

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

**UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 31 JULY 2010**

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)
(Incorporated in Malaysia)

Quarterly report on consolidated results for the second quarter ended 31 July 2010
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

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 July 2010.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31-Jul-10 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Jul-09 RM'000	CURRENT YEAR TO DATE 31-Jul-10 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Jul-09 RM'000
Revenue	Note A4	21,835	45,458	48,644	92,480
Cost of Sales		(18,899)	(40,636)	(42,407)	(83,979)
Gross Profit		2,936	4,822	6,237	8,501
Other income		3	22	23	35
Administrative expenses		(1,801)	(4,236)	(4,421)	(9,092)
Selling and marketing expenses		(1,074)	(1,461)	(2,299)	(2,704)
Other expenses		(166)	(213)	(432)	(520)
Finance costs		(128)	(101)	(201)	(185)
Loss before tax		(230)	(1,167)	(1,093)	(3,965)
Taxation	B21	-	(86)	-	911
Loss net of tax		(230)	(1,253)	(1,093)	(3,054)
Other comprehensive income:					
Foreign currency translation		337	416	(127)	690
Other comprehensive gain/(loss), net of tax		337	416	(127)	690
Total comprehensive gain/(loss) for the period		107	(837)	(1,220)	(2,364)
Attributable to:					
Equity holder of the parent		107	(837)	(1,220)	(2,364)
Minority interest		-	-	-	-
		107	(837)	(1,220)	(2,364)
Basic earnings per share (sen)	B28	0.08	(0.37)	(0.80)	(1.05)
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 2010 and the accompanying explanatory notes attached to the interim financial statements.

KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)
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Quarterly report on consolidated results for the second quarter ended 31 July 2010
UNAUDITED STATEMENT OF FINANCIAL POSITION

		Unaudited 2010 As at 31 July RM'000	Audited 2010 As at 31 January RM'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	A9	3,003	4,845
Intangible assets		-	7,252
Deferred tax assets		1	1,226
		<u>3,004</u>	<u>13,323</u>
CURRENT ASSETS			
Inventories, at cost		-	582
Trade receivables		26,990	25,612
Other receivables		892	2,093
Tax recoverable		526	1,129
Cash and bank balances		2,668	4,422
		<u>31,076</u>	<u>33,838</u>
TOTAL ASSETS		<u>34,080</u>	<u>47,161</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A10	13,500	22,500
Share premium		-	409
Reserve		(3,449)	(2,012)
Accumulated losses		(3,824)	(8,965)
Equity attributable to equity holders of the parent		<u>6,227</u>	<u>11,932</u>
Minority interest		-	-
Total equity		<u>6,227</u>	<u>11,932</u>
NON-CURRENT LIABILITIES			
Borrowings	B24	130	193
Deferred tax liability		7	8
		<u>137</u>	<u>201</u>
CURRENT LIABILITIES			
Trade payables		19,999	25,190
Other payables		2,937	4,037
Provision for liabilities		944	968
Deferred revenue		80	729
Borrowing	B24	3,756	3,995
Tax payable		-	109
		<u>27,716</u>	<u>35,028</u>
Total liabilities		<u>27,853</u>	<u>35,229</u>
TOTAL EQUITY AND LIABILITIES		<u>34,080</u>	<u>47,161</u>
Net assets per share (RM)		<u>0.05</u>	<u>0.05</u>

The Unaudited Statement of Financial Position should be read in conjunction with the company's annual audited financial statements for the period ended 31 January 2010.

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Quarterly report on consolidated results for the second quarter ended 31 July 2010
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Attributable to Equity Holders of the Parent		Distributable Retained Earnings RM'000	Minority Interest RM'000	Total RM'000
		Non-Distributable Share Premium RM'000	Other Reserves RM'000			
At 1 February 2009	22,500	409	(2,325)	(1,524)	-	19,060
Total comprehensive income	-	-	-	(7,441)	-	(7,441)
Transactions with owners						
Foreign exchange reserve	-	-	313	-	-	313
At 31 January 2010	22,500	409	(2,012)	(8,965)	-	11,932
At 1 February 2010	22,500	409	(2,012)	(8,965)	-	11,932
Total comprehensive income	-	-	-	(1,220)	-	(1,220)
Transactions with owners						
Demerger of TTI	(9,000)	(409)	(1,126)	6,361	-	(4,174)
Foreign exchange reserve	-	-	(311)	-	-	(311)
At 31 July 2010	13,500	-	(3,449)	(3,824)	-	6,227

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 2010 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 2010
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 31-Jul-10 RM'000	6 months ended 31-Jul-09 RM'000
Cash flows from operating activities		
Loss before taxation	(1,093)	(3,965)
Adjustments for:		
Allowance for doubtful debts	183	527
Depreciation	339	871
Amortisation of intangibles	78	298
Loss on disposal of equipments	12	15
Net foreign exchange loss/(gain)	(337)	408
Operating loss before working capital changes	<u>(818)</u>	<u>(1,846)</u>
Changes in current assets and liabilities:		
Trade receivables	(1,561)	(4,360)
Other receivables	1,201	(1,112)
Inventories	582	(474)
Provision for liabilities	(24)	(304)
Trade payables	(5,191)	4,584
Other payables and accruals	88	39
Deferred revenue	(649)	33
Cash flows used in operations	<u>(6,372)</u>	<u>(3,440)</u>
Income taxes recovered/(paid)	(4)	(4)
Net cash used in operating activities	<u>(6,376)</u>	<u>(3,444)</u>
Cash flows from investing activities		
Intangibles	-	253
Demerger of subsidiaries	5,035	-
Proceed from disposal of equipments	1	(323)
Development costs	-	(15)
Net cash used in investing activities	<u>5,036</u>	<u>(85)</u>
Cash flows from financing activities		
Repayment of borrowings	(239)	349
Repayment of hire purchase	(63)	(14)
Net cash used in financing activities	<u>(302)</u>	<u>335</u>
Effects of exchange rate changes	18	403
Net decrease in cash and cash equivalents	(1,624)	(2,791)
Cash and cash equivalents at beginning of period	643	6,202
Cash and cash equivalents at end of period	<u>(981)</u>	<u>3,411</u>
Cash and cash equivalents comprise the following		
Cash and bank balances	2,668	8,108
Bank overdraft	<u>(3,649)</u>	<u>(4,697)</u>
	<u>(981)</u>	<u>3,411</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 2010.

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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 ("KGTB" or "the Company") for the year ended 31 January 2010.

The accounting policies and methods of computation adopted by KGTB and its subsidiary corporations in this interim financial report are consistent with those adopted in the annual financial statements for the period ended 31 January 2010. The explanatory notes attached to the interim financial report provides an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

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 financial statements except for the mandatory adoption of the following new and revised FRSs and Issues Committee Interpretations ("IC Int") effective for the financial period beginning on 1 January 2010 as follow:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing costs
FRS 139	Financial Instrument: Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurements, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Improvement to FRSs (2009)	
IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 10	Interim Financial Reporting and Impairment

The adoption of the above standards and interpretations did not have any significant effect on the interim financial performance of the Group except for those below:

a) FRS 7: Financial Instruments

The adoption of FRS 7 requires additional disclosures regarding fair value measurements and liquidity risk in the full year financial statements, and has no effect on reported profit or equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence no further disclosures have been made in these interim financial statements.

b) FRS 8: Operating Segments

FRS 8, which replaces FRS 114: Segment reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocation resources to the segments and assessing their performance. The standard also required the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. As this is a disclosure standard, there is no impact on the financial position or results of the Group for the period.

A2 Changes in accounting policies (Contd.)

c) FRS 101: Presentation of Financial Statements (Revised)

The revised FRS 101 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income. The standard also introduces the statement of comprehensive income, which presents in one single statement, or two linked statement, or two linked statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group.

d) FRS 139: Financial Instruments - Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the adoption of the standard, as at transitional date on 1 January 2010.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial liabilities include trade and other payables, loans and borrowings and are carried at amortised cost.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the period ended 31 January 2010 was not qualified.

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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.

	Telco products and services RM'000	Retail products and services RM'000	Others RM'000	Adjustments/ eliminations RM'000	Consolidated RM'000
6 months period ended					
31-Jul-10					
Revenue					
External sales	44,361	4,283	-	-	48,644
Inter-segment sales	2,239	-	636	(2,875)	-
Total revenue	46,600	4,283	636	(2,875)	48,644
Result					
Segment results					(1,042)
Interest income					23
Finance costs					(201)
Loss before tax					(1,220)
Taxation					-
Net loss for the period					(1,220)
	Telco products and services RM'000	Retail products and services RM'000	Others RM'000	Adjustments/ eliminations RM'000	Consolidated RM'000
6 months period ended					
31-Jul-09					
Revenue					
External sales	67,747	24,733	-	-	92,480
Inter-segment sales	11,074	-	921	(11,995)	-
Total revenue	78,821	24,733	921	(11,995)	92,480
Result					
Segment results					(3,125)
Interest income					35
Finance costs					(185)
Loss before tax					(3,275)
Taxation					911
Net loss for the period					(2,364)

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

During the period under review, TTI Group was demerged from the Company after 8 March 2010. TTI's assets, liabilities, equity, net income and cash flows will not be consolidated under the group after the demerger.

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

On 24 November 2009, the High Court of Malaya granted an order under Section 64 of the Companies Act 1965 confirming the Proposed Capital Distribution which would 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. This was completed on 8 March 2010.

A11 Changes in the composition of the Group

On 8 March 2010, the TTI Group (retail segment), was completely demerged from the Company and subsequently listed on the TSX Venture Exchange in Toronto.

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.

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 2010, VCSB has utilised RM3.65 million of the credit facilities.

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A15 Material events during the period under review

On 24 November 2009, the High Court of Malaya granted an order under Section 64 of the Companies Act 1965 confirming the Proposed Capital Distribution which will be effective 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 9 million.

Subsequent to year end after fulfilling all of the conditions of the SC, TTI Group has successfully demerged from KGTB and became publicly traded on the TSX Venture Exchange after 8 March 2010. As such, the proposed demerger of TTI Group has been completed.

A16 Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the quarter.

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

B17 Review of performance

The Group's accumulated revenue for the second quarter ended 31 July 2010 was RM48.6 million with comprehensive loss of RM1.2 million. Approximately 91% of the revenue was derived from the Telco sector (RM44.4 million) and 9% from the Retail sector (RM4.3 million).

The Group's current quarter's revenue decreased to RM21.8 million compared to RM45.5 million from the preceding year's corresponding quarter as result of the demerger of the TTI Group.

The Group's current quarter gain after tax was RM107,000, which was an improvement compared to the preceding year's corresponding quarter loss after tax of RM837,000. This was mainly due to the overall improvement on the profit margin, and significant reduction in the provision of doubtful debts.

B18 Material change in profit before taxation

The Group's accumulated loss before taxation for the current quarter ended 31 July 2010 of RM1.2 million represents an improvement of RM140,000 over the loss before tax of RM1.3 million in the previous quarter ended 30 April 2010. The small gain was mainly attributed to lower administrative expenses and other comprehensive gain during the current quarter. During the prior quarter professional fees incurred for the corporate exercise to demerge its TTI retail segment was recorded in administrative expenses. TTI was listed on the TSX Venture Exchange in Toronto on 8 March 2010.

B19 Current Year Prospects

Management remains cautious as the global economy emerges from the recessionary pressures, as signs of recovery remain unclear. The Group continues to focus on minimizing credit exposure by exercising prudence credit control measures. Following the demerger of TTI Group from KGTB, management undertakes new strategies to drive incremental sales and profit margins, coupled with effective cost management and pro-active steps taken to strengthen its balance sheet to deliver better results.

B20 Profit forecast and profit guarantee

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

B21 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.

	3 months ended 31-Jul-10 RM('000)	3 months ended 31-Jul-09 RM('000)	6 months ended 31-Jul-10 RM('000)	6 months ended 31-Jul-09 RM('000)
Income tax paid/(recovery):				
Malaysian income tax	-	-	-	-
Foreign tax	-	86	-	(911)
	<u>-</u>	<u>86</u>	<u>-</u>	<u>(911)</u>

B22 Unquoted investments and properties

There were no acquisitions or disposals of unquoted investments and properties except the demerger exercise of TTI Group.

B23 Quoted securities

There were no acquisitions or disposals of quoted securities during the quarter ended 31 July 2010.

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B24 Group's borrowings and debt securities

The Group's borrowings as at 31 July 2010:

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured			
Bank overdraft	3,649	-	3,649
Secured			
Hire purchase creditors	75	130	205
Term loans	32	-	32
	<u>3,756</u>	<u>130</u>	<u>3,886</u>

The Group's borrowings as at 31 July 2009:

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured			
Bank overdraft	4,697	-	4,697
Secured			
Hire purchase creditors	123	247	370
Term loans	152	32	184
	<u>4,972</u>	<u>279</u>	<u>5,251</u>

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-Jul-10	PRECEDING YEAR CORRESPONDING QUARTER 31-Jul-09	CURRENT YEAR TO DATE 31-Jul-10	PRECEDING YEAR CORRESPONDING PERIOD 31-Jul-09
Loss for the period attributable to ordinary shareholders of the Company (RM'000)	<u>107</u>	<u>(837)</u>	<u>(1,220)</u>	<u>(2,364)</u>
Weighted average number of ordinary shares in issue ('000)	<u>135,000</u>	<u>225,000</u>	<u>152,901</u>	<u>225,000</u>
Basic EPS (sen)	<u>0.08</u>	<u>(0.37)</u>	<u>(0.80)</u>	<u>(1.05)</u>

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B28 Earnings per share (Contd.)

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 28 September 2010.