



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



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the Second (2nd) Quarter Ended 30 June 2018

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 10,204,081 and 22,256,568 shares at RM0.98 and RM0.1941 per share respectively being final tranche payment for both acquisition of Quantum Storage (Hong Kong) Limited and Quantum Storage (India) Pte Ltd.

A7. Dividends paid

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



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the Second (2nd) Quarter Ended 30 June 2018

A8. Segmental information

(a) Analysis of revenue by geographical area

	Current Quarter Ended 30/6/2018 RM'000	Preceding Corresponding Quarter Ended 30/6/2017 RM'000	Current Year To Date Ended 30/6/2018 RM'000	Preceding Corresponding Year To Date Ended 30/6/2017 RM'000
Singapore	32,534	34,131	63,076	46,774
SEA (1)	1,496	4,319	3,026	10,710
Hong Kong & Taiwan	2,208	13	5,653	42
India	2,572	6,161	4,132	8,146
Others	1,623	3,719	3,304	7,856
Total revenue	40,433	48,343	79,191	73,528
Add: Inter-company transactions	2,252	3,955	4,855	6,475
 Total revenue before eliminating inter company transaction	 42,685	 52,298	 84,046	 80,003

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

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/6/2018 RM'000	Preceding Corresponding Quarter Ended 30/6/2017 RM'000	Current Year To Date Ended 30/6/2018 RM'000	Preceding Corresponding Year To Date Ended 30/6/2017 RM'000
EDM Infrastructure Technology	36,658	47,087	74,244	70,841
EDM Managed Services	3,775	1,256	4,947	2,687
Total revenue	40,433	48,343	79,191	73,528
Add: Inter-company Transactions	2,252	3,955	4,855	6,475
 Total revenue before eliminating inter company transaction	 42,685	 52,298	 84,046	 80,003



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the Second (2nd) Quarter Ended 30 June 2018

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 30.6.2018 Results						
Segment results	7,089	2,057	(792)	177	(176)	8,355
Interest expenses	(300)	(294)	-	-	176	(418)
Profit/(Loss) before tax expense	6,789	1,763	(792)	177		7,937
Tax (expense)/income	34	(1,465)	-	-		(1,431)
Profit/(Loss) after tax expense	6,823	298	(792)	177		6,506
Segment assets	148,901	16,248	96,247	4,394	(82,008)	183,782
Segment liabilities	87,460	21,289	234	-	(54,950)	54,033
As at 30.6.2017 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	(146)	(287)	-	-	-	(433)
Profit/(Loss) after tax expense	6,402	586	(1,106)	229	-	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)	65,525

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.

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.



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the Second (2nd) Quarter Ended 30 June 2018

A13. Capital commitments

There were no capital commitments in the current financial quarter under review.

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 30 June 2018, the Group's revenue rose by 7.70% or RM5.663 million to RM79.191 million compared to RM73.528 million in the preceding equivalent financial period. The increase was due to higher volume sales recorded in Singapore, and contribution from Quantum Storage (Hong Kong) Limited which was acquired in December 2017. By geography, South East Asia countries (including Singapore) recorded higher revenue of RM66.102 million compared to RM57.484 million for the preceding equivalent financial period. Majority of the Group's revenue was derived from Singapore, amounting to RM63.076 million (79.65% of total revenue), followed by Hong Kong and Taiwan which recorded RM5.653 million (7.14%).

By product category, the Enterprise Data Management ("EDM") Infrastructure Technology segment continued to dominate the Group's revenue, amounting to RM74.244 million or 93.75% of total revenue, with EDM Managed Services making up the balance.

The Group's profit after tax rose from RM6.120 million to RM6.506 million as compared to the preceding equivalent financial period, despite the Company's undertaking to incentivise its staff via the Company Share Grant Plan (approved during IPO) in Q1FY2018 which amounted to RM1.70 million, and without the benefit of the Singapore Productivity and Innovation Credit scheme which ended in 2017.

B2. Comparison with preceding quarter's results

	3 months ended	
	30/6/2018	31/3/2018
	RM'000	RM'000
Revenue	40,433	38,758
Profit from operations	5,273	3,082
Profit before tax expense	5,049	2,888
Profit for the period	4,499	2,007

Revenue in the current quarter ended 30 June 2018 of RM40.433 million is 4.32% or RM1.675 million higher than the previous quarter, with new sales of EDM Managed Services completed. The Group recorded a higher profit from operations of RM5.273 million as compared with the previous quarter of RM3.082 million, which is still higher by 10.27% or RM0.491 million after factoring the additional expense of RM1.70 million under the Company Share Grant Plan in the previous quarter.



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS

For the Second (2nd) Quarter Ended 30 June 2018

B3. Prospects

Whilst the EDM Infrastructure Technology business will continue to be an important revenue driver, the Group will devote extra efforts and investment to expand its EDM Managed Services into new markets and increase its presence in the existing markets by continuing with the development and offering of managed services cum transnational infrastructure for data storage and backup solutions in the Asian region.

With continued momentum from first half of financial year 2018, and barring unforeseen circumstances, the Group expects its FY2018 performance to be better than that of FY2017.

B4. Tax expense

	Current Quarter Ended 30/6/2018 RM'000	Preceding Corresponding Quarter Ended 30/6/2017 RM'000	Current Year To Date Ended 30/6/2018 RM'000	Preceding Corresponding Year To Date Ended 30/6/2017 RM'000
Current tax				
- current year	(23)	(30)	(77)	(76)
- in prior years	-	-	(1)	-
Deferred taxation				
- current provision	(527)	(812)	(1,353)	(357)
	(550)	(842)	(1,431)	(433)

B5. Profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee 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 2018

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	3,294	-	206	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	16,976	-	206	

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 (2017)

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.



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the Second (2nd) Quarter Ended 30 June 2018

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	21,973	-	-	

Private placement (2018)

On behalf of the Company's Board of Directors, TA Securities Holdings Berhad had on 2 August 2018 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 13 August 2018 approved the listing of and quotation for up to 36,255,400 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			
2018			
Finance lease liabilities	1,890	3,593	5,483
Bill payable	17,774	-	17,774
	19,664	3,593	23,257
2017			
Finance lease liabilities	1,249	2,093	3,342
Bill payable	4,552	-	4,552
	5,801	2,093	7,894

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.



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the Second (2nd) Quarter Ended 30 June 2018

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 30/6/2018	Preceding Corresponding Quarter Ended 30/6/2017	Current Year To Date Ended 30/6/2018	Preceding Year To Date Ended 30/6/2017
Net profit attributable to ordinary equity holders of the Company (RM'000)	4,499	4,076	6,506	6,120
Weighted average number of ordinary shares in issue ('000)	350,505	264,885	350,505	264,885
Basic earnings per share ("EPS") (sen)	1.28	1.54	1.86	2.31

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 30/6/2018	Preceding Corresponding Quarter Ended 30/6/2017	Current Year To Date Ended 30/6/2018	Preceding Year To Date Ended 30/6/2017
Net profit attributable to ordinary equity holders of the Company (RM'000)	4,499	4,076	6,506	6,120
Weighted average number of ordinary shares in issue as per Basic EPS ('000)	350,505	264,885	350,505	264,885
Effect on issuance of share capital for QSI Acquisition ('000)	-	10,257	-	10,257
Weighted average number of ordinary shares in issue ('000)	350,505	275,142	350,505	275,142
Diluted EPS (sen)	1.28	1.48	1.86	2.22



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the Second (2nd) Quarter Ended 30 June 2018

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 30/6/2018 RM'000	Preceding Corresponding Quarter Ended 30/6/2017 RM'000	Current Year To Date Ended 30/6/2018 RM'000	Preceding Corresponding Year To Date Ended 30/6/2017 RM'000
Amortisation of development cost	50	13	63	25
Depreciation on property, plant and equipment	1,442	1,275	2,915	2,458
Realised foreign currency exchange (gain)/loss	580	(195)	471	(81)
Unrealised foreign exchange currency loss	(1,227)	716	(516)	1,130
Property, plant and equipment written off	-	16	-	16
Loss on disposal of property, plant and equipment	-	5	-	5
Rental of premises	683	659	1,370	1,216
Rental of office equipment	5	4	10	9
Interest income	(61)	(13)	(167)	(15)
Finance costs	224	124	418	178

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 15 Aug 2018.

Kronologi Asia Berhad
15 Aug 2018