KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD

(Company No. 643114-X)
(Incorporated in Malaysia)

UNAUDITED QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 31 JULY 2011

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

Quarterly report on consolidated results for the second quarter ended 31 July 2011
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 six month quarter ended 31 July 2011.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31-Jul-11	PRECEDING YEAR CORRESPONDING QUARTER 31-Jul-10	CURRENT YEAR TO DATE 31-Jul-11	PRECEDING YEAR CORRESPONDING PERIOD 31-Jul-10
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	A4	11,023	21,835	22,607	48,644
Cost of sales		(9,550)	(18,899)	(19,433)	(42,407)
Gross profit		1,473	2,936	3,174	6,237
Other income		13	3	29	23
Administrative expenses		(1,443)	(1,801)	(2,801)	(4,421)
Selling and marketing expenses		(1,090)	(1,074)	(1,938)	(2,299)
Other expenses		(228)	(166)	(430)	(432)
Finance costs		(94)	(128)	(186)	(201)
Share of results of joint venture		(96)	-	(96)	-
Loss before tax		(1,465)	(230)	(2,248)	(1,093)
Taxation	B21	-	-	-	-
Loss after tax		(1,465)	(230)	(2,248)	(1,093)
Other comprehensive income:					
Foreign currency translation gain/(loss)		(176)	337	(267)	(127)
Other comprehensive gain/(loss), net of tax		(176)	337	(267)	(127)
Total comprehensive gain/(loss) for the period		(1,641)	107	(2,515)	(1,220)
Attributable to:					
Equity holder of the parent		(1,641)	107	(2,515)	(1,220)
Minority interest		-	-	-	-
		(1,641)	107	(2,515)	(1,220)
Basic loss per share (sen)	B28	(0.99)	(0.17)	(1.55)	(0.71)
Diluted loss per share (sen)	B28	(0.99)	(0.17)	(1.55)	(0.71)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 January 2011 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 2011
UNAUDITED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 2011 As at 31 July RM'000	Audited 2011 As at 31 January RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	A9	2,287	2,526
Investment in joint venture		682	-
Deferred tax assets		4	4
		2,973	2,530
CURRENT ASSETS			
Trade and other receivables		26,313	27,872
Tax recoverable		221	235
Cash and bank balances		1,231	2,428
		27,765	30,535
TOTAL ASSETS		**30,738**	**33,065**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A10	14,850	13,500
Share premium		409	409
Reserve		(1,637)	(1,370)
Accumulated losses		(9,594)	(7,346)
Equity attributable to equity holders of the parent		4,028	5,193
Minority interest		-	-
Total equity		4,028	5,193
NON-CURRENT LIABILITIES			
Borrowings	B24	115	130
Deferred tax liability		5	5
		120	135
CURRENT LIABILITIES			
Trade and other payables		23,095	23,063
Provision for liabilities		1,116	1,222
Deferred revenue		5	12
Borrowings	B24	2,374	3,440
		26,590	27,737
Total liabilities		26,710	27,872
TOTAL EQUITY AND LIABILITIES		**30,738**	**33,065**
Net assets per share (RM)		0.03	0.04

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 January 2011 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 2011
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent					
		Non-Distributable				
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Minority Interest RM'000	Total RM'000
At 1 February 2010	22,500	409	(2,012)	(8,965)	-	11,932
Total comprehensive income	-	-	642	1,619	-	2,261
Transactions with owners						
Demerger of TTI	(9,000)	-	-	-	-	(9,000)
At 31 January 2011	**13,500**	**409**	**(1,370)**	**(7,346)**	-	**5,193**
At 1 February 2011	13,500	409	(1,370)	(7,346)	-	5,193
Total comprehensive income	-	-	(267)	(2,248)	-	(2,515)
Transactions with owners						
Private placement	1,350	-	-	-	-	1,350
At 31 July 2011	**14,850**	**409**	**(1,637)**	**(9,594)**	-	**4,028**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 January 2011 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 2011
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 31-Jul-11 RM'000	6 months ended 31-Jul-10 RM'000
Cash flows from operating activities		
Loss before tax	(2,248)	(1,093)
Adjustments for:		
Allowance for doubtful debts	-	183
Depreciation	288	339
Amortisation of intangibles	-	78
Loss on disposal of equipments	-	12
Net foreign exchange loss	142	(337)
Share of results of joint venture	96	-
Operating loss before working capital changes	**(1,722)**	**(818)**
Changes in current assets and liabilities:		
Trade and other receivables	1,559	(360)
Inventories	-	582
Provision for liabilities	(106)	(24)
Trade and other payables	32	(5,103)
Deferred revenue	(7)	(649)
Cash flows used in operations	**(244)**	**(6,372)**
Income taxes recovered/(paid)	14	(4)
Net cash used in operating activities	**(230)**	**(6,376)**
Cash flows from investing activities		
Demerger of subsidiaries	-	5,035
Proceed from disposal of equipments	-	1
Investment in joint venture	(929)	-
Net cash (used in)/generated from investing activities	**(929)**	**5,036**
Cash flows from financing activities		
Repayment of borrowings	(154)	(239)
Repayment of hire purchase	(15)	(63)
Private placement issuance	1,350	-
Net cash generated from/(used in) financing activities	**1,181**	**(302)**
Effects of exchange rate changes	**(142)**	**18**
Net decrease in cash and cash equivalents	(120)	(1,624)
Cash and cash equivalents at beginning of period	(968)	643
Cash and cash equivalents at end of period	**(1,088)**	**(981)**
Cash and cash equivalents comprise the following		
Cash and bank balances	1,231	2,668
Bank overdraft	(2,319)	(3,649)
	(1,088)	**(981)**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 January 2011 and the accompanying explanatory notes attached to the interim financial statements.

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 2011.

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 year ended 31 January 2011. 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 2011 as follow:

FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 1	Limited exemptions from comparative FRS7 disclosures and additional exemptions for first time adopters
Amendments to FRS 2	Group cash settled share based payments transactions
Amendments to FRS 3	Business Combinations (revised)
Amendments to FRS 5	Non-current assets held for sale and discontinued operations
Amendments to FRS 7	Improving disclosures about financial instruments
Amendments to FRS 132	Financial Intruments : Presentation - Classification of rights issues
Amendments to FRS 138	Intangible Assets
Amendments to FRSs	Improvements to FRSs (2010)
IC Int. 4	Determining whether an arrangement contains a lease
IC Int. 16	Hedges of a Net Investment in a Foreign Operation
IC Int. 17	Distributions of Non-cash Assets to Owners
IC Int. 18	Transfer of Assets from Customers

Amendments to IC interpretation 9 : Reassessment of Embedded Derivatives

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:

<u>Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements</u>

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The adoption of the revised FRS does not have any impact on the Group's consolidated financial statements.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 January 2011 was unqualified.

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 month period ended					
31 July 2011					
Revenue					
External sales	20,536	2,071	-	-	22,607
Inter-segment sales	83	83	-	(166)	-
Total revenue	20,619	2,154	-	(166)	22,607
Result					
Segment results					(1,995)
Interest income					29
Finance costs					(186)
Share of results of joint venture					(96)
Loss before tax					(2,248)
Taxation					-
Net loss for the period					(2,248)

	Telco products and services RM'000	Retail products and services RM'000	Others RM'000	Adjustments/ eliminations RM'000	Consolidated RM'000
6 month period ended					
31 July 2010					
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					(915)
Interest income					23
Finance costs					(201)
Loss before tax					(1,093)
Taxation					-
Net loss for the period					(1,093)

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 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 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.

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 2011, VCSB has utilised RM2.3 million of the credit facilities.

A15 Material events during the period under review

Proposed disposal of wholesale Group

On 27 May 2011, the Company announced that it has entered into a conditional sales and purchase agreement dated 26 May 2011 (27 May 2011, Malaysia time) ("SPA") with Sifa Technology Limited ("STL" or the"Purchaser") for the disposal of 100% equity interest in Keywest Communications Inc. ("KCI") and Keywest Networks (Canada) Inc. ("KNI"). ("Proposed Disposal").

The main details of the Proposed Disposal pursuant to the SPA are as follows:

- The sale of the entire issued and paid-up share capital of KCI and KNI (collectively known as ("Sale Shares") for a consideration of RM1.00 ("Sale Price").
- STL agrees and undertakes to repay the aggregate amount outstanding of the intercompany loans to KCI Group and KNI of RM4,225,000 (repayment sum as at 30 April 2011 (the Loans) on behalf of KCI Group and KNI to the Company being the full and final settlement of the Loans.
- Keywest agrees and undertakes to waive any and other outstanding amount arising from or incidental to the Loans in event the Repayment Sum is insufficient to repay the Loans in full on completion date.

The completion of the SPA is dependant on the following:

(i) The completion of a due diligence exercise over the business, affairs, operations, assets, financial condition, prospects and records of the KCI Group and KNI, and the results of the due diligence exercise must be satisfactory to the Purchaser;

(ii) Keywest's procurement of the approval from the shareholders of Keywest for the sale of the Sale Shares by Keywest to the Purchaser on the terms and conditions contained in the SPA being obtained at a general meeting of such shareholders on or before the completion date.

(iii) Keywest's procurement of such other authorisations, consents or approvals as may be required of any third party or governmental, regulatory body or competent authority or under any and all applicable laws having jurisdiction over the sale of the Sale Shares, including without limitation to governmental, regulatory bodies and competent authorities in the jurisdiction of Canada, United States of American and British Virgin Island.

The following are the events of default by the Company:

(i) Keywest fails to complete the sale and purchase of the Sale Shares in accordance with the terms and conditions contained herein; or

(ii) Keywest fails to observe and perform any of its obligations, covenants and undertakings contained herein; or

(iii) A petition shall be presented against or an order be made against or a resolution be passed on the winding up of Keywest or Keywest goes into liquidation whether compulsorily or voluntarily or its it is proposed that any of the foregoing shall be done; or

(iv) Keywest is reprimanded by any regulator or authority in respect of the SPA or is placed on list prescribed by Guidance Note No. 3.

On 24 August 2011, the Company announced that the Purchaser and the Company have mutually agreed to extend the Completion Date for the fulfilment of the conditions of completion of the SPA from 26 August 2011 to 28 October 2011.

Proposed diversification

On 27 May 2011, the Company announced that it is proposing to diversify its business into the oil and gas sector ("Proposed Diversification").
The Proposed Diversification is subject to the approval of the shareholders of the Company at an extraordinary general meeting to be convened. The Proposed Diversification is not conditional upon any other corporate exercises undertaken or to be undertaken by the Company.

A16 Material events subsequent to the end of the quarter

There was no material event subsequent to the end of the current quarter.

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 2011 was RM22.6 million with a net loss of RM2.25 million. Approximately 91% of the revenue was derived from the Telco sector (RM20.5 million) and 9% from the Retail sector (RM2.0 million). The Telco sector incurred a loss before tax of RM876,000, Retail sector incurred a loss of RM466,000 and Other Group of Companies incurred a loss of RM906,000 for the six month period ended 31 July 2011.

The Group's current quarter's revenue of RM11.02 million have decreased by approximately RM561,000 or 5% as compared to RM11.58 million in the previous quarter ended 30 April 2011, mainly due to the stiff competition in the global telecom market coupled with tight cash flow situation has also adversely affected its telco business volume.

The Group's joint venture in Indonesia incurred a loss of RM96,000 for the current quarter under review.

B18 Material change in profit before taxation

The Group loss before tax for the current quarter at RM1.47 million as compared to the previous quarter of RM783,000 mainly due to the challenging business environment in the Telco sector and professional fees incurred for the Group's corporate exercise.

B19 Current Year Prospects

Management remains cautious as the global economy especially its major markets in North America emerges from the recessionary pressures, as signs of recovery remain unclear. The Group continues to focus on minimizing credit exposure by exercising prudent credit control measures, and initiated business swap arrangements with carrier correspondents in lieu of its tight cash flow position. Following the demerger of TTI Group from KGTB Group, management undertakes new strategies to drive incremental sales and profit margins, and initiates cost management measures in order to reverse the losses sustained by the Group for the past three years.

Looking forward, the Board is optimistic that the recent new joint venture that was established in the Oil and Gas sector will contribute positively in the current financial year.

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.

	6 months ended 31-Jul-11 RM'000	6 months ended 31-Jul-10 RM'000
Income tax:		
Malaysian income tax	-	-
Foreign tax	-	-
	-	-

B22 Unquoted investments and properties

There were no acquisitions or disposals of unquoted investments and properties during the current quarter under review.

B23 Quoted securities

There were no acquisitions or disposals of quoted securities during the current quarter under review.

B24 Group's borrowings and debt securities

The Group's borrowings as at 31 July 2011:

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured			
Bank overdraft	2,319	-	2,319
Secured			
Hire purchase creditors	44	115	159
Term loans	11	-	11
	2,374	115	2,489

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 current quarter under review.

B28 Loss per share

a) Basic loss per share ("LPS")

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

	Quarter ended		Year-to-date ended	
	31-Jul-11	31-Jul-10	31-Jul-11	31-Jul-10
Loss for the period attributable to ordinary shareholders of the Company (RM'000)	**(1,465)**	(230)	**(2,248)**	(1,093)
Weighted average number of ordinary shares in issue ('000)	**148,500**	135,000	**145,144**	152,901
Basic LPS (sen)	**(0.99)**	(0.17)	**(1.55)**	(0.71)

b) Diluted LPS

There is no dilution of share capital for the Group therefore Diluted EPS equals Basic EPS.

B29 Realised and unrealised profits/losses

	As at 31-Jul-11 RM'000	As at 31-Jan-11 RM'000
Total accumulated losses of KGTB and its subsidiaries:		
- Realised	(15,903)	(9,353)
- Unrealised	(1,597)	(1,717)
	(17,500)	(11,070)
Less: Consolidation adjustments	7,906	3,724
	(9,594)	(7,346)

B30 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 29 September 2011.