



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For The Third (3rd) Quarter Ended 30 September 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 except for the issuance of 27,000,000 shares in 2 separate tranches of 14,150,000 and 12,850,000 at RM0.79 and RM0.84 per share respectively for private placement of new shares, which was completed on 25 August 2017 ("Private Placement").



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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 30/9/2017 RM'000	Preceding Corresponding Quarter Ended 30/9/2016 RM'000	Current Year To Date Ended 30/9/2017 RM'000	Preceding Corresponding Year To Date Ended 30/9/2016 RM'000
Singapore	11,471	20,163	61,483	39,155
SEA (1)	3,189	3,490	13,899	9,799
India	2,779	19	7,141	55
USA	6,174	206	11,465	206
Others	4,491	1,219	7,644	4,799
Total revenue	28,104	25,097	101,632	54,014
Add: Inter-company transactions	3,412	805	9,887	2,425
Total revenue before eliminating inter company transaction	31,516	25,902	111,519	56,439

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

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/9/2017 RM'000	Preceding Corresponding Quarter Ended 30/9/2016 RM'000	Current Year To Date Ended 30/9/2017 RM'000	Preceding Corresponding Year To Date Ended 30/9/2016 RM'000
EDM infrastructure technology	26,389	24,639	97,230	52,155
EDM managed services	1,715	458	4,402	1,859
Total revenue	28,104	25,097	101,632	54,014
Add: Inter-company Transactions	3,412	805	9,887	2,425
Total revenue before eliminating inter company transaction	31,516	25,902	111,519	56,439



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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
30.09.2017 Results						
Segment results	9,759	1,366	(1,783)	339	10	9,691
Interest expenses	(231)	(59)	-	-	-	(290)
Profit/(Loss) before tax expense	9,528	1,307	(1,783)	339	10	9,401
Tax (expense)/income	(478)	(287)	(10)	2	-	(773)
Profit/(Loss) after tax expense	9,050	1,020	(1,793)	341	10	8,628
Segment assets	114,564	13,255	52,741	4,372	(44,502)	140,430
Segment liabilities	73,972	10,803	316	641	(23,643)	62,089
30.09.2016 Results						
Segment results	5,443	(167)	(1,414)	364	-	4,226
Shares of results of associated Company	569	-	-	-	-	569
Interest expenses	(47)	(60)	-	-	-	(107)
Profit/(Loss) before tax expense	5,965	(227)	(1,414)	364	-	4,688
Tax income/(expense)	(212)	100	-	-	-	(112)
Profit/(Loss) after tax expense	5,753	(127)	(1,414)	364	-	4,576
Investment in associated Company	821	-	-	-	573	1,394
Other segment assets	63,197	7,395	27,062	5,327	(29,695)	73,286
Segment assets	64,018	7,395	27,062	5,327	29,122	74,680
Segment liabilities	38,906	6,557	-	2,630	(11,931)	36,162

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 entire share capital of Quantum Storage (Hong Kong) Limited (“QHK”) as announced on 9 October 2017 (“Proposed Acquisition”), there was no other material 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
Purchase consideration for the QHK Acquisition	<u>45,000,000</u>
	<u><u>51,920,000</u></u>

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 nine (9)-month financial period ended 30 September 2017, the Group’s revenue rose by 88.16% or RM47.618 million to RM101.632 million compared to RM54.014 million in the preceding equivalent financial period. By geography, South East Asia countries (including Singapore) recorded higher revenue of RM75.382 million compared to RM48.954 million for the preceding equivalent financial period. Majority of the Group’s revenue was derived from Singapore, amounting to RM61.483 million (60.50% of total revenue), followed by other SEA countries (excluding Singapore) which recorded RM13.899 million (13.68%).

By product category, the Enterprise Data Management (“EDM”) infrastructure technology segment continued to dominate the Group’s revenue, amounting to RM97.230 million or 95.67% of total revenue, with Managed Services making up the balance.

The Group’s profit after tax rose by 88.55% or RM4,052 million to RM8.628 million for the current nine (9)-month financial period ended 30 September 2017.

B2. Comparison with preceding quarter’s results

	3 months ended	
	30/9/2017	30/6/2017
	RM’000	RM’000
Revenue	28,104	48,343
Profit from operations	2,960	5,042
Profit before tax expense	2,848	4,918
Profit for the period	<u>2,508</u>	<u>4,076</u>

Revenue in the current quarter ended 30 September 2017 of RM28.104 million is 41.87% or RM20.239 million lower than the previous quarter. The Group recorded lower profit from operations of RM2.960 million as compared with the previous quarter of RM5.042 million, in line with the decrease in revenue. However, as highlighted in note B1, the Group recorded better revenue and profit after tax for the nine (9) month financial period as compared with the preceding equivalent financial period.



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B3. Prospects

The Group's performance for the nine (9) month ended 30 September 2017 ("9M 17") has already exceeded that of the whole of the financial year ended 31 December 2016 ("FY2016") both in terms of revenue and net profit. A major factor behind the increase has been the full consolidation since 4 October 2016 of Quantum Storage (India) Pte Ltd [QSI] (previously a 20%-held associate). The contribution from QSI is expected to contribute steadily to the Group for the rest of the year. In view of these factors, the Group expects its financial performance in FY2017 to be better than that of FY2016.

Subsequent to the quarter under review, the Group announced on 9 October 2017 that it has proposed to acquire the entire share capital of Quantum Storage (Hong Kong) Limited. The acquisition could expand the Group's market presence in North Asia, namely Hong Kong and Taiwan, which potentially serve as gateways to Greater China. The Group believes that upon regulatory and shareholder approval, this acquisition will contribute to revenue and profit, especially from FY2018.

Beyond financial contribution, the Proposed Acquisition will enable the Group to further expand its marketing, distribution and customer coverage footprint to an EDM regional market with growth opportunities, spurred by increasing internationalisation and technology adoption by the economies of Hong Kong, Taiwan and potentially Greater China.

The Group anticipates that synergies following the Proposed Acquisition are:

- Improved efficiency, flexibility and scale in sourcing of equipment and components from principals such as Quantum Corporation;
- Greater ability to support current and future customers with existing regional operations as well as facilitating their regional expansion plans;
- Support the Group's current initiatives and partnerships in delivering transnational (cross border) data backup solutions in Hong Kong; and
- Share best practices across its footprint for verticals such as smart city solutions and digital content.

Moving forward the Group would further incorporate analytics, including artificial intelligence, in our solutions.

B4. Tax (expense)/income

	Current Quarter Ended 30/9/2017 RM'000	Preceding Corresponding Quarter Ended 30/9/2016 RM'000	Current Year To Date Ended 30/9/2017 RM'000	Preceding Corresponding Year To Date Ended 30/9/2016 RM'000
Current tax				
- current year	(301)	-	(377)	-
- in prior years	(8)	-	(8)	-
Deferred taxation				
- current provision	(31)	3	(388)	(112)
	(340)	3	(773)	(112)



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B4. Tax (expense)/income (Cont'd)

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 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	2,682	-	818	Within 36 months
4) Working capital	4,482	4,650	168	-	
5) Estimated listing expenses	3,200	3,032	(168)*	-	
Total gross proceeds	17,182	16,364	-	818	

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.



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B6. Status of corporate proposals (cont'd)

The gross proceeds from the Private Placement amounted to RM21.973 million and the status of the utilisation of the proceeds raised as at 30 Sept 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	5,000	-	-	5,000	Within 24 months
2) Transnational infrastructure equipment	5,000	-	-	5,000	Within 24 months
3) Working capital	11,823	876	(10)	10,937	Within 24 months
4) Estimated expenses	150	160	10	-	Within 2 weeks
Total gross proceeds	21,973	1,036	-	20,937	

Proposed Acquisition

On 9 October 2017, the Company announced that it proposed to undertake a corporate exercise to acquire the entire share capital comprising 1 ordinary share of USD 1 each in QHK currently held by Law Chee Yii for a total purchase consideration of up to RM45,000,000 to be satisfied via a combination of the issuance of up to 40,816,326 new ordinary shares in KAB ("Consideration Shares") at the issue price of RM0.98 per Consideration Shares and cash payment of up to RM5,000,000.

Barring any unforeseen circumstances, the above Proposed Acquisition is expected to be completed in the fourth (4th) quarter of 2017.

B7. Borrowings and debt securities

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

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
2017			
Finance lease liabilities	1,210	1,784	2,994
Bill payable	12,279	-	12,279
	13,489	1,784	15,273
2016			
Finance lease liabilities	742	73	815
Bill payable	6,507	-	6,507
	7,249	73	7,322

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.



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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 30/9/2017	Preceding Corresponding Quarter Ended 30/9/2016	Current Year To Date Ended 30/9/2017	Preceding Year To Date Ended 30/9/2016
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,508	1,506	8,628	4,576
Weighted average number of ordinary shares in issue ('000)	274,699	236,988	274,699	236,988
Basic earnings per share ("EPS") (sen)	0.91	0.64	3.14	1.93

The diluted EPS has been calculated by dividing the Group's profit for the current quarter and financial period ended 30 Sept 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 30/9/2017	Preceding Corresponding Quarter Ended 30/9/2016	Current Year To Date Ended 30/9/2017	Preceding Year To Date Ended 30/9/2016
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,508	1,506	8,628	4,576
Weighted average number of ordinary shares in issue as per Basic EPS ('000)	274,699	236,988	274,699	236,988
Effect on issuance of share capital on QSI Acquisition ('000)	17,586	-	17,586	-
Weighted average number of ordinary shares in issue ('000)	292,285	236,988	292,285	236,988
Diluted EPS (sen)	0.86	0.64	2.95	1.93



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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 30/9/2017 RM'000	Preceding Corresponding Quarter Ended 30/9/2016 RM'000	Current Year To Date Ended 30/9/2017 RM'000	Preceding Corresponding Year To Date Ended 30/9/2016 RM'000
Allowance for obsolete inventories write back	-	(7)	-	(1,955)
Amortisation of development cost	13	-	38	-
Depreciation on property, plant and equipment	1,073	929	3,531	2,752
Realised foreign currency exchange gain	(74)	(25)	(155)	(121)
Unrealised foreign exchange currency (gain)/loss	378	(73)	1,508	127
Property, plant and equipment written off	-	-	16	-
Gain on disposal of property, plant and equipment	(21)	-	(16)	(4)
Rental of premises	596	322	1,812	1,255
Rental of office equipment	5	4	14	13
Interest income	(80)	(4)	(95)	(8)
Finance costs	112	24	290	107

B12. Disclosure of Realised and Unrealised Profits

	As at 30/9/2017 RM'000
Realised	31,015
Unrealised	(2,124)
	<hr/> 28,891
Add: Consolidation adjustment	1,088
	<hr/> 29,979

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 2 Nov 2017.

Kronologi Asia Berhad
2 Nov 2017