

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD

(Company No. 643114-X)

(Incorporated in Malaysia)

**UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 31 JULY 2009**

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)

(Incorporated in Malaysia)

**Quarterly report on consolidated results for the second quarter ended 31 JULY 2009
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

The Board of Directors of Key West Global Telecommunications Berhad would like to announce the following unaudited condensed consolidated results for the six month quarter ended 31 July 2009.

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31-Jul-09 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Jul-08 RM'000	CURRENT YEAR TO DATE 31-Jul-09 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Jul-08 RM'000
Revenue	A4	45,458	36,307	92,480	71,340
Cost of Sales		(40,636)	(30,330)	(83,979)	(59,321)
Gross Profit		4,822	5,977	8,501	12,019
Other income		22	146	35	299
Administrative expenses		(3,820)	(4,635)	(8,402)	(8,495)
Selling and marketing expenses		(1,461)	(1,596)	(2,704)	(3,122)
Other expenses		(213)	(929)	(520)	(1,652)
Finance costs		(101)	(96)	(185)	(190)
Loss before taxation		(751)	(1,133)	(3,275)	(1,141)
Taxation	B20	(86)	(38)	911	(20)
Loss for the period		<u>(837)</u>	<u>(1,171)</u>	<u>(2,364)</u>	<u>(1,161)</u>
Attributable to:					
Equity holder of the parent		(837)	(1,171)	(2,364)	(1,161)
Minority interest		-	-	-	-
		<u>(837)</u>	<u>(1,171)</u>	<u>(2,364)</u>	<u>(1,161)</u>
Basic earnings per share (sen)	B28	(0.37)	(0.520)	(1.05)	(0.516)
Diluted earnings per share (sen)	B28	N/A	N/A	N/A	N/A

N/A - Not Applicable

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 January 2009 and the accompanying explanatory notes attached to the interim financial statements.

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)

(Incorporated in Malaysia)

Quarterly report on consolidated results for the second quarter ended 31 July 2009

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 2009 As at 31 July RM'000	Audited 2009 As at 31 Jan RM'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	A9	5,515	6,063
Intangible assets		7,892	8,443
Deferred tax assets		1,330	1,262
		<u>14,737</u>	<u>15,768</u>
CURRENT ASSETS			
Inventories, at cost		544	70
Trade receivables		22,233	18,400
Other receivables		3,129	2,017
Tax recoverable		2,523	1,770
Cash and bank balances		3,411	6,202
		<u>31,840</u>	<u>28,459</u>
TOTAL ASSETS		<u>46,577</u>	<u>44,227</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A10	22,500	22,500
Share premium		409	409
Reserve		(2,204)	(2,325)
Accumulated losses		(3,888)	(1,524)
Equity attributable to equity holders of the parent		<u>16,817</u>	<u>19,060</u>
Minority interest		-	-
Total equity		<u>16,817</u>	<u>19,060</u>
NON-CURRENT LIABILITIES			
Borrowings	B24	279	293
Deferred tax liability		47	18
		<u>326</u>	<u>311</u>
CURRENT LIABILITIES			
Trade payables		18,754	14,170
Other payables		4,625	4,586
Provision for liabilities		458	762
Deferred revenue		623	590
Borrowing	B24	4,974	4,625
Tax payable		-	123
		<u>29,434</u>	<u>24,856</u>
Total liabilities		<u>29,760</u>	<u>25,167</u>
TOTAL EQUITY AND LIABILITIES		<u>46,577</u>	<u>44,227</u>
Net assets per share (RM)		<u>0.07</u>	<u>0.08</u>

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the company's annual audited financial statements for the period ended 31 January 2009.

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Quarterly report on consolidated results for the second quarter ended 31 July 2009
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to Equity Holders of the Parent →				Minority Interest RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Earnings RM'000		
At 1 February 2008						
As previously stated	22,500	409	(716)	3,252	-	25,445
Foreign exchange reserve	-	-	161	-	-	161
Net loss for the period	-	-	-	(1,161)	-	(1,161)
At 31 July 2008	22,500	409	(555)	2,091	-	24,445
At 1 February 2009						
As previously stated	22,500	409	(2,325)	(1,524)	-	19,060
Foreign exchange reserve	-	-	121	-	-	121
Net loss for the period	-	-	-	(2,364)	-	(2,364)
At 31 July 2009	22,500	409	(2,204)	(3,888)	-	16,817

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 January 2009 and the accompanying explanatory notes attached to the interim financial statements.

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**Quarterly report on consolidated results for the second quarter ended 31 July 2009
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	6 months ended 31-Jul-09 RM'000	6 months ended 31-Jul-08 RM'000
Cash flows from operating activities		
Loss before taxation	(3,275)	(1,141)
Adjustments for:		
Allowance for doubtful debts	527	407
Depreciation	871	882
Amortisation of intangibles	298	272
Amortisation of development costs	15	15
Net foreign exchange (gain)/loss	(282)	482
Operating (loss)/profit before working capital changes	<u>(1,846)</u>	<u>917</u>
Changes in current assets and liabilities:		
Trade receivables	(4,360)	(7,687)
Other receivables	(1,112)	(495)
Inventories	(474)	8
Provision for liabilities	(304)	(76)
Trade payables	4,584	8,701
Other payables and accruals	39	(3,745)
Deferred revenue	33	-
Cash flows used in operations	<u>(3,440)</u>	<u>(2,377)</u>
Income taxes paid	(4)	(60)
Net cash used in operating activities	<u>(3,444)</u>	<u>(2,437)</u>
Cash flows from investing activities		
Intangibles	253	(436)
Purchase of property, plant and equipment	(323)	(219)
Development costs	(15)	(158)
Net cash used in investing activities	<u>(85)</u>	<u>(813)</u>
Cash flows from financing activities		
Drawdown/(repayment) of borrowings	349	(198)
Repayment of hire purchase	(14)	(3)
Net cash generated from (used in) financing activities	<u>335</u>	<u>(201)</u>
Effects of exchange rate changes	403	(321)
Net decrease in cash and cash equivalents	(2,791)	(3,772)
Cash and cash equivalents at beginning of period	6,202	10,320
Cash and cash equivalents at end of period	<u>3,411</u>	<u>6,548</u>
 Cash and cash equivalents comprise the following		
Other investment	-	319
Cash and bank balances	<u>3,411</u>	<u>6,229</u>
	<u>3,411</u>	<u>6,548</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the company's annual audited financial statements for the period ended 31 January 2009.

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)

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Quarterly report on consolidated results for the second quarter ended 31 July 2009**A NOTES TO THE INTERIM FINANCIAL REPORT****A1 Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with the requirements of the Financial Reporting Standard (FRS) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the ACE Market.

The interim financial report should be read in conjunction with the audited financial statements of Key West Global Telecommunications Berhad ("KeyWest" or "the Company") for the period ended 31 January 2009.

The accounting policies and methods of computation adopted by KeyWest and its subsidiary corporations ("KeyWest Group" or "the Group") in this interim financial report are consistent with those adopted in the annual financial statements for the period ended 31 January 2009.

A2 Changes in accounting policies

The accounting policies and methods of computation used in the presentation of the quarterly financial statements are consistent with those applied in the latest audited annual financial statements ended 31 January 2009.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the period ended 31 January 2009 was not qualified.

A4 Segment information

The Group is a provider of network products and services to telecommunications companies ("Telcos") as well as corporate and individual subscribers. The business segments can be broken down as Telco sales and Retail sales.

For the three months ended 31 July 2009	Revenue	Loss from operations before tax
	RM '000	RM '000
Telco product and services	32,222	(440)
Retail product and services	13,236	(122)
Others	-	(189)
	45,458	(751)

For the three months ended 31 July 2008	Revenue	Loss from operations before tax
	RM '000	RM '000
Telco product and services	23,799	(1,074)
Retail product and services	12,508	257
Others	-	(316)
	36,307	(1,133)

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A4 Segment information (Contd.)

For the year to date ended 31 July 2009	Revenue RM '000	Loss from operations before tax RM '000
Telco product and services	67,747	(877)
Retail product and services	24,733	(2,204)
Others	-	(194)
	92,480	(3,275)

For the year to date ended 31 July 2008	Revenue RM '000	Loss from operations before tax RM '000
Telco product and services	46,818	(1,437)
Retail product and services	24,521	634
Others	-	(338)
	71,339	(1,141)

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A6 Material changes in estimates

There were no changes in estimates of amounts reported that have a material effect in the quarter under review.

A7 Seasonal or cyclical factors

The Group's operations were not subject to any seasonal or cyclical changes.

A8 Dividend paid

No dividend was paid in the current financial quarter.

A9 Carrying amount of revalued assets

There were no changes in the valuation of the property, plant and equipment reported in the quarter under review.

A10 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A12 Discontinued operation

There were no discontinued operation during the quarter under review.

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A13 Capital commitments

There were no capital commitments as at the date of this announcement.

A14 Contingent liabilities

The Company has provided a corporate guarantee to a financial institution in respect of credit facilities of a wholly-owned subsidiary, Voicestar Communications Sdn Bhd ("VCSB"). As at 31 July 2009, VCSB has utilised RM4.205 million of the credit facilities.

A15 Material events subsequent to the end of the quarter

(a) On 16 February 2009, the Company's subsidiary Times Telecom Inc. (TTI), had on 30 January 2009 filed a listing application with the TSX Venture Exchange ("TSX.V") that incorporates a draft preliminary prospectus which will be filed with various Securities Commissions in Canada in due course. The listing application is subject to review and approval by the TSX.V.

On 6 May 2009, the Company announced that TTI had on 30 April 2009 filed its preliminary prospectus to the British Columbia Securities Commission and Alberta Securities Commission.

Subsequently, TTI had on 29 July 2009 filed an amended and restated preliminary long form prospectus to the British Columbia Securities Commission.

(b) On 28 July 2009, the Company announced that Mr. Alan Yong Kah Kee had notified the Company that he had on 27 July 2009, received approval from the Securities Commission ("SC") on the Application for Exemption of the Mandatory General Offer ("MGO") obligation under Practice Note 2.9.7 of the Malaysian Code on Takeovers and Mergers 1998.

(c) On 19 September 2008, the Company obtained the approval of the SC for the Proposed Capital Distribution pursuant to the Capital Markets and Services Act 2007 via their letter dated 18 September 2008.

The approval of the Proposed Capital Distribution is subject to the following conditions:

- i) The Proposed Capital Distribution to be conditional upon the approval for listing of TTI Group;
- ii) The Company to disclose the following in its Circular to Shareholders:
 - a) Contribution of TTI Group to the KGTB Group's revenue and profits for the past 3 financial years;
 - b) The business risks due to reliance on TTI Group by KGTB Group without TTI Group ("Demerged KGTB Group"), arising from the demerger, and mitigating factors, if any. The discussion should include comments on the KGTB Group's future strategy and status of its 5-year business plan;
 - c) The business risks / impact on the Demerged KGTB Group arising from termination of any relationships with TTI Group; and
 - d) Salient terms of any agreements pertaining to the demerged operations, including Carrier Service Agreements, between TTI Group and KGTB Group.
- iii) The Company to inform SC upon TTI Group obtaining the relevant approvals to list on TSX.V and to disclose the approval conditions to its shareholders, if any;
- iv) KGTB/TTI to extend relevant assistance to its entitled shareholders who wish to deal with their TTI shares for a period of at least six (6) months after the TTI shares have been credited into their depository accounts. Sufficient notice should be given to the shareholders before the expiry of such assistance; and
- v) AmInvestment Bank/KGTB to inform SC upon completion of the Proposals.

Subsequently, SC had on 18 September 2009 granted the Company an extension of time of approximately six (6) months, up to 31 March 2010, to implement the Proposals.

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

B16 Review of performance

The Group's revenue for the second quarter ended 31 July 2009 was RM45.5 million with loss before tax of RM751,000. Approximately 71% of the revenue was derived from the Telco sector (RM32.2 million) and 29% from the Retail sector (RM13.3 million).

The Group's revenue increased by RM9.2 million or 25.6% compared to RM36.3 million from the preceding year's corresponding quarter. The increase was mainly attributable to improved sales in Telco segment as the revenue increased by 35% with higher business volume and traffic minutes. The Retail segment also experienced increase in revenue mainly from cellular commission and phone hardware sales.

The Group's loss before tax decreased by RM382,000 as compared to the preceding year's corresponding quarter. This was mainly due to improved sales and also decrease in administrative expenses.

B17 Material change in profit before taxation

The Group's loss before taxation for the current quarter ended 31 July 2009 of RM751,000 represents a decrease of RM1.77 million over the loss before tax of RM2.52 million for the previous quarter ended 30 April 2009. The reported loss of the previous quarter were substantially higher attributable to the lower gross margin contribution and higher provision of doubtful debts.

In the Retail segment, the revenue increased by 15% to RM13.24 million as compared to RM11.49 million from the previous quarter. The increase was mainly due to the increase in cellular commission and phone hardware sales as mentioned above. Loss from operations narrowed, attributed by increase in gross profit contribution, cost cutting exercises and lower provision of doubtful debts.

On the other hand, the Telco revenue experienced a slight drop due to immense competition. The reduction of administrative expenses helped to cushion the loss before tax.

B18 Current Year Prospects

The Board expects the market situation to stabilize as the global economy emerges from the recessionary pressures. The Group continues to improve liquidity and minimise credit exposure by emphasising on collections. In addition, the Group will undertake prudent measures to manage costs and strengthen its balance sheet in order to ride out the tough economic times.

B19 Profit forecast and profit guarantee

No profit forecast or profit guarantee announced, therefore there is no comparison between actual results and forecast.

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B20 Income tax expense

The Group's taxation represents the consolidation of the estimated taxation expense of the various companies within the Group and is computed vis-à-vis the respective tax jurisdiction and legislation of the various countries of operation.

	6 months ended 31-Jul-09 RM('000)	6 months ended 31-Jul-08 RM('000)	YTD ended 31-Jul-09 RM('000)	YTD ended 31-Jul-08 RM('000)
Income tax (recovery)/expense:				
Malaysian income tax	-	-	-	-
Foreign tax	86	38	(911)	20
	<u>86</u>	<u>38</u>	<u>(911)</u>	<u>20</u>

The effective tax rates for the period presented above are lower than the statutory rate principally due to availability of tax recovery on certain entities' net operating loss carryback to financial years.

B21 Unquoted investments and properties

There were no acquisitions or disposals of unquoted investments and properties during the quarter ended 31 July 2009.

B22 Quoted securities

There were no acquisitions or disposals of quoted securities during the quarter ended 31 July 2009.

B23 Status of Corporate Proposal

Please refer to Note A15 for status of corporate proposals.

Status of Utilisation of Proceeds

As at 31 July 2009, the total proceeds from the IPO and Rights Issue were utilised as follows:

Proceeds:	RM ('000)					
Rights Issue	5,396					
Initial Public Offering	14,800					
	<u>20,196</u>					
	Proposed Utilisation *	Revised Utilisation **	Actual Utilisation	Unutilised Amount	Explanations	
	RM('000)	RM('000)	RM('000)	RM('000)	%	
Capital expenditure	3,713	3,713	3,713	-	-	Note 2
R & D	2,700	1,150	1,150	-	-	Note 2
Working capital	3,195	4,745	4,688	57	1.2%	Note 1
Listing expenses	2,000	2,000	2,000	-	-	Note 2
Acq. of the assets of Yestel	8,588	8,588	8,588	-	-	Note 2
	<u>20,196</u>	<u>20,196</u>	<u>20,139</u>	<u>57</u>		

* Proposed Utilisation was adjusted as detailed under Circular to Shareholders dated 14 March 2006 and approved by shareholders at the Extraordinary General Meeting held on 29 March 2006.

** SC had vide their letter dated 31 October 2008 approved the redeployment of unutilised proceeds which was allocated to R & D Cost purposes, for use as a working capital purposes of the Company.

Note 1: The Group has yet to fully utilise the proceeds in accordance to the revised utilisation schedule.

Note 2: Fully utilised

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The Group borrowings consist of the following:

(a) On 31 July 2009, both Times Telecom Inc. and Keywest Networks (Canada) Inc. (the "TTI and KNI"), wholly owned subsidiaries of the Company, collectively renewed credit facilities with HSBC Bank Canada ("Bank") with the following terms:

Facilities : CAD 290,000 revolving demand term loan (the "Overdraft").
Purposes : To assist in financing the day-to-day working capital requirements.
Status : As at 31 July 2009, collectively TTI and KNI have utilised CAD 207,500 of the Overdraft facility (CAD 154,305 - 31 July 2008).

Facilities : CAD54,152 non-revolving demand loan (the "Equipment Loan"), has been curtailed from CAD110,000 revolving demand loan.
Purposes : To assist in financing the capital requirements.
Status : As at 31 July 2009, collectively TTI and KNI have utilised CAD 50,700 (CAD89,931 - 31 July 2008) of the Equipment Loan.

Facilities : CAD100,000 guarantee line, a sub-limit of the Overdraft (the "Guarantee Line").
Purposes : To issue guarantees to third party telecommunications providers.
Status : As at 31 July 2009, collectively TTI and KNI have not utilised the Guarantee Line.

Facilities : USD75,000 import loan, a sub-limit of the Overdraft, has been curtailed from CAD190,000.
Purposes : To issue standby letters of credit to overseas suppliers.
Status : As at 31 July 2009, collectively TTI and KNI have utilised USD75,000 (USD140,000 - 31 July 2008) of the Import Loan.

In addition to the above, the bank has agreed to modify certain financial covenants and forebear any breach of covenants up to 31 January 2009. All other terms and conditions remain in full force and effect.

(b) On 6 March 2006, Voicestar Communication Sdn Bhd ("VCSB") entered into a hire purchase agreement with Hong Leong Bank Berhad for the purchase of a motor vehicle. The amount of the facility was RM 314,000. Monthly payments of RM 3,693 commenced on 6 April 2006 for 108 months with RM 3,629 as the final payment.

As at 31 July 2009, VCSB had made 40 instalment payments totalling RM137,700 (RM103,400 - 31 July 2008).

(c) On 19 June 2006, VCSB accepted the following banking facilities ("the Facilities") granted by AmBank (M) Berhad ("AmBank"), subject to the terms and conditions stipulated in AmBank's Letter of Offer dated 5 June 2006:

(i) Facilities : RM4,000,000 overdraft facility ("OD").
Purposes : For general working capital.
Status : As at 31 July 2009, VCSB has utilised RM4 million of the OD facility.

(ii) Facilities : RM500,000 bank guarantee facility ("BG").
Purposes : As performance bonds, tender deposits, earnest money for tender/ security deposits in favour of statutory bodies and/ or other parties acceptable to AmBank.
Status : As at 31 July 2009, VCSB has not utilised the BG facility.

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B25 Off balance sheet financial instruments

There was no financial instrument with off-balance sheet risk as at the date of this announcement applicable to the Group.

B26 Material litigation

There were no material litigations pending at the date of this announcement.

B27 Dividend payable

No dividend has been declared in respect of the financial period under review.

B28 Earnings per sharea) Basic earnings per share ("EPS")

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	CURRENT YEAR QUARTER 31-Jul-09	PRECEDING YEAR CORRESPONDING QUARTER 31-Jul-08	CURRENT YEAR TO DATE 31-Jul-09	PRECEDING YEAR CORRESPONDING PERIOD 31-Jul-08
Loss for the period attributable to ordinary shareholders of the Company (RM'000)	<u>(837)</u>	<u>(1,171)</u>	<u>(2,364)</u>	<u>(1,161)</u>
Weighted average number of ordinary shares in issue ('000)	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>
Basic EPS (sen)	<u>(0.37)</u>	<u>(0.520)</u>	<u>(1.05)</u>	<u>(0.516)</u>

b) Diluted EPS

There is no dilution of share capital for the Group.

B29 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 September 2009.