KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD

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

UNAUDITED QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 31 JANUARY 2012

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

Quarterly report on consolidated results for the fourth quarter ended 31 January 2012
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 fourth quarter ended 31 January 2012.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31-Jan-12	31-Jan-11	31-Jan-12	31-Jan-11
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	A4	6,466	15,363	36,964	76,584
Cost of sales		(5,681)	(13,372)	(30,840)	(67,282)
Gross profit		785	1,991	6,124	9,302
Other income		738	18	775	65
Administrative expenses		(555)	(623)	(4,783)	(5,346)
Selling and marketing expenses		(694)	(1,219)	(3,747)	(4,455)
Other expenses		(137)	(243)	(677)	(885)
Effect of demerger of TTI Group		-	-	-	4,242
Finance costs		(57)	(110)	(253)	(409)
Share of results of joint venture		-	-	(147)	-
Profit/(Loss) before tax		80	(186)	(2,708)	2,514
Taxation	B21	-	(69)	-	(69)
Profit/(Loss) after tax		80	(255)	(2,708)	2,445
Other comprehensive income:					
Foreign currency translation gain/(loss)		(47)	48	50	(419)
Other comprehensive gain/(loss), net of tax		(47)	48	50	(419)
Total comprehensive gain/(loss) for the period		33	(207)	(2,658)	2,026
Attributable to:					
Equity holder of the parent		33	(207)	(2,658)	2,026
Minority interest		-	-	-	-
		33	(207)	(2,658)	2,026
Basic loss per share (sen)	B28	0.05	(0.19)	(1.85)	1.35
Diluted loss per share (sen)	B28	0.05	(0.19)	(1.85)	1.35

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 fourth quarter ended 31 January 2012
UNAUDITED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 2012 As at 31 January RM'000	Audited 2011 As at 31 January RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	A9	1,511	2,526
Investment in joint venture		787	-
Deferred tax assets		4	4
		2,302	2,530
CURRENT ASSETS			
Trade and other receivables		1,847	27,872
Tax recoverable		49	235
Cash and bank balances		1,121	2,428
		3,017	30,535
Asset held for sale		25,107	-
		28,124	30,535
TOTAL ASSETS		**30,426**	**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		(1,320)	(1,370)
Accumulated losses		(10,054)	(7,346)
Equity attributable to equity holders of the parent		3,885	5,193
Minority interest		-	-
Total equity		3,885	5,193
NON-CURRENT LIABILITIES			
Borrowings	B24	93	130
Deferred tax liability		8	5
		101	135
CURRENT LIABILITIES			
Trade and other payables		2,029	23,063
Provision for liabilities		-	1,222
Deferred revenue		-	12
Borrowings	B24	2,382	3,440
		4,411	27,737
Liabilities for subsidiaries held for sale		22,029	-
		26,440	27,737
Total liabilities		26,541	27,872
TOTAL EQUITY AND LIABILITIES		**30,426**	**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 fourth quarter ended 31 January 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent					
		Non-Distributable		Accumulated	Minority	
	Share Capital	Share Premium	Other Reserves	Losses	Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	50	(2,708)	-	(2,658)
Transactions with owners						
Private placement	1,350	-	-	-	-	1,350
At 31 January 2012	**14,850**	**409**	**(1,320)**	**(10,054)**	**-**	**3,885**

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 fourth quarter ended 31 January 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31-Jan-12 RM'000	12 months ended 31-Jan-11 RM'000
Cash flows from operating activities		
Loss before tax	(2,708)	2,514
Adjustments for:		
Allowance for doubtful debts	10	240
Depreciation	549	765
Amortisation of intangibles	-	78
Loss on disposal of equipments	-	15
Net foreign exchange loss	128	419
Share of results of joint venture	147	-
Effect of demerger of TTI Group		(4,242)
Operating loss before working capital changes	**(1,874)**	**(211)**
Changes in current assets and liabilities:		
Trade and other receivables	26,457	(406)
Inventories	-	582
Provision for liabilities	(1,222)	255
Trade and other payables	(21,034)	(835)
Deferred revenue	(12)	(717)
Cash flows used in operations	**2,315**	**(1,332)**
Income taxes recovered/(paid)	14	163
Net cash used in operating activities	**2,329**	**(1,169)**
Cash flows from investing activities		
Demerger of subsidiaries	-	-
Proceed from disposal of equipments	-	1
Investment in joint venture	(929)	-
Net cash (used in)/generated from investing activities	**(929)**	**1**
Cash flows from financing activities		
Repayment of borrowings	(154)	(537)
Repayment of hire purchase	(15)	(60)
Private placement issuance	1,350	-
Net cash generated from/(used in) financing activities	**1,181**	**(597)**
Effects of exchange rate changes	**58**	**154**
Net decrease in cash and cash equivalents	2,639	(1,611)
Cash and cash equivalents at beginning of period	(968)	643
Cash and cash equivalents at end of period	**1,671**	**(968)**
Cash and cash equivalents comprise the following		
Cash and bank balances	1,121	2,428
Bank overdraft	(2,346)	(3,396)
	(1,225)	**(968)**

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.

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

Quarterly report on consolidated results for the fourth quarter ended 31 January 2012

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:

A2 Changes in accounting policies (contd.)

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

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
12 month period ended 31 January 2012					
Revenue					
External sales	33,033	3,931	-	-	36,964
Inter-segment sales	146	135	-	(281)	-
Total revenue	33,179	4,066	-	(281)	36,964
Result					
Segment results					(2,328)
Interest income					20
Finance costs					(253)
Share of results of joint venture					(147)
Loss before tax					(2,708)
Taxation					-
Net loss for the period					(2,708)

A4 Segment information (contd.)

12 month period ended 31 January 2011	Telco products and services RM'000	Retail products and services RM'000	Others RM'000	Adjustments/ eliminations RM'000	Consolidated RM'000
Revenue					
External sales	72,465	4,119	-	-	76,584
Inter-segment sales	1,957	-	1,727	(3,684)	-
Total revenue	74,422	4,119	1,727	(3,684)	76,584
Result					
Segment results					(1,798)
Effect of demerger					4,242
Interest income					60
Finance costs					(409)
Loss before tax					2,095
Taxation					(69)
Net loss for the period					2,026

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 January 2012, VCSB has utilised approximately RM2.4 million of the credit facilities.

A15 Material events during the period under review

<u>Proposed disposal of wholesale Group</u>

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.

A15 Material events during the period under review (contd.)

Proposed disposal of wholesale Group (contd.)

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.

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 to 16 December 2011.

On 16 December 2011, the Company announced that the Purchaser and the Company have mutually agreed to further extend the Completion Date for the fulfilment of the conditions of completion of the SPA to 31 January 2012.

On 29 February 2012, the Company announced that the Purchaser and the Company entered into a Letter of Agreement to vary the terms in the SPA to complete the transactions contemplated therein in two (2) tranches as follows:-

<u>(a) 1st Tranche:-</u>
(i) The sale and purchase of the entire issued and paid-up share capital of KNI ("KNI Shares"); and
(ii) The sale and purchase of 99% of the issued and paid-up share capital of Keywest Communications (HK) Limited (Company No. 751988) ("KCHK"), which is held by KCI ("KCHK Shares"), to be completed on 27 February 2012 ("1st Tranche Completion Date").

As the Federal Communications Commission's ("FCC") approval is not required to give effect to the transactions contemplated under the 1st Tranche, the Parties have agreed to waive the conditions to procure the FCC's approval for the completion of the transactions contemplated under the 1st Tranche.

<u>(b) 2nd Tranche:-</u>
The sale and purchase of the entire issued and paid-up share capital of KCI ("KCI Shares") (together with its remaining two (2) wholly-owned subsidiaries namely Keywest Communications (USA) Inc. (Company No. C-6518-2001) and KeyWest Data Network Inc. (Company No. CS200601119)) to be completed upon the approval from the FCC, which in any event shall fall within two (2) months from the date of the Letter of Agreement unless the Parties mutually agree in writing to extend the same ("2nd Tranche Completion Date").

The 1st Tranche had been completed whereas the 2nd Tranche had yet to be completed as of the date of authorisation of this report.

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

On 28 March 2012, the Company ("Keywest") announced that it entered into Heads of Agreement ("HOA") with Maryland International Offshore Ltd ("the Vendor"), in relation to the sale and purchase of convertible bonds issued by Manjung Niaga Sdn. Bhd. from the Vendor for a purchase consideration of USD52.5 million (equivalent to approximately RM161.15 million) to be satisfied by cash of USD28 million (equivalent to approximately RM85.95 million) and balance sum to be satisfied via issuance of new Keywest Shares at an issue price of RM0.12 per share or such other mode and manner of payment as may be mutually agreed between the parties to be determined upon signing of the definitive sale and purchase agreement.

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

B17 Review of performance

The Group's accumulated revenue for the fourth quarter ended 31 January 2012 was approximately RM37 million with a net loss of RM2.7 million. Approximately 90% of the revenue was derived from the Telco sector (RM33 million) and 10% from the Retail sector (RM3.9 million). The Telco sector incurred a loss before tax of approximately RM1.7 million, Retail sector recorded profit before tax of RM90,000 and Other Group of Companies incurred a loss of RM1.1 million for the twelve month period ended 31 January 2012.

B18 Material change in profit before taxation

The Group profit before tax for the current quarter of RM80,000 primarily attributable to other income during the current period.

B19 Current Year Prospects

As mentioned in Note A16, the Company has entered into the Heads of Agreement with Maryland International Offshore Ltd. to acquire Manjung Niaga Sdn. Bhd. ("Manjung Niaga"). Manjung Niaga will own 95% of PT Formasi Sumatera Energi, which owns a 15 years Kerja Sama Operasi (KSO) right to reactivate and optimise the production of petroleum resources in the Tanjung Tiga Timur ("TTT") field in South Sumatera, Indonesia.

The aforementioned investment would substantiate the Company involvement in oil and gas industry.

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.

	12 months ended 31-Jan-12 RM'000	12 months ended 31-Jan-11 RM'000
Income tax:		
Malaysian income tax	-	-
Foreign tax	-	69
	-	69

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 January 2012:

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured			
Bank overdraft	2,346	-	2,346
Secured			
Hire purchase creditors	36	93	129
Term loans	-	-	-
	2,382	93	2,475

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-Jan-12	31-Jan-11	31-Jan-12	31-Jan-11
Loss for the period attributable to ordinary shareholders of the Company (RM'000)	**80**	(255)	**(2,708)**	2,445
Weighted average number of ordinary shares in issue ('000)	**148,500**	135,000	**146,275**	180,896
Basic LPS (sen)	**0.05**	(0.19)	**(1.85)**	1.35

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-Jan-12 RM'000	As at 31-Jan-11 RM'000
Total accumulated losses of KGTB and its subsidiaries:		
- Realised	(16,354)	(9,353)
- Unrealised	(1,606)	(1,717)
	(17,960)	(11,070)
Less: Consolidation adjustments	7,906	3,724
	(10,054)	(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 30 March 2012.