



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The First (1st) Quarter Ended 31 March 2017

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 2016. 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 2016.

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 2016 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 the issuance of 22,256,568 ordinary shares at RM0.1941 per consideration share for the second (2nd) tranche payment of the acquisition of the remaining 80% of the issued paid up of Quantum Storage (India) Pte Ltd ("QSI Acquisition").



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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 31/3/2017 RM'000	Preceding Corresponding Quarter Ended 31/3/2016 RM'000	Current Year To Date Ended 31/3/2017 RM'000	Preceding Corresponding Year To Date Ended 31/3/2016 RM'000
Singapore	14,917	10,160	14,917	10,160
SEA (1)	6,637	2,461	6,637	2,461
India	1,985	18	1,985	18
Others	4,166	2,299	4,166	2,299
	27,705	14,938	27,705	14,938
Less: Inter-company transactions	(2,520)	(799)	(2,520)	(799)
	25,185	14,139	25,185	14,139
Total revenue	25,185	14,139	25,185	14,139

Notes : (1) SEA represents South East Asia countries excluding Singapore

(b) Analysis of revenue by product categories

	Current Quarter Ended 31/3/2017 RM'000	Preceding Corresponding Quarter Ended 31/3/2016 RM'000	Current Year To Date Ended 31/3/2017 RM'000	Preceding Corresponding Year To Date Ended 31/3/2016 RM'000
EDM infrastructure technology	25,527	13,876	25,527	13,876
EDM managed services	1,933	730	1,933	730
Others	245	332	245	332
	27,705	14,938	27,705	14,938
Less: Inter-company transactions	(2,520)	(799)	(2,520)	(799)
	25,185	14,139	25,185	14,139
Total revenue	25,185	14,139	25,185	14,139



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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
2017 Results						
Segment results	1,554	463	(348)	6	14	1,689
Interest expenses	(39)	(15)	-	-	-	(54)
Profit/(Loss) before tax expense	1,515	448	(348)	6	14	1,635
Tax (expense)/income	657	(248)	-	-	-	409
Profit/(Loss) after tax expense	2,172	200	(348)	6	14	2,044
Segment assets	89,180	9,502	29,155	3,765	(37,774)	93,828
Segment liabilities	53,749	7,834	1,521	397	(16,918)	46,583
2016 Results						
Segment results	2,267	(157)	(678)	10	-	1,442
Shares of results of associated company	231	-	-	-	-	231
Interest expenses	(26)	(24)	-	-	-	(50)
Profit/(Loss) before tax expense	2,472	(181)	(678)	10	-	1,623
Tax income/(expense)	(296)	47	-	-	-	(249)
Profit/(Loss) after tax expense	2,176	(134)	(678)	10	-	1,374
Investment in associated company	976	-	-	-	-	976
Other segment assets	48,027	7,510	28,168	4,528	(28,424)	59,809
Segment assets	49,003	7,510	28,168	4,528	(28,424)	60,785
Segment liabilities	28,284	6,721	-	2,550	(10,659)	26,896

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.



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A12. Contingent assets or liabilities

The Directors are not aware of any 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 QSI Acquisition	6,920,000

A14. Significant related party transactions

During the current financial quarter, the Directors are not aware of any 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 three (3)-month financial period ended 31 March 2017, the Group’s revenue rose 78.12% or RM11.046 million to RM25.185 million compared to RM14.139 million in the preceding equivalent financial period. By geography, South East Asia countries recorded higher revenue of RM21.554 million compared to RM12.621 million for the preceding equivalent financial period. The majority of the Group’s revenue was derived from Singapore, amounting to RM14.917 million (53.84% of total revenue before inter-company transactions), followed by other SEA countries (excluding Singapore) which recorded RM6.637 million (23.96%). The Group’s wholly-owned subsidiary, Quantum Storage (India) Pte Ltd (“QSI”), generated RM1.985 million (7.16%), in revenue during the quarter under review. The Group completed the acquisition of QSI in October 2016.

By product category, the Enterprise Data Management (“EDM”) infrastructure technology segment continued to dominate the Group’s revenue, amounting to RM25.527 million or 92.14% of total revenue, with Managed Services making up the balance.

The Group recorded a profit after tax expense/income of RM2.044 million for the current three (3)-month financial period ended 31 March 2017, compared to RM1.374 million in the preceding equivalent financial period. The higher profit achieved was attributable to a 78% increase in revenue and the recognition of deferred tax assets arises from a temporary difference on unutilised capital allowance.

B2. Comparison with preceding quarter’s results

	3 months ended	
	31/3/2017	31/12/2016
	RM’000	RM’000
Revenue	25,185	27,267
Profit from operations	1,689	3,185
Profit before tax expense	1,635	3,125
Profit for the period	2,044	2,853

Revenue in the current quarter ended 31 March 2017 of RM25.185 million is 7.64% or RM2.082 million lower than the previous quarter. The Group recorded a lower profit from operations of RM1.689 million as compared with previous quarter of RM3.185 million, in line with the decline in revenue. Moreover, the Group recorded a loss on foreign exchange as opposed to a gain on foreign exchange in the previous quarter.



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B3. Prospects

Recent cyber-attacks have strained many businesses worldwide as they struggle to retrieve lost data and keep their businesses operational. This has highlighted the importance of cybersecurity and data backup, and the need for companies, including Small- and Medium-sized Enterprises, to implement data storage and backup plans.

As businesses in the region digitize their information and workflow to comply with tighter regulations, they will increasingly need hybrid data storage solutions for their physical premises and in the cloud. According to the Computer Weekly/TechTarget survey *IT Priorities 2017*, 40% of Asean-based IT decision makers are planning a cloud storage initiative in 2017 and 40% are planning cloud backup projects.

As announced in its Corporate and Business Update dated 26 April 2017, the Group believes it will be able to meet these growing market needs through its three-pronged strategy of pursuing geographical growth in India and Southeast Asia; developing a transnational infrastructure for data storage and back-up (which it expects to roll out in stages from the second half of the financial year ending 31 December 2017); and increasing emphasis on Managed Services (for which it seeks to double the revenue contribution over the medium term).

Barring unforeseen circumstances, the Group expects the financial performance of the financial year ending 31 December 2017 (“FY2017”) to be better than that of FY2016.

B4. Tax (expense)/income

	Current Quarter Ended 31/3/2017 RM'000	Preceding Corresponding Quarter Ended 31/3/2016 RM'000	Current Year To Date Ended 31/3/2017 RM'000	Preceding Corresponding Year To Date Ended 31/3/2016 RM'000
Current tax				
- current year	(46)	-	(46)	-
Deferred taxation				
- current provision	455	(249)	455	(249)
	409	(249)	409	(249)

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.



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B6. Status of corporate proposals (cont'd)

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 March 2017 is as follows:-

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	-	-
3) Research and development expenditure	3,500	2,277	-	1,223	Within 36 months
4) Working capital	4,482	4,482	168	-	Within 36 months
5) Estimated listing expenses	3,200	3,032	(168)*	-	
Total gross proceeds	17,182	15,791	-	1,223	

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 QSI Acquisition. The QSI 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 March are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
2017			
Finance lease liabilities	1,376	2,433	3,809
Bill payable	6,285		6,285
	7,661	2,433	10,094
2016			
Finance lease liabilities	1,131	255	1,386
Bill payable	1,185	-	1,185
	2,316	255	2,571

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
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,044	1,374	2,044	1,374
Weighted average number of ordinary shares in issue ('000)	264,885	236,988	264,885	236,988
Basic earnings per share ("EPS") (sen)	0.77	0.58	0.77	0.58

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
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,044	1,374	2,044	1,374
Weighted average number of ordinary shares in issue as per Basic EPS ('000)	264,885	236,988	264,885	236,988
Effect on issuance of share capital on QSI Acquisition	10,257	-	10,257	-
Weighted average number of ordinary shares in issue ('000)	275,142	236,988	275,142	236,988
Diluted EPS (sen)	0.74	0.58	0.74	0.58



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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 31/3/2017 RM'000	Preceding Corresponding Quarter Ended 31/3/2016 RM'000	Current Year To Date Ended 31/3/2017 RM'000	Preceding Corresponding Year To Date Ended 31/3/2016 RM'000
Allowance for obsolete inventories write back	-	(1,964)	-	(1,964)
Amortisation of development cost	12	-	12	-
Depreciation on property, plant and equipment	1,183	910	1,183	910
Realised foreign currency exchange (gain)/loss	114	(29)	114	(29)
Unrealised foreign exchange currency (gain)/loss	414	369	414	369
Rental of premises	557	463	557	463
Rental of office equipment	5	5	5	5
Interest income	(2)	(2)	(2)	(2)
Finance costs	54	50	54	50

B12. Disclosure of Realised and Unrealised Profits

	As at 31/3/2017 RM'000
Realised	22,326
Unrealised	(22)
	<u>22,304</u>
Add: Consolidation adjustment	1,091
	<u>23,395</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 26 May 2017.

Kronologi Asia Berhad
 26 May 2017