

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD
(Company No. 643114-X)
(Incorporated in Malaysia)

**UNAUDITED QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 31 OCTOBER 2009**

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)

(Incorporated in Malaysia)

**Quarterly report on consolidated results for the third quarter ended 31 OCTOBER 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 three month quarter ended 31 October 2009.

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31-Oct-09 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Oct-08 RM'000	CURRENT YEAR TO DATE 31-Oct-09 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Oct-08 RM'000
Revenue	A4	36,859	42,011	129,338	113,350
Cost of Sales		(30,147)	(37,006)	(113,754)	(96,328)
Gross Profit		6,712	5,005	15,584	17,022
Other income		44	189	79	489
Administrative expenses		(3,952)	(5,156)	(12,354)	(13,651)
Selling and marketing expenses		(1,649)	(1,321)	(4,352)	(4,442)
Other expenses		(774)	(105)	(1,666)	(1,756)
Finance costs		(86)	(101)	(270)	(291)
Profit/(loss) before taxation		295	(1,489)	(2,979)	(2,629)
Taxation	B20	(207)	383	704	362
Profit/(loss) for the period		88	(1,106)	(2,275)	(2,267)
Attributable to:					
Equity holder of the parent		88	(1,106)	(2,275)	(2,267)
Minority interest		-	-	-	-
		88	(1,106)	(2,275)	(2,267)
Basic earnings per share (sen)	B28	0.04	(0.492)	(1.01)	(1.008)
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 third quarter ended 31 October 2009
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 2009 As at 31 Oct RM'000	Audited 2009 As at 31 Jan RM'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	A9	5,114	6,063
Intangible assets		7,549	8,443
Deferred tax assets		1,274	1,262
		<u>13,937</u>	<u>15,768</u>
CURRENT ASSETS			
Inventories, at cost		317	70
Trade receivables		13,621	18,400
Other receivables		3,697	2,017
Tax recoverable		1,172	1,770
Cash and bank balances		3,465	6,202
		<u>22,272</u>	<u>28,459</u>
TOTAL ASSETS		<u>36,209</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		(2,505)	(2,325)
Accumulated losses		(3,799)	(1,524)
Equity attributable to equity holders of the parent		<u>16,605</u>	<u>19,060</u>
Minority interest		-	-
Total equity		<u>16,605</u>	<u>19,060</u>
NON-CURRENT LIABILITIES			
Borrowings	B24	271	293
Deferred tax liability		46	18
		<u>317</u>	<u>311</u>
CURRENT LIABILITIES			
Trade payables		8,711	14,170
Other payables		4,383	4,586
Provision for liabilities		530	762
Deferred revenue		801	590
Borrowing	B24	4,862	4,625
Tax payable		-	123
		<u>19,287</u>	<u>24,856</u>
Total liabilities		<u>19,604</u>	<u>25,167</u>
TOTAL EQUITY AND LIABILITIES		<u>36,209</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.

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)

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Quarterly report on consolidated results for the third quarter ended 31 October 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	22,500	409	494	1,392	-	24,795
Foreign exchange reserve	-	-	(314)	-	-	(314)
Net profit for the period	-	-	-	1,402	-	1,402
At 31 October 2008	22,500	409	180	2,794	-	25,883
At 1 February 2009	22,500	409	(2,325)	(1,524)	-	19,060
Foreign exchange reserve	-	-	(180)	-	-	(180)
Net loss for the period	-	-	-	(2,275)	-	(2,275)
At 31 October 2009	22,500	409	(2,505)	(3,799)	-	16,605

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.

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended 31-Oct-09 RM'000	9 months ended 31-Oct-08 RM'000
Cash flows from operating activities		
Loss before taxation	(2,979)	(2,629)
Adjustments for:		
Allowance for doubtful debts	462	576
Depreciation	1,312	1,372
Amortisation of intangibles	444	417
Amortisation of development costs	264	42
Net foreign exchange (gain)/loss	(282)	482
Operating (loss)/profit before working capital changes	<u>(779)</u>	<u>260</u>
Changes in current assets and liabilities:		
Trade receivables	4,317	(13,648)
Other receivables	(1,680)	(881)
Inventories	(247)	3
Provision for liabilities	(232)	17
Trade payables	(5,459)	16,211
Other payables and accruals	(203)	(3,797)
Deferred revenue	211	-
Cash flows used in operations	<u>(4,072)</u>	<u>(1,835)</u>
Income taxes recovery/(paid)	1,195	(63)
Net cash used in operating activities	<u>(2,877)</u>	<u>(1,898)</u>
Cash flows from investing activities		
Intangibles	450	(971)
Purchase of property, plant and equipment	(363)	(565)
Development costs	(264)	(185)
Net cash generated used in investing activities	<u>(177)</u>	<u>(1,721)</u>
Cash flows from financing activities		
Drawdown/(repayment) of borrowings	237	(217)
(Repayment)/drawdown of hire purchase	(22)	84
Net cash generated from/(used in) financing activities	<u>215</u>	<u>(133)</u>
Effects of exchange rate changes	102	(156)
Net decrease in cash and cash equivalents	<u>(2,737)</u>	<u>(3,908)</u>
Cash and cash equivalents at beginning of period	<u>6,202</u>	<u>10,320</u>
Cash and cash equivalents at end of period	<u><u>3,465</u></u>	<u><u>6,412</u></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.

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Quarterly report on consolidated results for the third quarter ended 31 October 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 October 2009	Revenue RM '000	Profit from operations before tax RM '000
Telco product and services	21,708	236
Retail product and services	15,151	57
Others	-	2
	36,859	295

For the three months ended 31 October 2008	Revenue RM '000	Loss from operations before tax RM '000
Telco product and services	30,424	(1,004)
Retail product and services	11,587	(511)
Others	-	26
	42,011	(1,489)

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A4 Segment information (Contd.)

For the year todate ended 31 October 2009	Revenue RM '000	Loss from operations before tax RM '000
Telco product and services	89,455	(268)
Retail product and services	39,883	(2,520)
Others	-	(191)
	129,338	(2,979)

For the year todate ended 31 October 2008	Revenue RM '000	Loss from operations before tax RM '000
Telco product and services	77,243	(2,441)
Retail product and services	36,107	123
Others	-	(311)
	113,350	(2,629)

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.

A13 Capital commitments

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

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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 October 2009, VCSB has utilised RM4.105 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, 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 and Alberta Securities Commission.

On 4 November 2009, the Company announced that TTI has received a conditional acceptance of the listing of TTI from TSX Venture Exchange vide its letter dated 30 October 2009 which was received on 3 November 2009.

Further to the announcement on 29 July 2009, TTI had on 11 December 2009 filed its final prospectus and received a final receipt therefore from the British Columbia Securities Commission and Alberta Securities Commissions.

- (b) 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 in 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 the termination of any relationship with TTI Group; and
 - d) Salient terms of any agreement pertaining to the demerged operations, including the 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) AmlInvestment Bank/KGTB to inform SC upon completion of the Proposals.

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.

On 26 November 2009, the Company announced that the High Court of Malaya had on 24 November 2009 granted an order under Section 64 of the Companies Act 1965 confirming the Proposed Capital Distribution which will be effected via the cancellation of 90 million KGTB shares on the basis of two (2) KGTB Shares for every five (5) KGTB Shares held, amounting to RM9.0 million.

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

B16 Review of performance

The Group's revenue for the third quarter ended 31 October 2009 was RM36.9 million with profit before tax of RM295,000. Approximately 59% of the revenue was derived from the Telco sector (RM21.7 million) and 41% from the Retail sector (RM15.2 million).

The Group's revenue decreased by RM5.1 million or 12.3% compared to RM42 million from the preceding year's corresponding quarter. The decrease was as a result of a softer revenue contribution from the Telco segment as management exercised prudence in the competitive business environment. On the other hand, the Retail segment experienced an increase in revenue mainly from cellular commission and phone hardware sales.

The Group delivered a profit before tax RM295,000 in the current quarter as compared to a loss before tax of RM1.49 million registered in the preceding year's corresponding quarter. This was mainly due to improved Retail sales, increase in gross profit contribution and also decrease in administrative expenses.

B17 Material change in profit before taxation

The Group's profit before taxation for the current quarter ended 31 October 2009 of RM295,000 represents a turnaround of the company's performance as compared with the loss before tax of RM752,000 for the previous quarter ended 31 July 2009.

In the Retail segment, the revenue increased by 13% to RM15.2 million as compared to RM13.4 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. The operating expenses remained stable as compared with the previous quarter except for the increased in foreign exchange losses.

The Telco revenue experienced a slight drop due to intense competition. Nevertheless, as it embarked on a more circumspect strategy in managing the business, it managed to achieve an operating profit in the current quarter primarily contributed by an improvement in overall profit margin, and successful steps taken to recover the doubtful debts provisioned in the previous year.

B18 Current Year Prospects

Management 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 continue to 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.

	9 months ended 31-Oct-09	9 months ended 31-Oct-08	YTD ended 31-Oct-09	YTD ended 31-Oct-08
	RM('000)	RM('000)	RM('000)	RM('000)
Income tax/(recovery):				
Malaysian income tax	-	-	-	-
Foreign tax	207	(383)	(704)	(362)
	<u>207</u>	<u>(383)</u>	<u>(704)</u>	<u>(362)</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 October 2009.

B22 Quoted securities

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

B23 Status of Corporate Proposal

Please refer to Note A15 for status of corporate proposals.

Status of Utilisation of Proceeds

As at 31 October 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	3,713	-	- Note 2
R & D	2,700	1,150	1,150	1,150	-	- Note 2
Working capital	3,195	4,745	4,733	4,733	12	0.3% Note 1
Listing expenses	2,000	2,000	2,000	2,000	-	- Note 2
Acq. of the assets of Yestel	8,588	8,588	8,588	8,588	-	- Note 2
	<u>20,196</u>	<u>20,196</u>	<u>20,184</u>	<u>20,184</u>	<u>12</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

B24 Group's borrowings and debt securities

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 October 2009, collectively TTI and KNI have utilised CAD 153,500 (CAD 104,060 - 31 October 2008) of the Overdraft facility.

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 October 2009, collectively TTI and KNI have utilised CAD46,131 (CAD89,931 - 31 October 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 October 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 October 2009, collectively TTI and KNI have utilised USD75,000 (USD140,000 - 31 October 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 October 2009, VCSB had made 43 instalment payments totalling RM148,800 (RM114,500 - 31 October 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 October 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 October 2009, VCSB has not utilised the BG facility.

In addition to the above, VCSB has agreed with the Bank request to reduce the principal amount of the OD Facility by RM125,000 each quarter, until the OD Facility is fully secured at RM2 million. The principal reduction was commenced on 30 September 2009.

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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 share

a) 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-Oct-09	PRECEDING YEAR CORRESPONDING QUARTER 31-Oct-08	CURRENT YEAR TO DATE 31-Oct-09	PRECEDING YEAR CORRESPONDING PERIOD 31-Oct-08
Profit/(loss) for the period attributable to ordinary shareholders of the Company (RM'000)	<u>88</u>	<u>(1,106)</u>	<u>(2,275)</u>	<u>(2,267)</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>0.04</u>	<u>(0.492)</u>	<u>(1.01)</u>	<u>(1.008)</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 17 December 2009.