



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Second (2nd) Quarter Ended 30 June 2016

A NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A1. Basis of preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide explanation of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

The Group has adopted merger method for the preparation of this interim financial statement.

A2. Changes in accounting policies

The accounting policies and method of computation adopted by the Group in these unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2015 except for the new and revised Malaysian Financial Reporting Standards ("MFRS"), IC Interpretations ("IC Int") and amendment to MFRS that have been published by MASB but are not effective and have not been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning/or after the effective date of pronouncement. Information on new standards, amendments and interpretations that are expected to have an impact on the Group's financial statements is provided below, if any. Certain other new standards and interpretations have been issued but are not expected to have material impact on the financial statements.

The initial application of the standards, amendments and interpretations are not expected to have any financial impact to the financial statements, except for additional disclosures in the financial statements.

A3. Seasonal or cyclical factors

The Group's operations are not materially affected by seasonal or cyclical factors.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter under review.

A5. Material changes in estimates

There were no changes in estimates that have had a material effect in the current financial quarter under review.

A6. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review.

A7. Dividends paid

No dividends were paid by the Company in the current financial quarter and period under review.



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A8. Segmental information

(a) Analysis of revenue by geographical area

	Current Quarter Ended 30/6/2016 RM'000	Preceding Corresponding Quarter Ended 30/6/2015 RM'000	Current Year To Date Ended 30/6/2016 RM'000	Preceding Corresponding Year To Date Ended 30/6/2015 RM'000
Singapore	9,770	7,459	19,930	15,048
Indonesia	2,198	93	2,357	149
Philippines	1,463	390	2,038	2,364
Thailand	230	519	1,325	704
Malaysia	641	457	1,272	1,607
Others	1,297	1,169	3,615	2,550
	15,599	10,087	30,537	22,422
Less: Inter-company transactions	(821)	(713)	(1,620)	(1,572)
	14,778	9,374	28,917	20,850

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/6/2016 RM'000	Preceding Corresponding Quarter Ended 30/6/2015 RM'000	Current Year To Date Ended 30/6/2016 RM'000	Preceding Corresponding Year To Date Ended 30/6/2015 RM'000
EDM infrastructure technology	13,640	8,415	27,516	19,430
EDM managed services	1,609	1,397	2,339	2,287
Others	350	275	682	705
	15,599	10,087	30,537	22,422
Less: Inter-company Transactions	(821)	(713)	(1,620)	(1,572)
	14,778	9,374	28,917	20,850



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A8. Segmental information (Cont'd)

(c) Analysis of segment results, assets and liabilities

	EDM infrastructure technology RM'000	EDM managed services RM'000	Investment holdings RM'000	Others RM'000	Elimination/ Adjustment RM'000	Total RM'000
2016 Results						
Segment results	3,623	126	(1,078)	243	-	2,914
Shares of results of associated company	382	-	-	-	-	382
Interest expenses	(39)	(44)	-	-	-	(83)
Profit/(Loss) before tax expense	3,966	82	(1,078)	243	-	3,213
Tax income/(expense)	(168)	25	-	-	-	(143)
Profit/(Loss) after tax expense	3,798	107	(1,078)	243	-	3,070
Investment in associated company	798	-	-	-	367	1,165
Other segment assets	53,453	7,869	27,840	4,997	(29,643)	64,516
Segment assets	54,251	7,869	27,840	4,997	(29,276)	65,681
Segment liabilities	31,597	6,810	-	2,860	(11,879)	29,388
2015 Results						
Segment results	(1,120)	(404)	(375)	5	-	(1,894)
Interest expenses	(20)	(85)	-	-	-	(105)
Loss before tax expense	(1,140)	(489)	(375)	5	-	(1,999)
Tax expense	(17)	-	-	-	-	(17)
Loss after tax expense	(1,157)	(489)	(375)	5	-	(2,016)
Segment assets	36,186	8,340	30,742	5,081	(30,795)	49,559
Segment liabilities	22,095	8,578	-	4,857	(13,030)	22,500

A9. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current financial quarter under review.

A10. Material events subsequent to the end of the quarter

Save for the proposed acquisition of the remaining 80% of issued and paid-up share capital of Quantum Storage (India) Pte Ltd as announced on 22 July 2016 ("Proposed Acquisition") and the variation of initial public offering proceeds utilisation as announced on 22 July 2016 and 29 July 2016, there were no other materials events subsequent to the end of the current financial quarter and period to date that have not been reflected in this interim financial report.

A11. Changes in composition of the Group

There were no changes in composition of the Group in the current financial quarter under review.



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A12. Contingent assets or liabilities

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at reporting date.

A13. Capital commitments

There were no material capital commitments in respect of property, plant and equipment as at the end of the current financial quarter under review.

A14. Significant related party transactions

During the current financial quarter, the Directors are of the opinion that the Group has no related party transactions which would have a significant impact on the financial position and business of the Group.

ADDITIONAL NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET

B1. Review of performance of the Group

For the current six (6)-month financial period ended 30 June 2016, the Group recorded a higher revenue of RM28.917 million as compared with RM20.850 million achieved during the preceding equivalent financial period. The majority of the Group's revenue was derived from Singapore amounting to RM19.930 million (65.27% of total revenue before inter-company transactions), followed by Indonesia and Philippines, which recorded RM2.357 million (7.71%) and RM2.038 million (6.67%) respectively. Revenue contribution from the EDM infrastructure technology segment continued to dominate the Group's revenue amounting to RM27.516 million or 90.11% of total revenue.

The Group recorded a profit before tax expense of RM3.213 million for the current six (6)-month financial period ended 30 June 2016 as compared to a loss before tax expense of RM1.999 million in the preceding equivalent financial period. The profit achieved was attributable to higher sales revenue, implementation of mainly higher margin projects and positive contribution from our associate company, namely Quantum Storage (India) Pte Ltd..

B2. Comparison with preceding quarter's results

	3 month ended	
	30/6/2016 RM'000	31/3/2016 RM'000
Revenue	14,778	14,139
Profit from operations	1,623	1,673
Profit before tax expense	1,590	1,623
Profit for the period	1,696	1,374

Revenue in the current quarter ended 30 June 2016 of RM14.778 million is slightly higher than the previous quarter by 4.52% or RM0.639 million.

The Group recorded a slightly lower profit from operations of RM1.623 million as compared with previous quarter of RM1.673 million as a result of higher staff cost incurred and lower contribution from associate company. However, the Group recorded a higher profit for the period by 23.44% or RM0.322 million due to recognition of deferred tax asset on property, plant and equipment.



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B3. Prospects

Regional and global economic environment for Enterprise Data Management (“EDM”) infrastructure technology and EDM managed services will continue to be challenging especially in Singapore and ASEAN countries where the Group derives a major portion of its revenue.

In its continuing effort to seek out new growth opportunities, the Group has embarked on the Proposed Acquisition as disclosed in A10. The Board is of the view that it is beneficial to the Group to increase its shareholding in QSI in order to tap into India’s expanding EDM industry.

B4. Tax (income)/expense

	Current Quarter Ended 30/6/2016 RM’000	Preceding Corresponding Quarter Ended 30/6/2015 RM’000	Current Year To Date Ended 30/6/2016 RM’000	Preceding Corresponding Year To Date Ended 30/6/2015 RM’000
Deferred taxation - current provision	(106)	(45)	143	17
	<u>(106)</u>	<u>(45)</u>	<u>143</u>	<u>17</u>

The Group’s effective tax rate is lower than the statutory tax rate due to utilisation of unutilised capital allowance and Productivity and Innovation Credit (“PIC”) scheme in our Singapore subsidiaries. Further, these subsidiaries enjoy lower tax rate than Malaysia.

B5. Profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee during the current financial quarter under review.

B6. Status of corporate proposals

Initial Public Offering

The Company’s entire enlarged issued and paid-up share capital of RM23,698,800 comprising 236,988,000 Kronologi Shares was listed and quoted on the ACE Market of Bursa Securities on 15 December 2014.

The gross proceeds from the Public Issue amounted to RM17.182 million and the status of the utilisation of the proceeds raised as at 30 June 2016 is as follows:-



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B6. Status of corporate proposals(Cont'd)

Detail of utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviations/ Variation RM'000	Balance RM'000	Time frame for utilisation
1) Business expansion	6,000	-	(6,000)	-	-
2) Part-funding for the cash consideration#			6,000	6,000	On the completion date of the Proposed Acquisition
3) Research and development expenditure	3,500	1,675	-	1,825	Within 36 months
4) Working capital	4,482	3,579	168	1,071	Within 36 months
5) Estimated listing expenses	3,200	3,032	(168)*	-	
Total gross proceeds	17,182	8,286	-	8,896	

As disclosed in the Company's announcements dated 22 July 2016 and 29 July 2016, the proceeds allocated for business expansion will be varied to fund part of the cash consideration for the Proposed Acquisition.

*In view of the actual listing expenses is lower than estimated, the excess will be utilised for working capital purposes.

Acquisition of an associate company

On 22 July 2016, the Company announced that it had proposed to undertake a corporate exercise to acquire the remaining 80% of issued and paid-up share capital of Quantum Storage (India) Pte Ltd ("QSI"), comprising 1,120,000 ordinary shares of QSI currently held by Quantum Storage India Limited for a total consideration price of up to RM26,000,000 to be satisfied via a combination of issuance of up to 55,641,420 new ordinary shares of RM0.10 each in the Company("Consideration Shares") at the issue price of RM0.1941 per Consideration Share and cash payment of up to RM15,200,000.

Barring any unforeseen circumstances, the above Proposed Acquisition is expected to be completed in the fourth (4th) quarter of 2016.

B7. Borrowings and debt securities

The total borrowings of the Group as at 30 June are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
2016			
Finance lease liabilities	975	135	1,110
Bill payable	1,628	-	1,628
	2,603	135	2,738
2015			
Finance lease liabilities	1,416	1,044	2,460
Bill payable	4,532	-	4,532
	5,948	1,044	6,992

The finance lease liabilities are secured by lessor's title to the leased assets and the bill payable is secured by Corporate Guarantee by Kronologi Asia Berhad.

The finance lease liabilities and bill payable are denominated in Singapore Dollars and United States Dollars respectively.



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B8. Material litigation

The Group has not been involved in any material litigation for the financial period under review.

B9. Dividends

The Board does not recommend any dividends for the current financial quarter under review and the financial period-to-date.

B10. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/6/2016	Preceding Corresponding Quarter Ended 30/6/2015	Current Year To Date Ended 30/6/2016	Preceding Corresponding Year To Date Ended 30/6/2015
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	1,696	(868)	3,070	(2,016)
Weighted average number of ordinary shares in issue ('000)	236,988	236,988	236,988	236,988
Basic earnings/(loss) per share (sen)	0.72	(0.37)	1.30	(0.85)

Diluted earnings per share are not disclosed herein as it is not applicable to the Group.

B11. Disclosure on selected expenses/income items as required by the Listing Requirements

Profit after tax expense is stated after charging/(crediting):-

	Current Quarter Ended 30/6/2016 RM'000	Preceding Corresponding Quarter Ended 30/6/2015 RM'000	Current Year To Date Ended 30/6/2016 RM'000	Preceding Corresponding Year To Date Ended 30/6/2015 RM'000
Allowance for obsolete inventories	-	310	-	310
Allowance for obsolete inventories write back	16	(2)	(1,948)	(605)
Depreciation on property, plant and equipment	913	731	1,823	1,433
Realised foreign currency exchange (gain)/loss	(67)	611	(96)	719
Unrealised foreign exchange currency (gain)/loss	(169)	(1,037)	200	(788)
Gain on disposal of property, plant & equipment	(4)	-	(4)	-
Rental of premises	470	385	933	755
Rental of office equipment	4	9	9	9
Interest income	(2)	(38)	(4)	(38)
Finance costs	33	52	83	105



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B12. Disclosure of Realised and Unrealised Profits / (Losses)

	As at 30/6/2016 RM'000
Realised	17,121
Unrealised	(243)
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	16,878
Less: Consolidation adjustment	382
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Retained Earnings	<u>17,260</u>

B13. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 23 August 2016.

Kronologi Asia Berhad
23 August 2016