



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Fourth (4th) Quarter Ended 31 December 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 except for an issuance of 11,128,284 ordinary shares at RM0.1941 per consideration share for the acquisition of the remaining 80% of the issued and paid up share capital of Quantum Storage (India) Pte Ltd ("QIS Acquisition") during the current financial quarter under review.



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A7. Dividends paid

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

A8. Segmental information

(a) Analysis of revenue by geographical area

	Current Quarter Ended 31/12/2016 RM'000	Preceding Corresponding Quarter Ended 31/12/2015 RM'000	Current Year To Date Ended 31/12/2016 RM'000	Preceding Corresponding Year To Date Ended 31/12/2015 RM'000
Singapore	11,917	15,588	52,488	41,446
India	10,425	22	10,480	84
Indonesia	994	1,046	4,466	1,257
Philippines	830	2,052	3,943	5,270
Malaysia	878	2,784	3,588	5,950
Thailand	200	1,225	1,713	2,297
Others	5,960	3,239	10,965	8,513
	31,204	25,956	87,643	64,817
Less: Inter-company transactions	(3,937)	(850)	(6,362)	(3,463)
Total revenue	<u>27,267</u>	<u>25,106</u>	<u>81,281</u>	<u>61,354</u>

(b) Analysis of revenue by product categories

	Current Quarter Ended 31/12/2016 RM'000	Preceding Corresponding Quarter Ended 31/12/2015 RM'000	Current Year To Date Ended 31/12/2016 RM'000	Preceding Corresponding Year To Date Ended 31/12/2015 RM'000
EDM infrastructure technology	28,001	23,469	80,157	58,662
EDM managed services	2,984	2,176	6,258	4,573
Others	219	311	1,228	1,582
	31,204	25,956	87,643	64,817
Less: Inter-company transactions	(3,937)	(850)	(6,362)	(3,463)
Total revenue	<u>27,267</u>	<u>25,106</u>	<u>81,281</u>	<u>61,354</u>



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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	8,063	770	(1,907)	508	(15)	7,419
Shares of results of associated company	561	-	-	-	-	561
Interest expenses	(95)	(72)	-	-	-	(167)
Profit/(Loss) before tax expense	8,529	698	(1,907)	508	(15)	7,813
Tax (expense)/income	(383)	26	-	(27)	-	(384)
Profit/(Loss) after tax expense	8,146	724	(1,907)	481	(15)	7,429
Segment assets	89,214	8,925	29,341	3,445	(37,251)	93,674
Segment liabilities	55,546	7,186	1,194	275	(16,382)	47,819
2015						
Results						
Segment results	2,770	885	(625)	70	-	3,100
Interest expenses	(71)	(154)	-	-	-	(225)
Profit/(Loss) before tax expense	2,699	731	(625)	70	-	2,875
Tax income/(expense)	284	(97)	-	(12)	-	175
Profit/(Loss) after tax expense	2,983	634	(625)	58	-	3,050
Segment assets	56,967	8,363	28,645	4,069	(27,413)	70,631
Segment liabilities	36,328	7,393	-	1,902	(9,650)	35,973

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

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 the composition of the Group for the current quarter and financial period to-date except for the QIS Acquisition.



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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

	RM
Purchase consideration for the QIS Acquisition	13,840,000
	13,840,000

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 twelve (12)-month financial period ended 31 December 2016, the Group recorded higher revenue of RM81.281 million compared to RM61.354 million for the preceding equivalent financial period. Revenue increased by 32.48% or RM19.927 million as a result of the acquisition of Quantum Storage (India) Pte Ltd (“QSI”) – a former associated company and now a wholly owned subsidiary – which was completed in October 2016. For the quarter under review, the Group generated RM10.425 million in revenue from India following the acquisition.

Favourable foreign exchange rates, namely a stronger U.S. dollar versus the Malaysian ringgit, also contributed to the higher revenue during the financial period under review, as a significant portion of the Group sales are denominated in USD. Singapore accounted for the majority of the Group’s revenue, amounting to RM52.488 million (59.89% of total revenue before inter-company transactions), followed by India and Indonesia, which recorded revenue of RM10.480 million (11.96%) and RM4.466 million (5.10%) respectively. In terms of product categories, Enterprise Data Management infrastructure technology accounted for 91.46% of total revenue, or RM80.157 million.

With the higher revenue, as well as efficient cost management, the Group recorded a profit before tax expense of RM7.813 million for the current twelve (12)-month financial period ended 31 December 2016, compared to RM2.875 million for the preceding equivalent financial period.

B2. Comparison with preceding quarter’s results

	3 months ended	
	31/12/2016	30/9/2016
	RM’000	RM’000
Revenue	27,267	25,097
Profit from operations	3,185	1,499
Profit before tax expense	3,125	1,475
Profit for the period	2,853	1,506

Revenue for the quarter ended 31 December 2016 rose 8.65% or RM2.170 million to RM27.267 million from the quarter ended 30 September 2016. The Group recorded a higher operating profit of RM3.185 million during the financial period under review compared to RM1.499 million in the previous quarter, due mainly to the increase in revenue and favourable foreign exchange rates.



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B3. Prospects

The Asia-Pacific region – from which the Group derives a significant portion of its revenue – is a fast-growing market for global cloud storage market, due to increasing demand for hybrid cloud storage and other data management applications. Companies in the region will also require constant compliance and regulation to manage their digital data.

The QIS Acquisition in October 2016 marked the beginning of a new phase of growth for the Group. Going forward, the Group will focus on improving its sales mix, building on its managed services segment, and targeting viable merger and acquisition opportunities, with a view to expanding throughout the region and driving long-term value for shareholders.

The Group will recognise full year contributions of revenue and profit from QSI for FY'17. Barring unforeseen circumstances, the Group expects its FY'17 performance to surpass that of FY'16.

B4. Tax (expense)/income

	Current Quarter Ended 31/12/2016 RM'000	Preceding Corresponding Quarter Ended 31/12/2015 RM'000	Current Year To Date Ended 31/12/2016 RM'000	Preceding Corresponding Year To Date Ended 31/12/2015 RM'000
Current tax				
- current year	(158)	(115)	(158)	(115)
- in prior years	(15)	-	(15)	(11)
Deferred taxation				
- current provision	(99)	(895)	(211)	301
	<u>(272)</u>	<u>(1,010)</u>	<u>(384)</u>	<u>175</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 31 December 2016 is as follows:



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B6. Status of corporate proposals (cont'd)

Detail of utilisation	Proposed utilisation	Actual utilisation	Deviations/ Variation	Balance	Time frame for utilisation
	RM'000	RM'000	RM'000	RM'000	
1) Business expansion	6,000	-	(6,000)#	-	-
2) Part-funding for the cash consideration#	-	6,000	6,000	-	-
3) Research and development expenditure	3,500	2,073	-	1,427	Within 36 months
4) Working capital	4,482	4,121	168	529	Within 36 months
5) Estimated listing expenses	3,200	3,032	(168)*	-	
Total gross proceeds	17,182	15,226	-	1,956	

As disclosed in the Company's announcements dated 22 July 2016, 29 July 2016 and 2 September 2016, the proceeds allocated for business expansion had been varied to fund part of the cash consideration for the QIS Acquisition. The QIS Acquisition had been completed on 4 October 2016.

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

B7. Borrowings and debt securities

The total borrowings of the Group as at 31 December are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
2016			
Finance lease liabilities	493	48	541
Bill payable	3,323	-	3,323
	<u>3,816</u>	<u>48</u>	<u>3,864</u>
2015			
Finance lease liabilities	1,247	530	1,777
Bill payable	3,775	-	3,775
	<u>5,022</u>	<u>530</u>	<u>5,552</u>

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.

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.



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B10. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Corresponding Quarter Ended	Current Year To Date Ended	Preceding Corresponding Year To Date Ended
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,853	3,739	7,429	3,050
Weighted average number of ordinary shares in issue ('000)	239,671	236,988	239,671	236,988
Basic earnings per share ("EPS") (sen)	1.19	1.58	3.10	1.29

The diluted EPS has been calculated by dividing the Group's profit for the current quarter and financial year attributable to equity holders of the Company by the weighted average number of shares that would have been in issue upon the fulfillment of the condition precedent by Quantum Storage (India) Limited in regards to the profit guarantee as stated in the circular dated 2 September 2016 are calculated as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Corresponding Quarter Ended	Current Year To Date Ended	Preceding Corresponding Year To Date Ended
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,853	3,739	7,429	3,050
Weighted average number of ordinary shares in issue as per Basic EPS ('000)	239,671	236,988	239,671	236,988
Effect on issuance of share capital on QIS Acquisition	16,642	-	16,642	-
Weighted average number of ordinary shares in issue ('000)	256,313	236,988	256,313	236,988
Diluted EPS (sen)	1.11	1.58	2.90	1.29



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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 31/12/2016 RM'000	Preceding Corresponding Quarter Ended 31/12/2015 RM'000	Current Year To Date Ended 31/12/2016 RM'000	Preceding Corresponding Year To Date Ended 31/12/2015 RM'000
Allowance for obsolete inventories	146	1,629	146	1,953
Allowance for obsolete inventories write back	(38)	(240)	(1,993)	(871)
Depreciation on property, plant and equipment	1,136	927	3,888	3,188
Gain on disposal of property, plant & equipment	(5)	(31)	(9)	(31)
Inventories written off	-	4	-	4
Realised foreign currency exchange (gain)/loss	(214)	(78)	(335)	795
Unrealised foreign exchange currency (gain)/loss	(1,210)	226	(1,083)	(1,131)
Property, plant and equipment written off	40	83	40	83
Rental of premises	728	479	1,983	1,707
Rental of office equipment	5	5	18	18
Interest income	(4)	(3)	(12)	(46)
Finance costs	60	77	167	225

B12. Disclosure of Realised and Unrealised Profits

	As at 31/12/2016 RM'000
Realised	19,972
Unrealised	1,100
	<u>21,072</u>
Add: Consolidation adjustment	547
	<u>21,619</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 20 February 2017.

Kronologi Asia Berhad

20 February 2017