British Virgin Island	Investment company.	33	33
DVM Allsportz Asia Sdn. Bhd. (Formerly known as DVM Communications Sdn. Bhd.)	Malaysia	Streaming of audio and video on sports news.	30	*
Design Dept Sdn. Bhd.	Malaysia	To carry on the business of architectural and 3D interior design and image consultants.	#	50

*The equity interest in DVM Allsportz Asia Sdn. Bhd. (formerly known as DVM Communications 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. (formerly known as DVM Communications Sdn. Bhd.) and accordingly, DVM Allsportz Asia Sdn. Bhd. (formerly known as DVM Communications Sdn. Bhd.) became an associated company of the Company.

#During the 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.

KEY ALLIANCE

8 . Investment in associated companies (Cont'd.)

Group 2014	Fatfish Capital Ltd.	DVM Allsportz Asia Sdn. Bhd. (Formerly known as DVM Communications Sdn. Bhd.	Total
Percentage of ownership interest and voting interest	33%	30%	
Summarised financial information :			
	RM	RM	RM
As at 31st December			
Non-current assets	133,835	22,194	156,029
Current assets	624,457	38,106	662,563
Non-current liabilities	(425,829)	-	(425,829)
Current liabilities	(192,681)	(138,251)	(330,932)
Net assets /(liabilities)	139,782	(77,951)	61,831
Summarised financial information :			
Year ended 31st December			
Loss from continuing operations	(306,593)	(58,769)	(365,362)
Other comprehensive income	3,844	-	3,844
Total comprehensive loss	(302,749)	(58,769)	(361,518)
Included in total comprehensive income is Revenue	81,674	110,000	191,674
Reconcile 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	-	-	-

KEY ALLIANCE

8. Investment in associated companies (Cont'd.)

Group 2013	Fatfish Capital Ltd.	Design Dept Sdn. Bhd.	Total
Percentage of ownership interest and voting interest	33%	50%	
	RM	RM	RM
As at 31st December			
Non-current assets	19,879	-	19,879
Current assets	1,367,121	10,872	1,377,993
Non-current liabilities	(283,601)	-	(283,601)
Current liabilities	(23,500)	(49,578)	(73,078)
Net assets /(liabilities)	1,079,899	(38,706)	1,041,193
Year ended 31st December			
Loss from continuing operations	(60,170)	(38,708)	(98,878)
Other comprehensive income	1,018,974	-	1,018,974
Total comprehensive income /(loss)	958,804	(38,708)	920,096
Included in total comprehensive income is Revenue	29,673	-	29,673
Reconcile of net assets to carrying amount :			
As at 31st December			
Group's share of net assets /(liabilities)	360,038	(19,353)	340,685
Goodwill	-	-	-
Elimination of unrealised profit	-	-	-
Carrying amount in the statement of financial position	360,038	(19,353)	340,685
Group's share of results :			
Year ended 31st December			
Group's share of profit or loss from continuing operations			
- current year	(50,311)	-	(50,311)
- under recognition in prior year	-	-	-
Group's share of total comprehensive loss	(50,311)	-	(50,311)
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 2013 and 2014.

9 . Other investments

Group 2014	Unquoted Shares RM	Club Membership RM	Total RM
Non-current			
Available-for-sale financial assets	956,000	860,000	1,816,000
Less: Impairment loss	-	(300,000)	(300,000)
	956,000	560,000	1,516,000
Market value of club membership	-	560,000	-

2013	Unquoted Shares RM	Club Membership RM	Total RM
Non-current			
Available-for-sale financial assets	-	-	-
Less: Impairment loss	-	-	-
	-	-	-
Market value	-	-	-

The investment in club membership relates to transferable contribution rights of one corporate memberships of a club.

Company 2014	Unquoted Shares RM
Non-current	
Available-for-sale financial assets	956,000
Less: Impairment loss	-
	956,000

2013	
Non-current	
Available-for-sale financial assets	-
Less: Impairment loss	-
	-

10 . Inventories

	Group 2014 RM	Group 2013 RM
At cost : -		
Software	822,990	545,008
Multi function printers and related products	4,523,304	-
Kitchen appliances	4,682,197	-
	10,028,491	545,008

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM16,347,016 (2013 – RM4,637,878).

11 . Contract work performed but not bill

	Group 2014 RM	Group 2013 RM
Costs incurred	106,249	73,900

12 . Trade receivables

	Group 2014 RM	Group 2013 RM
Trade receivables	14,760,603	16,226,411
Less : Allowance account	(2,548,574)	(2,263,574)
	12,212,029	13,962,837

The reconciliation of the allowance account is as follows : -

	Group 2014 RM	Group 2013 RM
At beginning of the financial year	(2,263,574)	(1,926,147)
Impairment losses recognised	(350,000)	(158,852)
Amounts recovered and reversed	65,000	-
Unrealised foreign exchange difference	-	(178,575)
At the end of the financial year	(2,548,574)	(2,263,574)

Allowance account at end of the financial year represents individually assessed impairment.

The normal credit terms of trade receivables range from immediate payment to 90 days (2013 – 14 to 45 days). Other terms are assessed and approved on a case-by-case basis.

13 . Other receivables, deposits and prepayments

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Other receivables	3,133,728	279,474	8,047	57,754
Less : Allowance account	(179,520)	(189,420)	-	-
	2,954,208	90,054	8,047	57,754
Other deposits	2,826,077	1,401,804	31,430	225,210
Prepayments	996,688	539,381	286,769	47,570
	6,776,973	2,031,239	326,246	330,534

The reconciliation of the allowance account is as follows : -

	Group 2014 RM	Group 2013 RM
At beginning of the financial year	(189,420)	-
Impairment losses recognised	-	(189,420)
Amount written off	9,900	-
At the end of the financial year	(179,520)	(189,420)

Allowance account at end of the financial year represents individually assessed impairment.

14 . Amounts due from /(to) subsidiary companies

	Company 2014 RM	Company 2013 RM
Amount due from subsidiry companies		
- DVM Innovate Sdn. Bhd.	7,181,947	8,003,869
- NGC Systems Sdn. Bhd.	5,853,350	5,829,259
- Key Alliance Sdn. Bhd.	4,749,744	1,991,894
- MobileVideo International Limited	54,930	52,079
- Corporate One Training Academy Sdn. Bhd. (Formerly known as DVM Intellisource Sdn. Bhd.)	-	152,953
- Design Dept Sdn Bhd	21,102	46,870
- GE Green Sdn Bhd	675,017	-
- Digital Paper Solutions Sdn Bhd	2,567,995	-
- Precious Essence Sdn Bhd	3,205,334	-
	24,309,419	16,076,924
Less : Allowance for impairment	(10,658,024)	(6,002,768)
	13,651,395	10,074,156
Amount due to a subsidiary company		
- Corporate One Training Academy Sdn. Bhd. (Formerly known as DVM Intellisource Sdn. Bhd.)	(1,250,783)	-

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.

The reconciliation of the allowance account is as follows : -

	Company 2014 RM	Company 2013 RM
At beginning of the financial year	(6,002,768)	(121,430)
Impairment losses recognised	(4,655,256)	(5,881,338)
At the end of the financial year	(10,658,024)	(6,002,768)

Allowance account at end of the financial year represents individually assessed impairment.

15 . Amounts due from an associated company

	Group 2014 RM	Group 2013 RM
Amount due from an associated company		
- Design Dept Sdn. Bhd.	-	49,264

16 . Deposits with licensed banks

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Fixed deposits with licensed banks	4,420,392	21,067,295	3,007,767	20,000,000

The interest rates of fixed deposits with licensed banks that were effective during the financial year range from 3.00% to 3.15% (2013 – 2.80% to 3.60%) per annum.

Included in deposits with licensed banks of the Group and Company are amounts of RM4,270,392 (2013 – RM1,067,295) and RM3,007,767 (2013 – Nil) respectively which have been pledged to licensed banks as security for the credit facilities granted to the subsidiary companies.

17 . Share capital

	Group and Company			
	2014	2013	2014	2013
	Number of shares		RM	RM
Authorised:				
At beginning of the financial year	1,000,000,000	500,000,000	100,000,000	50,000,000
Created during the financial year	-	500,000,000	-	50,000,000
At end of the financial year	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Issued and fully paid:				
At beginning of the financial year	580,800,000	193,600,000	58,080,000	19,360,000
Issued during the financial year	-	387,200,000	-	38,720,000
At end of the financial year	580,800,000	580,800,000	58,080,000	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.

18 . Reserves

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Non-distributable				
Share premium	10,275,362	10,275,362	10,275,362	10,275,362
Warrant reserves	3,775,200	3,775,200	3,775,200	3,775,200
	14,050,562	14,050,562	14,050,562	14,050,562
Distributable				
Accumulated losses	(30,820,224)	(26,537,739)	(28,759,460)	(22,006,870)
	(16,769,662)	(12,487,177)	(14,708,898)	(7,956,308)

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.

Warrant reserves

The warrant reserves represent 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%

19 . Non-controlling interests

	Group 2014 RM	Group 2013 RM
Balance at the beginning of the year	(1,105,382)	(1,093,586)
Arising from acquisition of subsidiary	826,456	-
Transferred from profit or loss	330,046	(11,796)
Balance at the end of the year	51,120	(1,105,382)

20 . Deferred tax liabilities

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Balance at the beginning of the year	1,805,645	1,675,983	949,500	991,983
Recognised in profit or loss (Note 33)	(131,458)	47,517	120,100	(42,483)
Balance at the end of the year	1,674,187	1,723,500	1,069,600	949,500

20 . 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
2014	RM	RM	RM
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	797,200	44,587	841,787
Fair value gain on investment property	952,300	120,100	1,072,400
	1,749,500	164,687	1,914,187
2013			
Deferred tax assets			
Unabsorbed tax losses	(232,000)	206,000	(26,000)
Impairment loss on receivables	(72,000)	72,000	-
	(304,000)	278,000	(26,000)
Deferred tax liabilities			
Accelerated capital allowances	988,000	(190,800)	797,200
Fair value gain on investment property	991,983	(39,683)	952,300
	1,979,983	(230,483)	1,749,500

Company			
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
2013			
Deferred tax assets			
Accelerated capital allowances	-	(2,800)	(2,800)
Deferred tax liabilities			
Fair value gain on investment property	991,983	(39,683)	952,300

20 . 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Deferred tax assets	(240,000)	(26,000)	(2,800)	(2,800)
Deferred tax liabilities	1,914,187	1,749,500	1,072,400	952,300
	1,674,187	1,723,500	1,069,600	949,500

21 . Borrowings

	Group	
	2014 RM	2013 RM
Non-current liabilities		
Secured		
Term loan	4,277,430	-
Finance lease liabilities	546,312	-
Hire purchase creditors	1,333,560	125,109
	6,157,302	125,109
Current liabilities		
Secured		
Bank overdrafts	1,979,332	-
Term loan	627,648	-
Finance lease liabilities	125,502	-
Hire purchase creditors	317,568	24,891
	3,050,050	24,891
Total borrowings		
Secured		
Bank overdrafts (Note 22)	1,979,332	-
Term loan (Note 23)	4,905,078	-
Finance lease liabilities (Note 24)	671,814	-
Hire purchase creditors (Note 25)	1,651,128	150,000
	9,207,352	150,000

Effective interest rates per annum on the borrowings of the Group and of the Company are as follows : -

	Group	
	2014 %	2013 %
Bank overdraft	7.85	-
Term loan	4.95	-
Finance lease liabilities	7.84	-
Hire purchase creditors	2.50 - 4.50	4.50

22 . Bank overdrafts

Secured

Group

The bank overdraft of the Group was secured by fixed deposits of the Company of RM3,007,767 (2013 – Nil) and corporate guarantee by the Company.

At the reporting date, the Group have unutilised bank overdrafts facilities of RM725,668 (2013 – RM705,000).

23 . Term loan

	Group	
	2014	2013
	RM	RM
Secured		
Term loan	4,905,078	-
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than two years	627,648	-
- later than two years and not later than five years	1,882,944	-
- later than five years	1,766,838	-
	4,277,430	-
Current liabilities		
- not later than one year	627,648	-
	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 proceeds from the building;

The term loan is repayable by 120 equal monthly instalments of RM52,304.

KEY ALLIANCE

24 . Finance lease liabilities

	Group 2014 RM	Group 2013 RM
Minimum lease payments : -		
- not later than one year	135,341	-
- later than one year and not later than five years	589,143	-
	724,484	-
Less : Future interest charges	(52,670)	-
Present value of lease payments	671,814	-
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than five years	546,312	-
Current liabilities		
- not later than one year	125,502	-
	671,814	-

Included in the Group's finance lease liabilities are leases of rental units 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.

25 . Hire purchase creditors

	Group 2014 RM	Group 2013 RM
Minimum hire purchase payments : -		
- not later than one year	390,096	30,767
- later than one year and not later than two years	390,096	33,564
- later than two year and not later than five years	800,765	103,444
- later than five years	267,891	-
	1,848,848	167,775
Less : Future interest charges	(197,720)	(17,775)
Present value of hire purchase liabilities	1,651,128	150,000
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than two years	334,639	28,494
- later than two year and not later than five years	739,842	93,873
- later than five years	259,079	2,742
	1,333,560	125,109
Current liabilities		
- not later than one year	317,568	24,891
	1,651,128	150,000

The Group obtains hire purchase facilities to finance its purchase of motor vehicles. The remaining hire purchase terms are range from 3 to 5 years as at 31st December 2014. Implicit interest rates of the hire purchase are fixed at the inception of the hire purchase arrangements, and the hire purchase instalments are fixed throughout the hire purchase 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 hire purchase arrangements.

KEY ALLIANCE

26 . Trade payables

Group

The credit terms of trade payables range from immediate payment to 60 days (2013 – 30 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 : -

	2014 RM	2013 RM
US Dollar	102,217	-

27 . Other payables and accruals

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Other payables	2,097,607	289,127	160,200	199,974
Accruals	5,637,027	3,594,204	34,652	48,725
Other deposits	1,266,214	-	-	-
Contingent consideration	5,008,000	-	5,008,000	-
	14,008,848	3,883,331	5,202,852	248,699

Company

Included in accruals is accrued directors' fees of RM8,000 (2013 – 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.

KEY ALLIANCE

28 . Revenue and cost of sales

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Revenue				
Sales of computer hardware and software	32,553,003	12,444,541	-	-
Service and maintenance fee	7,685,155	10,239,680	-	-
Management fee	20,000	-	-	-
Sales of kitchen appliances	2,954,229	-	-	-
Sales of multi function printers	4,002,801	-	-	-
Sales - others	1,085,757	-	-	-
Click and rental charges	8,670,903	-	-	-
Renovation contracts	452,307	-	-	-
Professional design fee	73,854	-	-	-
Sales return	(30,009)	-	-	-
Discount allowed	(10,975)	-	-	-
	57,457,025	22,684,221	-	-
Cost of sales				
Purchases	46,476,544	11,359,445	-	-
Service and maintenance	6,095,098	8,786,360	-	-
Renovation work	343,645	-	-	-
Professional design service	4,500	-	-	-
Direct cost	65,461	-	-	-
	52,985,248	20,145,805	-	-

29 . Other income

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Interest income				
- fixed deposits	58,592	287,448	15,814	239,233
- subsidiary companies	-	-	15,984	-
- others	374,778	86,344	332,900	86,344
Fair value adjustment on trade and other payable	34,502	-	-	-
Fair value adjustment on investment property	500,000	-	500,000	-
Gain on disposal of plant and equipment	-	62,526	-	-
HRDF refund	-	25,230	-	-
Rental income receivable from				
- third party	659,262	627,068	628,680	627,068
- subsidiary companies	-	-	185,064	214,026
- associated company	-	993	-	993
Reversal of impairment losses on trade receivables	-	20,697	-	-
Sundry income	89,092	2,816	-	498
Waiver of debts	-	41,084	-	41,084
	1,716,226	1,154,206	1,678,442	1,209,246

KEY ALLIANCE

30 . Loss before taxation

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Loss before tax is arrived at after charging : -				
Auditors' remuneration				
- Kreston John & Gan	96,500	58,800	25,000	12,000
- Under /(over) provision in previous year	(3,800)	5,500	8,000	8,000
- Other auditors	30,000	-	-	-
Amortisation of development expenditure	437,137	646,773	-	-
Bad debts written off	300,002	-	-	-
Depreciation of plant and equipment	2,069,556	3,530,971	15,013	128,617
Directors' fee				
- The Company	168,000	216,000	168,000	216,000
- Subsidiary company	224,000	-	-	-
Employee benefits expense (Note 31)	3,064,271	2,377,004	634,761	510,482
Finance costs				
- Bank overdrafts	14,514	88,810	-	14,179
- Bank guarantee commission	12,856	7,869	-	-
- Hire purchase	51,919	609	-	-
- Letter of credit	9,000	-	-	-
- Term loans	69,079	322,654	-	110,502
Impairment losses on trade receivables	285,000	158,852	-	-
Impairment losses on other receivables	-	189,420	-	-
Impairment loss on investment in subsidiary companies	-	-	1,328,000	5,603,408
Impairment loss on investment in an associated company	92,015	115,111	92,015	-
Impairment loss on other investment	300,000	-	-	-
Impairment losses on amount due from subsidiary companies	-	-	4,655,256	5,885,445
Impairment on amount due from associated company	2,005	-	2,005	-
Impairment of goodwill	500,000	-	-	-
Lease rental	2,590,695	-	-	-
Plant and equipment written off	4	877	-	61
Rental expenses	95,043	-	-	-
Rental of equipment	177,902	23,509	4,980	2,100
Rental of premises	986,444	245,174	215,220	245,174
Realised loss on foreign exchange	31,738	3,433	-	-
Reversal of unrealised gain on foreign exchange	-	26,773	-	-

KEY ALLIANCE

30 . Loss before taxation (Cont'd.)

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
and after crediting : -				
Fair value adjustment	(34,502)	-	-	-
- investment property	(500,000)		(500,000)	-
		-		
- trade payables	(30,057)	-	-	-
- other payable and accruals	(4,445)	-	-	-
Gain on disposal of plant and	-		-	-
equipment		(62,526)		
Interest income - Fixed deposits	(58,592)	(287,448)	(15,814)	(239,223)
- Subsidiary companies	-	-	(15,983)	-
- Others	(374,779)	(86,344)	(332,901)	(86,344)
Rental income receivable from : -				
- third party	(659,262)	(627,068)	(628,680)	(627,068)
- subsidiary companies	-	-	(185,064)	(214,026)
- associated company	-	(993)	-	(993)
Reversal of impairment losses on trade				
receivables	-	(20,697)	-	-
Waiver of debts	-	(41,084)	-	(41,084)

31 . Employee benefits expense

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Salaries, allowances and other emoluments	1,712,354	2,037,660	553,277	447,143
Employees Provident Fund	257,663	245,904	65,556	54,766
Social security costs	11,167	19,486	3,680	3,234
Other staff related expenses	1,083,087	73,954	12,248	5,339
	3,064,271	2,377,004	634,761	510,482

Included in employee benefits expense of the Group and of the Company are directors' emoluments amounting to RM290,597 (2013 – RM186,178) as disclosed in Note 32.

32 . Directors' remuneration

	Gorup		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Directors of the Company				
Executive directors				
- Fees	-	120,000	-	120,000
- Other emoluments	180,000	131,000	180,000	131,000
- EPF contributions	21,600	15,720	21,600	15,720
Non-executive directors				
- Fees	168,000	96,000	168,000	96,000
- Other emoluments	84,000	35,000	84,000	35,000
- EPF Contributions	4,200	4,200	4,200	4,200
- Social security cost	797	258	797	258
	458,597	402,178	458,597	402,178
Total excluding benefits-in-kind	458,597	402,178	458,597	402,178
Directors of a subsidiary company				
Executive directors				
- Fees	224,000	-	-	-
Total excluding benefits-in-kind	224,000	-	-	-

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	
	2014	2013	2014	2013
Directors of the Company				
Executive directors :				
- RM100,001 - RM200,000	1	2	1	2
Non-Executive directors :				
- Below RM50,000	2	2	2	2
- RM50,001 - RM100,000	2	1	2	1
Directors of a sub sidiary company				
Executive directors :				
- Below RM100,000	2	-	-	-

33 . Income tax expense

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Income tax				
- current year provision	609,624	-	10,000	-
- under provision in previous year	24,146	223	19,035	6,592
	633,770	223	29,035	6,592
Deferred taxation (Note 20)	(131,458)	47,517	120,100	(42,483)
	502,312	47,740	149,135	(35,891)

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	
	2014	2013	2014	2013
	%	%	%	%
Applicable tax rate	(25)	(25)	(25)	(25)
Tax effects of :				
- Non-allowable expenses	32	9	25	25
- Non-taxable income	-	(1)	-	-
- Deferred tax assets not recognised	7	19	-	-
- Underprovision in previous year	1	-	-	-
Effective tax rate	15	2	*	*

*less than 1 %

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	
	2014	2013
	RM	RM
Unabsorbed tax losses	11,815,000	10,773,000
Unabsorbed capital allowances	5,974,000	5,441,000

The potential deferred tax benefits that have not been accounted for in the financial statements are as follows : -

roup	Unabsorbed tax losses	Unabsorbed capital allowances	Development expenditure	Accelerated capital allowances	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
alance at 1st January 2013	2,489	1,368	(315)	(120)	3,422
rising during the year	178	5	161	108	452
ffect of reduction in tax rate	(100)	(67)	6	-	(161)
alance at 31st December 2013	2,567	1,306	(148)	(12)	3,713
rising /(Utilised) during the year	250	127	106	(133)	350
alance at 31st December 2014	2,817	1,433	(42)	(145)	4,063

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.

34 . Loss per share

Basic :

Basic loss per share is calculated by dividing the profit or 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	
	2014 RM	2013 RM
Loss for the year attributable to ordinary equity holders of the Company	(4,282,485)	(2,486,254)
	Number of shares	
Weighted average number of ordinary shares in issue	580,800,000	484,024,109
Basic loss per share (sen)	(0.80)	(0.51)

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.

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	
	2014 RM	2013 RM	2014 RM	2013 RM
Purchase of plant and equipment (Note 4)	6,941,108	225,432	9,519	-
Financed by hire purchase arrangements	(1,460,000)	(150,000)	-	-
Reclassified from other receivable	(200,000)	-	-	-
Cash payments on purchase of plant and equipment	5,281,108	75,432	9,519	-

36 . Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following statements of financial position amounts : -

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Deposits with licensed banks (Note 16)	4,420,392	21,067,295	3,007,767	20,000,000
Less : Pledged deposits (Note 16)	(4,270,392)	(1,067,295)	(3,007,767)	-
	150,000	20,000,000	-	20,000,000
Cash and bank balances	10,840,342	5,857,539	3,103,089	4,602,007
Bank overdrafts (Note 22)	(1,979,332)	-	-	-
	9,011,010	25,857,539	3,103,089	24,602,007

37 . 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") 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 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 2014.

The accounting policies of the reportable segments are the same as described in Note 3 to the financial statements.

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.

37 . Segment information (Cont'd.)

a) Business segment

2014	Information communication technology (ICT) services RM	Kitchen appliances services 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

37 . Segment information (Cont'd.)

2014	Information communication technology (ICT) services RM	Kitchen appliances services 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:					
Investment in associates	-	-	46,127	-	46,127
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

37 . Segment information (Cont'd.)

Additional to non-current assets, other than financial instruments and deferred tax assets, are as follows : -

	Information communication technology servics RM	Kitchen appliances services RM	Others RM	Total RM
2014				
Capital expenditure	5,164,485	90,311	26,312	5,281,108
Investment property	3,204,600	-	8,500,000	11,704,600
Investment in associated company	46,127	-	-	46,127
Other investment	560,000	-	956,000	1,516,000
Goodwill on consolidation	9,025,221	-	-	9,025,221
	18,000,433	90,311	9,482,312	27,573,056

During the 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.

No segmental reporting by industry has been prepared for the financial year 2013 as the Group operated predominantly in the information communication technology industry.

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 2014 RM	Revenue 2013 RM	Segment
All common control companies of :			
- Customer A	19,925,822	-	ICT services
- Customer B	9,554,758	-	ICT services
- Customer C	-	12,582,685	ICT services
	29,480,580	12,582,685	

KEY ALLIANCE

38 . Financial instrumentsn

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
2014				
Financial assets				
Other investment	1,516,000	-	1,516,000	-
Trade receivables	12,212,029	12,212,029	-	-
Other receivables	2,954,208	2,954,208	-	-
Deposits with licensed banks	4,420,392	4,420,392	-	-
Cash and bank balances	10,840,343	10,840,343	-	-
	31,942,972	30,426,972	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	(671,814)	-	-	(671,814)
Hire purchase creditor	(1,651,128)	-	-	(1,651,128)
	(31,604,890)	-	-	(31,604,890)
2013				
Financial assets				
Contract work performed but not bill	73,900	73,900	-	-
Trade receivables	13,962,837	13,962,837	-	-
Other receivables	90,054	90,054	-	-
Amount due from an associated company	49,264	49,264	-	-
Deposits with licensed banks	21,067,295	21,067,295	-	-
Cash and cash equivalents	5,857,539	5,857,539	-	-
	41,100,889	41,100,889	-	-
Financial liabilities				
Trade payables	(5,721,715)	-	-	(5,721,715)
Other payables and accruals	(3,883,331)	-	-	(3,883,331)
Hire purchase creditors	(150,000)	-	-	(150,000)
	(9,755,046)	-	-	(9,755,046)

38 . Financial instrumentsn (Cont'd.)

a) Categories of financial instruments (Con'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	(181,852)	-	-	(181,852)
Amount due to subsidiary companies	(1,250,783)	-	-	(1,250,783)
	(1,432,635)	-	-	(1,432,635)
2013				
Financial assets				
Other receivables	57,754	57,754	-	-
Amount due from subsidiary companies	10,074,156	10,074,156	-	-
Deposits with licensed banks	20,000,000	20,000,000	-	-
Cash and bank balances	4,602,007	4,602,007	-	-
	34,733,917	34,733,917	-	-
Financial liabilities				
Other payables and accruals	(248,699)	-	-	(248,699)

b) Net gain and losses arising from financial instruments

	Group 2014	2013
Net gain on :		
Financial liabilities measured at amortised cost	RM34,502	-

38 . Financial instrumentsn (Cont'd.)

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.

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% (2013 - 96%) of the total trade receivables.

	Group	
	2014	2013
Trade receivables	RM7,638,440	RM13,447,527

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
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
2013				
Not past due	10,555,683	-	-	10,555,683
Past due 1-30 days	10,700	-	-	10,700
Past due over 30 days	5,660,028	(2,263,574)	-	3,396,454
	16,226,411	(2,263,574)	-	13,962,837

38 . Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'd.)

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	
	2014 RM	2013 RM
At beginning of the financial year	(6,002,768)	(121,430)
Impairment losses recognised	(4,655,255)	(5,881,338)
At the end of the financial year	(10,658,023)	(6,002,768)

Financial guarantees

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured 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 amounts to RM8,857,500 (2013 - Nil) 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.

38 . Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

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.

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 : -

38 . Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk (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	-	-	-	-
Term loan	4,905,078	4.95	6,119,568	627,648	627,648	1,882,944	2,981,328
Finance lease	671,814	7.84	724,484	135,341	135,341	453,802	-
Hire purchase creditors	1,651,128	2.50-4.50	1,848,848	390,096	390,096	800,765	267,891
	31,604,890		33,069,770	23,550,623	1,153,085	3,137,511	3,249,219
2013							
Non-derivative financial liabilities							
Trade payables	5,721,715	-	5,721,715	5,721,715	-	-	-
Other payables and accruals	3,883,331	-	3,883,331	3,883,331	-	-	-
Hire purchase creditors	150,000	4.50	167,775	30,767	33,564	103,444	-
	9,755,046		9,772,821	9,635,813	33,564	103,444	-

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
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	-	-	-
2013							
Non-derivative financial liabilities							
Other payables and accruals	248,699	-	248,699	248,699	-	-	-

KEY ALLIANCE

38 . Financial instrumentsn (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 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").

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	2014 RM	2013 RM
Denominated in US Dollar		
Balance recognised in the statement of financial position		
Trade payables	102,217	-

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.

	2014		2013	
Group	Equity RM	Loss for the year RM	Equity RM	Loss for the year RM
USD	5,111	5,111	-	-

A 5% of weakened 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.

38 . Financial instrumentsn (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Market risk (Cont'd.)

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	2014 RM	Effective Interest rate %	2013 RM	Effective Interest rate %
Fixed rate instruments				
Deposits with licensed banks	4,420,392	3.00-3.15	21,067,295	2.80-3.60
Hire purchase creditors	(1,651,128)	2.50-4.50	(150,000)	4.50
Finance leases	(671,814)	7.84	-	-
Floating rate instruments				
Bank overdraft	(1,979,332)	7.85	-	-
Term loans	(4,905,078)	4.95	-	-
Company				
Fixed rate instruments				
Deposits with a licensed bank	3,007,767	3.00-3.15	20,000,000	2.80-3.60

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 RM68,844 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.

38 . Financial instrumentsn (Cont'd.)

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.

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.

2014	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
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	-	-	-	-	-	-	585,064	585,064	585,064	671,814
Hire purchase creditors	-	-	-	-	-	-	1,626,979	1,626,979	1,626,979	1,651,128
	-	-	431,269	431,269	-	-	8,808,030	8,808,030	9,239,299	9,638,621
2013										
Financial liabilities										
Hire purchase creditors	-	-	-	-	-	-	146,749	146,749	146,749	150,000
	-	-	-	-	-	-	146,749	146,749	146,749	150,000

38 . Financial instrumentsn (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
2014	RM	RM	RM	RM
Interest rate (1% movement)	4,000	4,000	-	-
2013				
Interest rate (1% movement)	-	-	-	-

ii) Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Bank borrowing	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

Valuation process applied by the company 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.

39 . 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 investor, creditor 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Total interest bearing borrowings	9,207,352	150,000	-	-
Total equity attributable to owners of the Company	41,361,458	44,487,441	43,751,002	50,123,692
Gearing ratio	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.

40 . Commitments

	Group	
	2014 RM	2013 RM
apital expenditure		
Contracted but not provided for	5,951,400	-
on-cancellable operating lease commitments		
uture minimum rentals payable :		
Not later than one year	215,220	215,220
Later than one year but not later than five years	430,440	-
	645,660	215,220

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.

Lease rental recognised as an expense during the financial year are amounted to RM215,220 (2013 – RM287,110).

KEY ALLIANCE

41 . Contingent liabilities

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Unsecured				
Corporate guarantees issued to banks for hire purchase facility granted to : -				
- subsidiary companies	-	-	1,150,000	-
Secured				
Bank guarantees issued in favour of third parties by a licensed bank secured by the deposits pledged to the licensed bank	857,500	857,500	-	-
Investment property pledged to a bank for bank facilities granted to a subsidiary company	5,000,000	-	5,000,000	-
Fixed deposit pledged to bank for credit facilities granted to a subsidiary company	3,000,000	-	3,000,000	-
	8,857,500	857,500	8,000,000	-

42 . 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 14 and 15.

42 . Related Parties (Cont'd.)

a) Transactions with subsidiary companies : -

	Company 2014 RM	Company 2013 RM
Rental of premise charged to : -		
- Key Alliance Sdn. Bhd.	99,996	140,874
- DVM Innovate Sdn. Bhd.	73,152	73,152
- Design Dept Sdn. Bhd.	11,916	-

b) Compensation of key management personnel

The remuneration paid by the Company to key management personnel during the year are as follows : -

	2014 RM	2013 RM
Directors		
Short-term employee benefits	432,797	382,258
Post-employment benefits :		
- Defined contribution plan - EPF	25,800	19,920
	458,597	402,178

43 . 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 :

43 . Acquisition of subsidiary and non-controlling interests (Cont'd.)

ii) Acquisition of subsidiary – Precious Essence 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
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

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

43 . Acquisition of subsidiary and non-controlling interests (Cont'd.)

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

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.

43 . Acquisition of subsidiary and non-controlling interests (Cont'd.)

ii) Acquisition of subsidiary – Digital Paper Solutions 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	257,036
Contingent consideration	5,008,000
	5,265,036

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

43 . Acquisition of subsidiary and non-controlling interests (Cont'd.)

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.

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	RM7,000,000

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

44 . Significant events

a) On 25th February 2014, the Company announced the 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 a further extension of time until 19th September 2015 to complete the Private Placement.

b) On 6th March 2014, the Company announced that DVM Intellisource Sdn. Bhd., the Company's wholly-owned subsidiary, has changed its name to "Corporate One Training Academy Sdn. Bhd."

c) 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. The acquisition does not have any significant impact to the financial statements of the Group. 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 asset 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.

d) On 20th June 2014, the Company signed a Memorandum of Understanding with Tamico-Bell Holdings Sdn. Bhd. ("TAMICO") expressing its intention to acquire Tamico Bell Malaysia ("TBM"), Bell Business System Sdn. Bhd. ("BBS") and Tamico Systems Sdn. Bhd. ("TSS") from TAMICO. The acquisition is still in progress as at the reporting date.

(e) On 24th June 2014, the Company proposed to undertake the Proposed Diversification to diversify into other industry which will provide another stream of revenue sources to reduce dependency on the Group's existing business in Information Communication Technology ("ICT") industry.

The Group's existing business would remain as core business whilst the distribution of kitchen appliances would become another core business of the Group.

f) On 24th June 2014, the Company entered into a Shares Sale Agreement with Pacifica Group Sdn. Bhd. to acquire 300,000 ordinary shares of RM1.00 each in GE Green Sdn. Bhd. ("GEGSB"), representing 100% equity interest in GEGSB, with a total purchase consideration of RM7,000,000. The acquisition does not have any significant impact to the financial statements of the Group.

Subsequently, on 1st October 2014, the Company entered into a supplemental agreement with Pacifica Group Sdn. Bhd. to mutually agree to extend the conditional period for a further 2 months from the date of the supplemental agreement. The acquisition was completed on 31st October 2014

g) On 23rd July 2014, the Company invested an additional 298 ordinary shares of RM1.00 each in DVM Communications Sdn. Bhd. ("DVMCOM"), representing 29.8% of the enlarged issued and fully paid up share capital in DVMCOM at a total consideration of RM298. Consequently, the equity interest in DVMCOM has been diluted from 100% to 30% of the fully paid up share capital in DVMCOM, and DVMCOM became the associated company of the Company. The investment does not have any significant impact to the financial statements of the Group.

With effect from 5th September 2014, DVMCOM has changed its name to "DVM Allsportz Asia Sdn. Bhd."

h) With effect from 7th November 2014, the Company has changed its name to "Key Alliance Group Berhad"

Subsequently, on 20th November 2014, the Company's securities, ordinary shares and warrants, will be traded and quoted under the new name of KGROUP and KGROUP-WA respectively. However, the stock numbers remain unchanged.

KEY ALLIANCE

45 . Subsequent events

a) 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 EGM held on 10th April 2015.

b) 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 EGM held on 10th April 2015.

c) On 13th February 2015, the Company invested 50% equity interest in a newly incorporated company, Pacifica KAG Sdn. Bhd. with 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, with 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.

46 . Comparative figures

a) 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 Financial Position :-		
Current Liabilities		
- Other payables and accruals	3,883,331	3,878,331
- Amount due to a director	-	5,000
Company		
Statement of Financial Position :-		
Current Assets		
- Amount due from subsidiary companies	10,074,156	10,027,286
- Amount due from an associated company	-	477,088

KEY ALLIANCE

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	2014 RM	2013 RM
Total accumulated losses of the Company and its subsidiaries:		
- realised	(49,814,008)	(43,571,986)
- unrealised	(658,126)	(1,327,528)
	(50,472,134)	(44,899,514)
Total share of retained profits /(accumulated losses) of an Associate	230,941	(115,111)
Less : Consolidation adjustments	19,420,969	18,476,886
Total accumulated losses	(30,820,224)	(26,537,739)
Company		
Total accumulated losses of the Company		
- realised	(28,002,690)	(21,250,100)
- unrealised	(376,870)	(756,770)
Total accumulated losses	(28,379,560)	(22,006,870)

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.

Analysis of Shareholdings

KEY ALLIANCE

As at 22 April 2015

Authorised Capital	RM100,000,000
Issued and fully paid Capital	RM58,080,000
Class of Shares	Ordinary shares of RM0.10 each
Voting Right	One vote per ordinary share
Number of Shareholders	3,332

Distribution of Shareholdings

Size of shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 99	6	0.18	300	0.00
100 - 1,000	373	11.19	329,567	0.06
1,001 - 10,000	954	28.63	5,587,100	0.96
10,001 - 100,000	1,378	41.36	69,170,733	11.91
100,001 – 29,039,999 (less than 5% of the shares)	619	18.58	333,179,800	57.37
Above 29,040,000 (5% and above of issued shares)	2	0.06	172,532,500	29.70
Total	**3,332**	**100.00**	**580,800,000**	**100.00**

Substantial Shareholders' Shareholdings

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
JF Apex Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH KIAN SENG (MARGIN)*			89,912,500	15.48
Cartaban Nominees (Asing) Sdn Bhd *EXEMPT AN FOR KGI ASIA LTD*	82,620,000	14.22		

Directors' Shareholdings

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Goh Kian Seng	-	-	93,912,500	16.17
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	-	-	-	-
Kamarudin Bin Ngah	-	-	-	-
Yee Yit Yang	-	-	-	-
Roy Ho Yew Kee	-	-	-	-

Analysis of Shareholdings

List of Top 30 Shareholder as at 22 April 2015

	Names	Shares	%
1	JF Apex Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH KIAN SENG (MARGIN)*	89,912,500	15.48
2	Cartaban Nominees (Asing) Sdn Bhd *EXEMPT AN FOR KGI ASIA LTD*	82,620,000	14.22
3	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR QUEK SOON TIANG*	16,398,000	2.82
4	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR QUEK YONG WAH*	12,500,000	2.15
5	Affin Hwang Nominees (Asing) Sdn Bhd *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	10,000,000	1.72
6	Citigroup Nominees (Asing) Sdn Bhd *EXEMPT AN FOR UBS AG HONG KONG (FOREIGN)*	10,000,000	1.72
7	Maybank Nominees (Tempatan) Sdn Bhd *TAB WAI HENG*	8,500,000	1.46
8	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR PANG KIA FATT*	5,300,000	0.91
9	Citigroup Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LAU CHI CHIANG (472016)*	4,185,000	0.72
10	JF Apex Nominees (Asing) Sdn Bhd *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)*	4,000,000	0.69
11	Chung Lea Chun	3,760,000	0.65
12	Ai Lan Oey	3,500,000	0.60
13	Ahmad Komarolaili Bin Abu	3,127,200	0.54
14	Ching Mee Nguk	3,000,000	0.52
15	Low Jim Huan	3,000,000	0.52
16	RHB Capital Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR CHAN KAH FAI (CEB)*	3,000,000	0.52
17	Tan Ka Lian	3,000,000	0.52
18	Zazilawati Binti Mohd Zain	2,750,000	0.47
19	Tan Wai Heng	2,508,000	0.43
20	Chan Kim Leong	2,400,000	0.41
21	Lim Tze Win	2,400,000	0.41
22	Macotrade Sdn Bhd	2,300,000	0.40
23	Leong Kah Fatt	2,202,400	0.38
24	Chin Yoke Kook	2,200,000	0.38
25	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LAI TZE JIN*	2,200,000	0.38
26	Soh Oon Hai	2,060,000	0.35
27	Chan May	2,000,000	0.34
28	Cheah Lai Peng	2,000,000	0.34
29	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB BANK FOR LIM SOON CHAI (LANGKAP)*	2,000,000	0.34
30	DB (Malaysia) Nominee (Asing) Sdn Bhd *EXEMPT AN FOR NOMURA PB NOMINEES LTD*	2,000,000	0.34
	Total shares	**294,823,100**	**50.76**

Analysis of Warrant Holdings

As at 22 April 2015

Number of Warrants issued	290,400,000 Warrants
No. of Warrants Unexercised	290,400,000
Exercise Price	RM0.10
Number of Warrant Holders	1,060

Distribution of Warrant Holdings

Size of warrantholdings	No. of Holders	% of Holders	No. of Warrants Held	% of Warrants Held
1 - 99	7	0.66	326	0.00
100 - 1,000	13	1.23	4,149	0.00
1,001 - 10,000	121	11.41	639,000	0.22
10,001 - 100,000	491	46.32	25,009,225	8.61
100,001 – 14,519,999 (less than 5% of the shares)	428	40.38	264,747,300	91.17
Above 14,520,000 (5% and above of issued shares)	0	0.00	0	0.00
Total	**1,060**	**100.00**	**290,400,000**	**100.00**

Directors' Shareholdings

Name	No. of Warrants Held	%
Dato' Goh Kian Seng	75	0.00
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid		
Kamarudin Bin Ngah		
Yee Yit Yang		
Roy Ho Yew Kee		

Analysis of Warrant Holdings

List of Top 30 Warrant Holders as at 22 April 2015

	Names	Warrants Held	%
1	Teo Ah Seng	7,355,000	2.53
2	Tan Hung Chew	6,000,000	2.07
3	Cheah Lai Peng	5,000,000	1.72
4	Maybank Nominees (Tempatan) Sdn Bhd *TAY SOO CHENG*	5,000,000	1.72
5	Wong Tuck Lee	5,000,000	1.72
6	Su An Lee	4,966,000	1.71
7	Wong Wan Sze	4,350,000	1.50
8	Wong Pok Seng	4,064,000	1.40
9	Low Jim Huan	4,000,000	1.38
10	Son Kat Pee @ Soin Kat Pee	4,000,000	1.38
11	Tok Chin Thiam	4,000,000	1.38
12	Kan Choon Kiat	3,500,000	1.21
13	Maybank Securities Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR PEK KIAM KEK (MARGIN)*	3,200,000	1.10
14	Chuan Hooi Chai	3,115,200	1.07
15	Pek Kiam Kek	2,710,000	0.93
16	Liew Yoon Keong	2,600,000	0.90
17	Lum Yin Mui	2,544,000	0.88
18	Fua Ah Sang @ Phuah Kooi Hua	2,500,000	0.86
19	Lim Koon Leong	2,500,000	0.86
20	Lit Khee Realty Sdn Bhd	2,500,000	0.86
21	Ai Lan Oey	2,480,000	0.85
22	HLB Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR SINAR MAJU*	2,381,200	0.82
23	Cimsec Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR SELINA DANG SIEW PING (DESA JAYA-CL)*	2,100,000	0.72
24	Pong Lih Ling	2,100,000	0.72
25	Chap Kar Kar	2,001,400	0.69
26	Tan Ka Lian	2,000,300	0.69
27	Chew Soon Wai	2,000,000	0.69
28	Maybank Nominees (Tempatan) Sdn Bhd *CHEN GEOK CHOI*	2,000,000	0.69
29	RHB Capital Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR SUKESHAH BIN SUBRAMANIAM @ OSMAN*	2,000,000	0.69
30	Lee Keng Chew	1,700,000	0.58
	Total Warrants	**99,667,100**	**34.32**

LIST OF PROPERTIES

Location	Description/ Existing Use	Area	Tenure	Approximate Age of Property (years)	Fair Value as at 31.12.2012 (RM)	Year of Acquisition (A) and date of Valuation (V)
Parcel No. CS/3A/7, Storey No. Level 7, Building No. 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur	Office	8,060 sq. ft.	Freehold	9	8,000,000	2004 (A) 31.12.2012 (V)
Unit No. B19 Level: G (Ground Floor), Level: L1 (First Floor), Level: L2 (Second Floor), Level: L3 (Third Floor), Level: L4 (Forth Floor), Block B19 situated in Aurora Place @ Bukit Jalil, Kuala Lumpur	Office	6,055 sq. ft.	Freehold	N/A	4,578,000	N/A
Unit No. B20 Level: G (Ground Floor), Level: L1 (First Floor), Level: L2 (Second Floor), Level: L3 (Third Floor), Level: L4 (Forth Floor), Block B20 situated in Aurora Place @ Bukit Jalil, Kuala Lumpur	Office	6,055 sq. ft.	Freehold	N/A	4,578,000	N/A

NOTICE OF ANNUAL GENERAL MEETING

KEY ALLIANCE

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of KEY ALLIANCE GROUP BERHAD (Formerly Known As DVM TECHNOLOGY BERHAD) will be held at Dewan Tan Sri Hamzah, Royal Selangor Club, Kiara Sports Annexe, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 18 June 2015 at 10.30 a. m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of Directors and Auditors thereon (Please refer to Note A).

2. To approve the payment of Directors' fees for the financial year ended 31 December 2014. **Ordinary Resolution 1**

3. To re-elect Dato' Goh Kian Seng, the Director who retires in accordance with Article 81 of the Articles of Association of the Company. **Ordinary Resolution 2**

4. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:- **Ordinary Resolution 3**

   "THAT Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid, retiring pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

5. To approve the re-appointment of retiring Auditors, Messrs Kreston John & Gan as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions with or without any modifications as resolutions:-

6. **Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** **Ordinary Resolution 5**

   "THAT, subject always to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and approval and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 132D of the Act to allot and issue new ordinary shares of RM0.05 each in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten (10) percent of the issued and paid-up share capital for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. **Proposed retention of Independent Director** **Ordinary Resolution 6**

   "THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

8. **Proposed retention of Independent Director** **Ordinary Resolution 7**

   "THAT approval be and is hereby given to Encik Kamarudin Bin Ngah, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

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

BY ORDER OF THE BOARD

PANG KAH MAN (MIA 18831)
Company Secretary

Kuala Lumpur
27 May 2015

NOTICE OF ANNUAL GENERAL MEETING

KEY ALLIANCE

NOTES :

(A) *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.*

1. *Only members registered in the Record of Depositors as at 10 June 2015 shall be eligible to attend the Twelfth Annual General Meeting or appoint a proxy to attend and vote on his behalf.*

2. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on a show of hands or on a poll in his stead. There shall be no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

3. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

4. *To be valid, the proxy form duly completed must be deposited at the Registered Office of the Company at 3-2, 3rd Mile Square, No. 151 Jalan Kelang Lama, Batu 3½, 58100 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy, other than the particulars of the proxy have been duly completed by the member(s).*

5. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are not complied with.*

6. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*

7. *If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*

Explanatory Notes on Special Business:

8. ***Ordinary Resolution no. 5***
   Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965

   (a) *The proposed Ordinary Resolution no. 5, if passed, will empower the Directors of the Company, from the date of the forthcoming Annual General Meeting to allot and issue shares in the Company up to an amount not exceeding ten percent (10%) of the issued capital of the Company for the time being for such purposes as they may deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.*

   (b) *The mandate now sought is a renewal from the previous mandate obtained at the last Annual General Meeting held on 27 June 2014 which will expire at the conclusion of the forthcoming Annual General Meeting.*

   (c) *The Company did not issue any new shares based on the previous mandate obtained at the last Annual General Meeting.*

   (d) *The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.*

9. ***Ordinary Resolutions no. 6 and 7***
Proposed retention of Independent Directors

The Directors of the Company have assessed the independence of the Directors, Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid and Encik Kamarudin Bin Ngah who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

(i) *They fulfilled the criteria under the definition of an Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), and thus, they would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.*

(ii) *During their tenure in office, they have not developed, established or maintained any significant relationship which would impair their independence as Independent Directors with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out their duties as Independent Non-Executive Directors and Chairman or member of the Board Committees;*

(iii) *During their tenure in office, they have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Guidance Note 9 of Listing Requirements;*

(iv) *They are currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiaries; and*

(v) *Other than the options offered or granted by the Company pursuant to the Share Issuance Scheme Option, Director's fees and allowances paid in accordance with the industry norm and within the acceptable market rates which have been duly disclosed in the Annual Report, there are no other incentives or benefits of whatsoever nature that had been paid to them by the Company during their tenure in office as Independent Non- Executive Directors in the Company.*

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

DETAILS OF INDIVIDUAL WHO IS STANDING FOR ELECTION AS DIRECTOR

No individual is seeking for election as a Director at the Twelfth Annual General Meeting of the Company.

KEY ALLIANCE GROUP BERHAD (609953-K)
(FORMERLY KNOWN AS DVM TECHNOLOGY BERHAD)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

I/We ____

of ____
(Full Address)

being (a) member(s) of Key Alliance Group Berhad (formerly known as DVM Technology Berhad) hereby appoint(s)____________________

____

of ____

or failing him/ her, ____

of ____

as my/our proxy to vote for me/us and on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Dewan Tan Sri Hamzah, Royal Selangor Club, Kiara Sports Annexe, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 18 June 2015 at 10.30 a.m. and at any adjournment thereof.

No	Ordinary Resolutions	For	Against
1	Approval of Directors' fees for the financial year ended 31 December 2014.		
2	Re-election of Dato' Goh Kian Seng as Director.		
3	Re-appointment of Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Director to hold office until the conclusion of the next Annual General Meeting.		
4	Re-appointment of Messrs Kreston John & Gan as Auditors and to authorise the Directors to determine their remuneration.		
5	Renewal of authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		
6	Proposed retention of Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Independent Director.		
7	Proposed retention of Encik Kamarudin Bin Ngah as Independent Director.		

Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/ her discretion.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies is as follows:

	No. of Shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Number of Shares Held

____
Signature of Shareholder(s) or Common Seal

Dated this__________day of_____________ 2015

Notes:-

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3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

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5. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are not complied with.

6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

7. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

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STAMP

Company Secretary
KEY ALLIANCE GROUP BERHAD (Company No.609953-K)
3-2, 3rd Mile Square
No. 151 Jalan Kelang Lama
Batu 3½, 58100 Kuala Lumpur
Malaysia

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KEY ALLIANCE