

**KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD**

(Company No. 643114-X)

(Incorporated in Malaysia)

**UNAUDITED QUARTERLY REPORT  
FOR THE THIRD QUARTER ENDED 31 OCTOBER 2010**

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

**Quarterly report on consolidated results for the third quarter ended 31 October 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 October 2010.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31-Oct-10 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Oct-09 RM'000	CURRENT YEAR TO DATE 31-Oct-10 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Oct-09 RM'000
Revenue	Note A4	12,577	36,859	61,221	129,338
Cost of Sales		(11,503)	(30,147)	(53,910)	(113,754)
Gross Profit		1,074	6,712	7,311	15,584
Other income		24	44	47	79
Administrative expenses		(302)	(3,952)	(4,723)	(12,354)
Selling and marketing expenses		(937)	(1,649)	(3,236)	(4,352)
Other expenses		(210)	(586)	(642)	(1,768)
Finance costs		(98)	(86)	(299)	(270)
Loss before tax		(449)	483	(1,542)	(3,081)
Taxation	B21	-	(207)	-	704
Loss net of tax		(449)	276	(1,542)	(2,377)
Other comprehensive income:					
Foreign currency translation		(340)	(188)	(467)	102
Other comprehensive gain/(loss), net of tax		(340)	(188)	(467)	102
Total comprehensive gain/(loss) for the period		(789)	88	(2,009)	(2,275)
Attributable to:					
Equity holder of the parent		(789)	88	(2,009)	(2,275)
Minority interest		-	-	-	-
		(789)	88	(2,009)	(2,275)
Basic earnings per share (sen)	B28	(0.58)	0.04	(1.37)	(1.01)
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)

(Incorporated in Malaysia)

Quarterly report on consolidated results for the third quarter ended 31 October 2010

UNAUDITED STATEMENT OF FINANCIAL POSITION

		Unaudited 2010 As at 31 October RM'000	Audited 2010 As at 31 January RM'000
	Note		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	A9	2,810	4,845
Intangible assets		-	7,252
Deferred tax assets		1	1,226
		<u>2,811</u>	<u>13,323</u>
<b>CURRENT ASSETS</b>			
Inventories, at cost		-	582
Trade receivables		23,492	25,612
Other receivables		962	2,093
Tax recoverable		493	1,129
Cash and bank balances		2,438	4,422
		<u>27,385</u>	<u>33,838</u>
<b>TOTAL ASSETS</b>		<b><u>30,196</u></b>	<b><u>47,161</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	A10	13,500	22,500
Share premium		-	409
Reserve		(3,572)	(2,012)
Accumulated losses		(4,613)	(8,965)
Equity attributable to equity holders of the parent		<u>5,315</u>	<u>11,932</u>
Minority interest		-	-
<b>Total equity</b>		<u>5,315</u>	<u>11,932</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	B24	130	193
Deferred tax liability		7	8
		<u>137</u>	<u>201</u>
<b>CURRENT LIABILITIES</b>			
Trade payables		17,968	25,190
Other payables		2,581	4,037
Provision for liabilities		690	968
Deferred revenue		38	729
Borrowing	B24	3,467	3,995
Tax payable		-	109
		<u>24,744</u>	<u>35,028</u>
<b>Total liabilities</b>		<u>24,881</u>	<u>35,229</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>30,196</u></b>	<b><u>47,161</u></b>
Net assets per share (RM)		<u>0.04</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.

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

**Quarterly report on consolidated results for the third quarter ended 31 October 2010**  
**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	Non-Distributable		Distributable		
		Share Premium RM'000	Other Reserves RM'000	Retained Earnings RM'000		
<b>At 1 February 2009</b>	22,500	409	(2,325)	(1,524)	-	19,060
Total comprehensive income	-	-	-	(7,441)	-	(7,441)
Transactions with owners						
Foreign exchange reserve	-	-	313	-	-	313
<b>At 31 January 2010</b>	<b>22,500</b>	<b>409</b>	<b>(2,012)</b>	<b>(8,965)</b>	<b>-</b>	<b>11,932</b>
<b>At 1 February 2010</b>	22,500	409	(2,012)	(8,965)	-	11,932
Total comprehensive income	-	-	-	(2,009)	-	(2,009)
Transactions with owners						
Demerger of TTI	(9,000)	(409)	(1,126)	6,361	-	(4,174)
Foreign exchange reserve	-	-	(434)	-	-	(434)
<b>At 31 October 2010</b>	<b>13,500</b>	<b>-</b>	<b>(3,572)</b>	<b>(4,613)</b>	<b>-</b>	<b>5,315</b>

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.

**KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)**

(Incorporated in Malaysia)

Quarterly report on consolidated results for the third quarter ended 31 October 2010

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	9 months ended 31-Oct-10 RM'000	9 months ended 31-Oct-09 RM'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(1,542)	(3,081)
Adjustments for:		
Allowance for doubtful debts	(29)	462
Depreciation	547	1,312
Amortisation of intangibles	78	444
Loss on disposal of equipments	15	264
Net foreign exchange loss/(gain)	467	(481)
Operating loss before working capital changes	<u>(464)</u>	<u>(1,080)</u>
Changes in current assets and liabilities:		
Trade receivables	2,149	4,317
Other receivables	1,131	(1,680)
Inventories	582	(247)
Provision for liabilities	(278)	(232)
Trade payables	(2,187)	(5,459)
Other payables and accruals	(341)	(203)
Deferred revenue	(691)	211
Cash flows used in operations	<u>(99)</u>	<u>(4,373)</u>
Income taxes recovered/(paid)	(4)	1,195
Net cash used in operating activities	<u>(103)</u>	<u>(3,178)</u>
<b>Cash flows from investing activities</b>		
Intangibles	-	450
Proceed from disposal of equipments	1	(363)
Development costs	-	(264)
Net cash used in investing activities	<u>1</u>	<u>(177)</u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(528)	237
Repayment of hire purchase	(63)	(22)
Net cash used in financing activities	<u>(591)</u>	<u>215</u>
Effects of exchange rate changes	(910)	403
<b>Net decrease in cash and cash equivalents</b>	(1,603)	(2,737)
<b>Cash and cash equivalents at beginning of period</b>	<u>643</u>	<u>6,202</u>
<b>Cash and cash equivalents at end of period</b>	<u>(960)</u>	<u>3,465</u>
<b>Cash and cash equivalents comprise the following</b>		
Cash and bank balances	2,438	8,113
Bank overdraft	(3,398)	(4,648)
	<u>(960)</u>	<u>3,465</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.

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

Quarterly report on consolidated results for the third quarter ended 31 October 2010

**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.

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

**Quarterly report on consolidated results for the third quarter ended 31 October 2010**

**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
9 months period ended 31-Oct-10					
<b>Revenue</b>					
External sales	57,167	4,054	-	-	61,221
Inter-segment sales	1,907	-	1,363	(3,270)	-
<b>Total revenue</b>	<b>59,074</b>	<b>4,054</b>	<b>1,363</b>	<b>(3,270)</b>	<b>61,221</b>
<b>Result</b>					
Segment results					(1,757)
Interest income					47
Finance costs					(299)
Loss before tax					(2,009)
Taxation					-
<b>Net loss for the period</b>					<b>(2,009)</b>

	Telco products and services RM'000	Retail products and services RM'000	Others RM'000	Adjustments/ eliminations RM'000	Consolidated RM'000
9 months period ended 31-Oct-09					
<b>Revenue</b>					
External sales	89,455	39,883	-	-	129,338
Inter-segment sales	14,827	-	1,383	(16,210)	-
<b>Total revenue</b>	<b>104,282</b>	<b>39,883</b>	<b>1,383</b>	<b>(16,210)</b>	<b>129,338</b>
<b>Result</b>					
Segment results					(2,787)
Interest income					79
Finance costs					(271)
Loss before tax					(2,979)
Taxation					704
<b>Net loss for the period</b>					<b>(2,275)</b>



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

Quarterly report on consolidated results for the third quarter ended 31 October 2010

**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 Oct 2010, VCSB has utilised RM3.40 million of the credit facilities.

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

**Quarterly report on consolidated results for the third quarter ended 31 October 2010**

**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.

On 26 November 2010, the Company proposed to undertake a private placement of up to 10% of the issued and paid up share capital of Keywest which is 13,500,000 new ordinary shares of RM0.10 each.

**A16 Material events subsequent to the end of the quarter**

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

**KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (643114-X)**

(Incorporated in Malaysia)

**Quarterly report on consolidated results for the third quarter ended 31 October 2010****B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS****B17 Review of performance**

The Group's accumulated revenue for the three (3) quarters ended 31 October 2010 was RM61.22 million with accumulated losses of RM2.00 million. Approximately 93% of the revenue was derived from the Telco sector (RM57 million) and 7% from the Retail sector (RM4 million).

The Group's cumulative three (3) quarters revenue decreased to RM61.22 million compared to RM129.34 million from the preceding year's corresponding quarter as a result of the demerger of the TTI Group.

The Group's current quarter loss after tax was RM789,000 which includes a foreign exchange loss of RM340,000 was mainly due to the result of foreign exchange loss, slowdown in Telco business volume and decline in the profit margin during the quarter under review.

**B18 Material change in profit before taxation**

The Group's loss before taxation for the 3rd quarter ended 31 October 2010 was RM789,000 compared to a gain before taxation of RM107,000 from the preceding quarter ended 31 July 2010. The loss was mainly due to the tough operating environment under the tight cash flow situation, coupled with much stiffer competition in the wholesale marketplace and the downward pricing pressure across the board. In addition, the strengthening of Ringgit Malaysia against US Dollar also contributed to lower revenue since most of the Company sales were in US currency.

**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 KGTEB, 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 and improve its cash flow position 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-Oct-10 RM('000)	3 months ended 31-Oct-09 RM('000)	9 months ended 31-Oct-10 RM('000)	9 months ended 31-Oct-09 RM('000)
Income tax paid/(recovery):				
Malaysian income tax	-	-	-	-
Foreign tax	-	207	-	(704)
	-	207	-	(704)

**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 October 2010.

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

**Quarterly report on consolidated results for the third quarter ended 31 October 2010**

**B24 Group's borrowings and debt securities**

The Group's borrowings as at 31 October 2010:

	Current RM'000	Non-Current RM'000	Total RM'000
<b>Unsecured</b>			
Bank overdraft	3,398	-	3,398
<b>Secured</b>			
Hire purchase creditors	61	130	191
Term loans	8	-	8
	<u>3,467</u>	<u>130</u>	<u>3,597</u>

The Group's borrowings as at 31 October 2009:

	Current RM'000	Non-Current RM'000	Total RM'000
<b>Unsecured</b>			
Bank overdraft	4,648	-	4,648
<b>Secured</b>			
Hire purchase creditors	97	241	338
Term loans	116	31	147
	<u>4,861</u>	<u>272</u>	<u>5,133</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-Oct-10	PRECEDING YEAR CORRESPONDING QUARTER 31-Oct-09	CURRENT YEAR TO DATE 31-Oct-10	PRECEDING YEAR CORRESPONDING PERIOD 31-Oct-09
Loss for the period attributable to ordinary shareholders of the Company (RM'000)	<u>(789)</u>	88	<u>(2,009)</u>	<u>(2,275)</u>
Weighted average number of ordinary shares in issue ('000)	<u>135,000</u>	225,000	<u>146,868</u>	225,000
Basic EPS (sen)	<u>(0.58)</u>	0.04	<u>(1.37)</u>	<u>(1.01)</u>

**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 31 December 2010.