



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the First (1st) Quarter Ended 31 March 2018

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 2017. 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 2017.

The Group has adopted merger method for the preparation of this interim financial statement.

A2. Changes in accounting policies

Except as described below, the same accounting policies and methods of computation are followed in the consolidated financial statements as compared with the consolidated financial statements for 31 December 2017.

As of 1 January 2018, the Group has adopted the following new and revised MFRSs and amendments to MFRS and IC interpretation (collectively referred to as "pronouncements") which are effective for annual years beginning on or after 1 January 2018.

MFRS 9	Financial Instruments (2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Revenue from Contracts with Customers: Clarifications to MFRS 15

The initial application on the above pronouncements did not have any material impact on the financial statements, except for MFRS 9 and 15 as disclosed below:

MFRS 9 Financial Instruments (2014)

The Group adopted MFRS 9, Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The three principal classifications categories for financial assets are: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group has applied the simplified approach and record lifetime expected losses on all trade receivables.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or Lifetime ECLs.

There was no material impact on the accounting for the Group's financial assets upon initial application of the new model requirements.



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A2. Changes in accounting policies (Cont'd)

MFRS 15 Revenue from Contracts with Customers

The Group adopted MFRS 15, Revenue from Contracts with Customers on 1 January 2018. MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

Effective 1 January 2018, the Group re-allocates the portion of contract consideration that, under MFRS 118, was allocated to sales of goods and/or installation services. Adjustments arising from the initial application has been recognised in the opening balance of the retained earnings and the carrying amount of the financial assets as at 1 January 2018 as disclosed below:

In RM'000	<u>Impact to adoption of MFRS 15 to opening balance at 1 January 2018</u>
Decrease in Retained earnings	2,443
Decrease in Other Payables	1,480
Increase in Other Receivables	1,590
Increase in Deferred Revenue	5,513

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 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 2,108,400 shares at RM0.805 per share being offered of ordinary share to eligible employees under the Company Share Grant Plan.

A7. Dividends paid

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



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A8. Segmental information

(a) Analysis of revenue by geographical area

	Current Quarter Ended 31/3/2018 RM'000	Preceding Corresponding Quarter Ended 31/3/2017 RM'000	Current Year To Date Ended 31/3/2018 RM'000	Preceding Corresponding Year To Date Ended 31/3/2017 RM'000
Singapore	30,542	12,643	30,542	12,643
SEA (1)	1,530	6,391	1,530	6,391
Hong Kong & Taiwan	3,445	29	3,445	29
India	1,560	1,985	1,560	1,985
Others	1,681	4,137	1,681	4,137
Total revenue	38,758	25,185	38,758	25,185
Add: Inter-company transactions	2,603	2,520	2,603	2,520
 Total revenue before eliminating inter company transaction	 41,361	 27,705	 41,361	 27,705

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

(b) Analysis of revenue by product categories

	Current Quarter Ended 31/3/2018 RM'000	Preceding Corresponding Quarter Ended 31/3/2017 RM'000	Current Year To Date Ended 31/3/2018 RM'000	Preceding Corresponding Year To Date Ended 31/3/2017 RM'000
EDM Infrastructure Technology	37,586	24,101	37,586	24,101
EDM Managed Services	1,172	1,084	1,172	1,084
Total revenue	38,758	25,185	38,758	25,185
Add: Inter-company Transactions	2,603	2,520	2,603	2,520
 Total revenue before eliminating inter company transaction	 41,361	 27,705	 41,361	 27,705



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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
As at 31.3.2018 Results						
Segment results	3,042	470	(537)	107	-	3,082
Interest expenses	(139)	(55)	-	-	-	(194)
Profit/(Loss) before tax expense	2,903	415	(537)	107	-	2,888
Tax (expense)/income	374	(1,255)	-	-	-	(881)
Profit/(Loss) after tax expense	3,277	(840)	(537)	107	-	2,007
Segment assets	159,237	14,440	97,223	4,247	(64,786)	210,361
Segment liabilities	91,279	32,777	15,196	-	(37,727)	101,525
As at 31.3.2017 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 income/(expense)	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

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 incorporation of a wholly-owned subsidiary, Kronicles (Hong Kong) Limited, in Hong Kong.

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.



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A13. Capital commitments

	RM'000
Purchase consideration for the QSI Acquisition	6,920
Purchase consideration for the QHK Acquisition	15,000
	21,920

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 period ended 31 March 2018, the Group's revenue rose by 53.89% or RM13.573 million to RM38.758 million compared to RM25.185 million in the preceding equivalent financial period. By geography, South East Asia countries (including Singapore) recorded higher revenue of RM32.072 million compared to RM19.034 million for the preceding equivalent financial period. Majority of the Group's revenue was derived from Singapore, amounting to RM30.542 million (78.80% of total revenue), followed by Hong Kong and Taiwan which recorded RM3.445 million (8.89%).

By product category, the Enterprise Data Management ("EDM") Infrastructure Technology segment continued to dominate the Group's revenue, amounting to RM37.586 million or 96.98% of total revenue, with Managed Services making up the balance.

The Group's profit after tax remains flat at RM2.01 million as compared to RM2.04 million in the preceding equivalent financial period. This is attributable to the Company's undertaking to incentivise its staff via the Company Share Grant Plan (approved during IPO) which amounted to RM1.70 million, and coupled with higher deferred tax expense recognised as a result of the acquisition of infrastructure equipment for the expansion of Kronicles Managed Services. If there were no expense on the Share Grant plan, the Group's profit before tax would have been RM4.59 million as compared to RM2.89 million

B2. Comparison with preceding quarter's results

	3 months ended	
	31/3/2018	31/12/2017
	RM'000	RM'000
Revenue	38,758	42,737
Profit from operations	3,082	3,757
Profit before tax expense	2,888	3,578
Profit for the period	2,007	3,435

Revenue in the current quarter ended 31 March 2018 of RM38.758 million is 9.31% or RM3.979 million lower than the previous quarter. The Group recorded lower profit from operations of RM3.082 million as compared with the previous quarter of RM3.757 million, attributed to the Company's undertaking to reward its staff via the Company Share Grant plan which amounted to RM1.70 million.



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B3. Prospects

For the remaining three quarters of FY2018, we will continue to focus on our three-pronged strategies:

- 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.

As we continue to integrate and consolidate our businesses of Quantum Storage (Hong Kong) Limited Group (“QHK”), we expect to realise the benefits of economies of scale with our presence in ten locations across eight countries in Asia.

According to independent market research¹ reports on the EDM industry, the Global Enterprise Data Management Market accounted for \$68.60 billion in 2016 and is expected to reach \$142.67 billion by 2023 growing at a CAGR of 11.0% from 2016 to 2023. Growing demand for risk management, rising regulatory compliance and regulations, are some key factors triggering the market size. Asia Pacific is also anticipated to be the fastest growing region in the enterprise data management market over the forecast period.

Therefore, barring any unforeseen circumstances, the Group expects its FY2018 performance to be better than that of FY2017.

B4. Tax (expense)/income

	Current Quarter Ended 31/3/2018 RM'000	Preceding Corresponding Quarter Ended 31/3/2017 RM'000	Current Year To Date Ended 31/3/2018 RM'000	Preceding Corresponding Year To Date Ended 31/3/2017 RM'000
Current tax				
- current year	(54)	(46)	(54)	(46)
- in prior years	(1)	-	(1)	-
Deferred taxation				
- current provision	(826)	455	(826)	455
	(881)	409	(881)	409

B5. Profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee during the current financial quarter under review.

¹ Source : Statistics Market Research Consulting, Enterprise Data Management – Global Market Outlook (2017-2023)



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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	3,097	-	403	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	16,779	-	403	

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	11,813	(10)	-	Within 24 months
4) Estimated expenses	150	160	10	-	Within 2 weeks
Total gross proceeds	21,973	16,973	-	5,000	

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			
2018			
Finance lease liabilities	1,849	4,061	5,910
Bill payable	9,987	-	9,987
	11,836	4,061	15,897
2017			
Finance lease liabilities	1,376	2,433	3,809
Bill payable	6,285	-	6,285
	7,661	2,433	10,094

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 31/3/2018	Preceding Corresponding Quarter Ended 31/3/2017	Current Year To Date Ended 31/3/2018	Preceding Year To Date Ended 31/3/2017
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,007	2,044	2,007	2,044
Weighted average number of ordinary shares in issue ('000)	328,627	264,885	328,627	264,885
Basic earnings per share ("EPS") (sen)	0.61	0.77	0.61	0.77

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:

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/3/2018	Preceding Corresponding Quarter Ended 31/3/2017	Current Year To Date Ended 31/3/2018	Preceding Year To Date Ended 31/3/2017
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,007	2,044	2,007	2,044
Weighted average number of ordinary shares in issue as per Basic EPS ('000)	328,627	264,885	328,627	264,885
Effect on issuance of share capital for QSI and QHK Acquisition ('000) (2017: QSI Acquisition)	7,556	10,257	7,556	10,257
Weighted average number of ordinary shares in issue ('000)	336,183	275,142	336,183	275,142
Diluted EPS (sen)	0.60	0.74	0.60	0.74



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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 31/3/2018 RM'000	Preceding Corresponding Quarter Ended 31/3/2017 RM'000	Current Year To Date Ended 31/3/2018 RM'000	Preceding Corresponding Year To Date Ended 31/3/2017 RM'000
Amortisation of development cost	13	12	13	12
Depreciation on property, plant and equipment	1,473	1,183	1,473	1,183
Realised foreign currency exchange (gain)/loss	(109)	114	(109)	114
Unrealised foreign exchange currency loss	711	414	711	414
Rental of premises	687	557	687	557
Rental of office equipment	5	5	5	5
Interest income	(106)	(2)	(106)	(2)
Finance costs	194	54	194	54

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 31 May 2018.

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31 May 2018