



**KRONOLOGI ASIA BERHAD (Company no. 1067697-K)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**For The Fourth (4th) Quarter Ended 31 December 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:-

*MFRS 15 Revenue from Contracts with Customers*

**Rendering of services**

The Groups' sales of goods included services contract. These services are bundled together with the sale of equipment to customers. Currently, the Group accounts for the equipment and services as one deliverable of bundled sales. The Group recognises the sales of goods and the services under sales of goods. Under MFRS 15, the sales of goods and services need to be allocated separately. As a result, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these sales would be affected.

The Group assessed that when MFRS 15 is adopted in financial year ending ("FYE") 2018 – FYE 2018 would be adjusted such that net profit would increase by RM 1.6 million because of re-allocation of the portion of contract consideration that the Deferred Revenue and associated costs would be lower by the same amount. There would be a decrease in the opening Retained Earnings and an increase in opening balances of Deferred Revenue and associated costs by RM 1.6 million.

**A3. Seasonal or cyclical factors**

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



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**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 was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review except for the issuance of 30,612,245 shares at RM0.98 per share for the acquisition of 100% of the issued and paid up share capital of Quantum Storage (Hong Kong) Limited ("QHK Acquisition).

**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

	<b>Current Quarter Ended 31/12/2017 RM'000</b>	<b>Preceding Corresponding Quarter Ended 31/12/2016 RM'000</b>	<b>Current Year To Date Ended 31/12/2017 RM'000</b>	<b>Preceding Corresponding Year To Date Ended 31/12/2016 RM'000</b>
Singapore	8,223	8,199	69,706	47,354
SEA (1)	6,676	2,683	20,575	12,482
Hong Kong & Taiwan	14,470	44	14,526	188
India	6,510	10,425	13,651	10,480
USA	1,865	4,162	13,330	4,368
Others	4,993	1,754	12,581	6,409
<b>Total revenue</b>	<b>42,737</b>	<b>27,267</b>	<b>144,369</b>	<b>81,281</b>
Add: Inter-company transactions	5,936	3,937	15,823	6,362
 Total revenue before eliminating inter company transaction	 48,673	 31,204	 160,192	 87,643

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



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**A8. Segmental information (cont'd)**

(b) Analysis of revenue by product categories

	<b>Current Quarter Ended 31/12/2017 RM'000</b>	<b>Preceding Corresponding Quarter Ended 31/12/2016 RM'000</b>	<b>Current Year To Date Ended 31/12/2017 RM'000</b>	<b>Preceding Corresponding Year To Date Ended 31/12/2016 RM'000</b>
EDM infrastructure technology	41,186	24,772	138,416	76,927
EDM managed services	1,551	2,495	5,953	4,354
<b>Total revenue</b>	<b>42,737</b>	<b>27,267</b>	<b>144,369</b>	<b>81,281</b>
Add: Inter-company Transactions	5,936	3,937	15,823	6,362
Total revenue before eliminating inter company transaction	48,673	31,204	160,192	87,643

(c) Analysis of segment results, assets and liabilities

	<b>EDM infrastructure technology RM'000</b>	<b>EDM managed services RM'000</b>	<b>Investment holdings RM'000</b>	<b>Others RM'000</b>	<b>Elimination/ Adjustment RM'000</b>	<b>Total RM'000</b>
<b>As at 31.12.2017 Results</b>						
Segment results	14,397	1,709	(3,102)	447	(3)	13,448
Interest expenses	(393)	(76)	-	-	-	(469)
Profit/(Loss) before tax expense	14,004	1,633	(3,102)	447	(3)	12,979
Tax (expense)/income	(668)	(185)	(42)	(21)	-	(916)
Profit/(Loss) after tax expense	13,336	1,448	(3,144)	426	(3)	12,063
<b>Segment assets</b>	<b>108,391</b>	<b>12,339</b>	<b>33,507</b>	<b>4,670</b>	<b>37,525</b>	<b>196,432</b>
<b>Segment liabilities</b>	<b>85,823</b>	<b>9,498</b>	<b>15,328</b>	<b>702</b>	<b>(24,818)</b>	<b>86,533</b>
<b>As at 31.12.2016 Results</b>						
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 income/(expense)	(383)	26	-	(27)	-	(384)
Profit/(Loss) after tax expense	8,146	724	(1,907)	481	(15)	7,429
<b>Segment assets</b>	<b>89,214</b>	<b>8,925</b>	<b>29,341</b>	<b>3,445</b>	<b>(37,251)</b>	<b>93,674</b>
<b>Segment liabilities</b>	<b>55,546</b>	<b>7,186</b>	<b>1,194</b>	<b>275</b>	<b>(16,382)</b>	<b>47,819</b>



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**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 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 except for the QHK Acquisition.

**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**

	<b>RM'000</b>
Purchase consideration for the QSI Acquisition	6,920
Purchase consideration for the QHK Acquisition	<u>15,000</u>
	<u>21,920</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 financial year ended 31 December 2017, the Group's revenue rose by 77.62% or RM63.088 million to RM144.369 million compared to RM81.281 million in the preceding equivalent financial year. By geography, South East Asia countries (including Singapore) recorded higher revenue of RM90.281 million compared to RM59.836 million for the preceding equivalent financial year. Majority of the Group's revenue was derived from Singapore, amounting to RM69.706 million (48.28% of total revenue), followed by other SEA countries (excluding Singapore) which recorded RM20.575 million (14.25%).

By product category, the Enterprise Data Management ("EDM") infrastructure technology segment continued to dominate the Group's revenue, amounting to RM138.416 million or 95.88% of total revenue, with Managed Services making up the balance.

The Group's profit after tax rose by 68.45% or RM4,902 million to RM12.063 million for the financial year ended 31 December 2017.



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**B2. Comparison with preceding quarter's results**

	3 months ended	
	31/12/2017 RM'000	30/9/2017 RM'000
Revenue	42,737	28,104
Profit from operations	3,757	2,960
Profit before tax expense	3,578	2,848
Profit for the period	3,435	2,508

Revenue in the current quarter ended 31 December 2017 of RM42.737 million is 52.07% or RM14.633 million higher than the previous quarter. The Group recorded higher profit from operations of RM3.757 million as compared with the previous quarter of RM2.960 million, in line with the increase in revenue. The higher revenue and results were attributable to SEA, India, and the completion of the QHK acquisition in the financial quarter under review.

**B3. Prospects**

For FY2018, our three-pronged strategies remain:

- 1) Deepening penetration and widening presence in existing markets within South Asia, India, Hong Kong and Taiwan;
- 2) Developing transnational backup for storage solutions in Singapore, Malaysia and Hong Kong; and
- 3) Increased emphasis on managed services, which offer higher gross profit margins.

Specifically, our plan is to consolidate our businesses from the acquisition of Quantum Storage (India) Pte Ltd Group (acquisition completed in October 2016) and Quantum Storage (Hong Kong) Limited Group (acquisition completed in December 2017), and reap the benefits of economies of scale with our presence in ten locations across eight countries in South Asia. The Group completed the acquisition of QHK on 4 December 2017.

An independent market research report on the EDM industry in the Asia-Pacific region (excluding Japan) indicated that demand for EDM solutions is expected to continue to grow. This will be chiefly driven by a higher number of enterprises in the region and their increasing requirements for storage capacity, as well as government initiatives such as the Digital 21 Strategy in Hong Kong and Innovation Economic Development Plan in Taiwan. The acquisition of Quantum Storage Hong Kong will allow the Group to have a strong foothold in these two markets.

Barring unforeseen circumstances, the Group expects its FY2018 performance to be better than that of FY2017, in view of the full consolidation of QHK's revenue and profit.

**B4. Tax (expense)/income**

	Current Quarter Ended 31/12/2017 RM'000	Preceding Corresponding Quarter Ended 31/12/2016 RM'000	Current Year To Date Ended 31/12/2017 RM'000	Preceding Corresponding Year To Date Ended 31/12/2016 RM'000
Current tax				
- current year	(129)	(158)	(506)	(158)
- in prior years	-	(15)	(8)	(15)
Deferred taxation				
- current provision	(14)	(99)	(402)	(211)
	(143)	(272)	(916)	(384)



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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 31 December 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	2,899	-	601	Within 48 months ^
4) Working capital	4,482	4,650	168	-	
5) Estimated listing expenses	3,200	3,032	(168)*	-	
Total gross proceeds	17,182	16,581	-	601	

# 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.

^As disclosed in the Company's announcement dated 5 January 2018 for the extension of a further 12 months to utilise the research and development expenditure.

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 31 December 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	7,461	(10)	4,352	Within 24 months
4) Estimated expenses	150	160	10	-	Within 2 weeks
Total gross proceeds	21,973	7,621	-	14,352	

**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
<b>Secured</b>			
<b>2017</b>			
Finance lease liabilities	1,182	1,434	2,616
Bill payable	13,122	-	13,122
	14,304	1,434	15,738
<b>2016</b>			
Finance lease liabilities	493	48	541
Bill payable	3,323	-	3,323
	3,816	48	3,864

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**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Quarter Ended 31/12/2017</b>	<b>Preceding Corresponding Quarter Ended 31/12/2016</b>	<b>Current Year To Date Ended 31/12/2017</b>	<b>Preceding Corresponding Year To Date Ended 31/12/2016</b>
Net profit attributable to ordinary equity holders of the Company (RM'000)	3,435	2,585	12,063	7,161
Weighted average number of ordinary shares in issue ('000)	252,701	239,671	252,701	239,671
Basic earnings per share ("EPS") (sen)	1.36	1.08	4.77	2.99

The diluted EPS has been calculated by dividing the Group's profit for the current quarter and financial period ended 31 Dec 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 for the QSI Acquisition and the QHK Acquisition . The calculation is as follows:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Quarter Ended 31/12/2017</b>	<b>Preceding Corresponding Quarter Ended 31/12/2016</b>	<b>Current Year To Date Ended 31/12/2017</b>	<b>Preceding Corresponding Year To Date Ended 31/12/2016</b>
Net profit attributable to ordinary equity holders of the Company (RM'000)	3,435	2,585	12,063	7,161
Weighted average number of ordinary shares in issue as per Basic EPS ('000)	252,701	239,671	252,701	239,671
Effect on issuance of share capital for QSI and QHK Acquisition ('000) (2016 : QSI Acquisition)	16,980	16,642	16,980	16,642
Weighted average number of ordinary shares in issue ('000)	269,681	256,313	269,681	256,313
Diluted EPS (sen)	1.27	1.01	4.47	2.79





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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):-

	<b>Current Quarter Ended 31/12/2017 RM'000</b>	<b>Preceding Correspondin g Quarter Ended 31/12/2016 RM'000</b>	<b>Current Year To Date Ended 31/12/2017 RM'000</b>	<b>Preceding Correspondin g Year To Date Ended 31/12/2016 RM'000</b>
Allowance for obsolete inventories	6	146	6	146
Allowance for obsolete inventories write back	(24)	(38)	(24)	(1,993)
Allowance for doubtful debts write back	(277)	-	(277)	-
Amortisation of development cost	13	-	51	-
Depreciation on property, plant and equipment	1,017	1,136	4,548	3,888
Realised foreign currency exchange loss/(gain)	120	(214)	(35)	(335)
Unrealised foreign exchange currency loss/(gain)	761	(1,210)	2,269	(1,083)
Property, plant and equipment written off	2	40	18	40
Gain on disposal of property, plant and equipment	(1)	(5)	(17)	(9)
Rental of premises	605	728	2,417	1,983
Rental of office equipment	5	5	19	18
Interest income	(129)	(4)	(224)	(12)
Finance costs	179	60	469	167

**B12. Disclosure of Realised and Unrealised Profits**

	<b>As at 31/12/2017 RM'000</b>
Realised	24,412
Unrealised	(3,064)
	<hr/> 21,348
Add: Consolidation adjustment	<hr/> 3
Retained Earnings	<hr/> <hr/> 21,351

**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 Feb 2018.

**Kronologi Asia Berhad**  
26 Feb 2018