



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



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Second (2nd) Quarter Ended 30 June 2017

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 30/6/2017 RM'000	Preceding Corresponding Quarter Ended 30/6/2016 RM'000	Current Year To Date Ended 30/6/2017 RM'000	Preceding Corresponding Year To Date Ended 30/6/2016 RM'000
Singapore	34,131	9,299	46,774	18,992
SEA (1)	4,319	4,180	10,710	6,309
India	6,161	18	8,146	36
Others	3,732	1,281	7,898	3,580
Total revenue	48,343	14,778	73,528	28,917
Add: Inter-company transactions	3,955	821	6,475	1,620
 Total revenue before eliminating inter company transaction	 52,298	 15,599	 80,003	 30,537

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

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/6/2017 RM'000	Preceding Corresponding Quarter Ended 30/6/2016 RM'000	Current Year To Date Ended 30/6/2017 RM'000	Preceding Corresponding Year To Date Ended 30/6/2016 RM'000
EDM infrastructure technology	47,087	13,640	70,841	27,516
EDM managed services	1,256	1,138	2,687	1,401
Total revenue	48,343	14,778	73,528	28,917
Add: Inter-company transactions	3,955	821	6,475	1,620
 Total revenue before eliminating inter company transaction	 52,298	 15,599	 80,003	 30,537



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Second (2nd) Quarter Ended 30 June 2017

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
30.06.2017 Results						
Segment results	6,688	911	(1,106)	229	9	6,731
Interest expenses	(140)	(38)	-	-	-	(178)
Profit/(Loss) before tax expense	6,548	873	(1,106)	229	9	6,553
Tax (expense)/income	(146)	(287)	-	-	-	(433)
Profit/(Loss) after tax expense	6,402	586	(1,106)	229	9	6,120
Segment assets	85,656	9,265	59,758	4,109	(41,750)	117,038
Segment liabilities	75,290	7,240	328	556	(20,889)	62,525
30.06.2016 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

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.



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Second (2nd) Quarter Ended 30 June 2017

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 six (6)-month financial period ended 30 June 2017, the Group's revenue rose 154.27% or RM44.611 million to RM73.528 million compared to RM28.917 million in the preceding equivalent financial period. By geography, South East Asia countries (including Singapore) recorded higher revenue of RM57.484 million compared to RM25.301 million for the preceding equivalent financial period. Majority of the Group's revenue was derived from Singapore, amounting to RM46.774 million (63.61% of total revenue), followed by other SEA countries (excluding Singapore) which recorded RM10.710 million (14.57%) while India generated RM8.146 million (11.08%), in revenue. 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 RM70.841 million or 96.35% of total revenue, with Managed Services making up the balance.

The Group recorded a profit after tax expense of RM6.120 million for the current six (6)-month financial period ended 30 June 2017, compared to RM3.070 million in the preceding equivalent financial period. The higher profit achieved was attributable to a 154.27% increase in revenue.

B2. Comparison with preceding quarter's results

	3 months ended	
	30/6/2017 RM'000	31/3/2017 RM'000
Revenue	48,343	25,185
Profit from operations	5,042	1,689
Profit before tax expense	4,918	1,635
Profit for the period	4,076	2,044

Revenue in the current quarter ended 30 June 2017 of RM48.343 million is 91.95% or RM23.158 million higher than the previous quarter. The Group recorded a higher profit from operations of RM5.042 million as compared with previous quarter of RM1.689 million, in line with the increase in revenue.



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS

For The Second (2nd) Quarter Ended 30 June 2017

B3. Prospects

Demand for data backup is being driven by the proliferation of data such as emails, staff and business records, legal documents and more. Compliance with tighter regulations and business continuity requirements have led to the need for companies to safeguard their data more than ever before. As recent events have demonstrated, a safeguard against ransomware is also critical for business continuity.

Beyond the continuous efforts to build on the EDM business to meet the above demands, the Group is preparing to roll out its Transnational (cross border) backup solutions targeted for Singapore, Malaysia and Hong Kong. As announced in June 2017, Kronologi has entered into a strategic collaboration with Singapore Technologies Electronics Limited (“ST Electronics”) to expand in Hong Kong. This will be the second physical point of presence after Singapore for Kronologi, which is catering to the growing demand in Asia for data storage and protection solutions.

The Group has also announced the approved Private Placement of new shares to enable the Group to raise additional funds expeditiously to meet the investment needs for the Transnational data backup solution roll-out, as well as buffer the Group for any potential business expansion opportunities.

In view of the strong 1HFY2017 performance and 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 30/6/2017 RM’000	Preceding Corresponding Quarter Ended 30/6/2016 RM’000	Current Year To Date Ended 30/6/2017 RM’000	Preceding Corresponding Year To Date Ended 30/6/2016 RM’000
Current tax				
- current year	(30)	-	(76)	-
Deferred taxation				
- current provision	(812)	106	(357)	(143)
	<u>(842)</u>	<u>106</u>	<u>(433)</u>	<u>(143)</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.



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Second (2nd) Quarter Ended 30 June 2017

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 30 June 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	2,479	-	1,021	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	15,993	-	1,021	

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 being lower than estimated, the excess will be utilised for working capital purposes.

Private placement

On behalf of the Company's Board of Directors, TA Securities Holdings Berhad had on 29 May 2017 announced that the Company proposed to undertake a private placement of new ordinary shares, representing up to 10% of the total number of issued shares in the Company.

Bursa Malaysia Securities Berhad had vide its letter dated 31 May 2017 approved the listing of and quotation for up to 27,037,000 new ordinary shares in the Company to be issued pursuant to the said private placement.

The Company has not placed out any new ordinary shares as of the date of this announcement.

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			
2017			
Finance lease liabilities	1,249	2,093	3,342
Bill payable	4,552		4,552
	5,801	2,093	7,894
2016			
Finance lease liabilities	975	135	1,110
Bill payable	1,628	-	1,628
	2,603	135	2,738

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.



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Second (2nd) Quarter Ended 30 June 2017

B8. Material litigation

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

B9. Dividends

The Board has not recommended 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 30/6/2017	Preceding Corresponding Quarter Ended 30/6/2016	Current Year To Date Ended 30/6/2017	Preceding Year To Date Ended 30/6/2016
Net profit attributable to ordinary equity holders of the Company (RM'000)	4,076	1,696	6,120	3,070
Weighted average number of ordinary shares in issue ('000)	264,885	236,988	264,885	236,988
Basic earnings per share ("EPS") (sen)	1.54	0.72	2.31	1.30

The diluted EPS has been calculated by dividing the Group's profit for the current quarter and financial period ended 30 June 2017 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. The calculation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/6/2017	Preceding Corresponding Quarter Ended 30/6/2016	Current Year To Date Ended 30/6/2017	Preceding Year To Date Ended 30/6/2016
Net profit attributable to ordinary equity holders of the Company (RM'000)	4,076	1,696	6,120	3,070
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)	1.48	0.72	2.22	1.30



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Second (2nd) Quarter Ended 30 June 2017

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 30/6/2017 RM'000	Preceding Corresponding Quarter Ended 30/6/2016 RM'000	Current Year To Date Ended 30/6/2017 RM'000	Preceding Corresponding Year To Date Ended 30/6/2016 RM'000
Allowance for obsolete inventories write back	-	16	-	(1,948)
Amortisation of development cost	13	-	25	-
Depreciation on property, plant and equipment	1,275	913	2,458	1,823
Realised foreign currency exchange (gain)/loss	(195)	(67)	(81)	(96)
Unrealised foreign exchange currency (gain)/loss	716	(169)	1,130	200
Property, plant and equipment written off	16	-	16	-
Loss/(Gain) on disposal of property, plant and equipment	5	(4)	5	(4)
Rental of premises	659	470	1,216	933
Rental of office equipment	4	4	9	9
Interest income	(13)	(2)	(15)	(4)
Finance costs	124	33	178	83

B12. Disclosure of Realised and Unrealised Profits

	As at 30/6/2017 RM'000
Realised	27,931
Unrealised	(1,546)
	<u>26,385</u>
Add: Consolidation adjustment	1,086
Retained Earnings	<u><u>27,471</u></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 28 July 2017.

Kronologi Asia Berhad
28 July 2017