



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the Fourth (4th) Quarter Ended 31 December 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	2,510
Decrease in Other Payables	1,480
Increase in Other Receivables	1,590
Increase in Deferred Revenue	5,580

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 and listing of a total 36,255,400 new ordinary shares in relation to the private placement exercise on 2, 3, and 4 October 2018.

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 31/12/2018 RM'000	Preceding Corresponding Quarter Ended 31/12/2017 RM'000	Current Year To Date Ended 31/12/2018 RM'000	Preceding Corresponding Year To Date Ended 31/12/2017 RM'000
Singapore	26,524	8,223	100,388	69,706
Hong Kong & Taiwan	4,190	14,470	28,695	14,526
India	2,372	6,510	9,777	13,651
Others	8,809	13,534	24,205	46,486
Total revenue	41,895	42,737	163,065	144,369
Add: Inter-company transactions	24,617	5,936	32,979	15,823
Total revenue before eliminating inter company transaction	66,512	48,673	196,044	160,192

The revenue for South East Asia excluding Singapore is included under "Others" in Quarter 4 2018.

(b) Analysis of revenue by product categories

	Current Quarter Ended 31/12/2018 RM'000	Preceding Corresponding Quarter Ended 31/12/2017 RM'000	Current Year To Date Ended 31/12/2018 RM'000	Preceding Corresponding Year To Date Ended 31/12/2017 RM'000
EDM Infrastructure Technology	39,191	41,186	152,839	138,416
EDM Managed Services	2,704	1,551	10,226	5,953
Total revenue	41,895	42,737	163,065	144,369
Add: Inter-company Transactions	24,617	5,936	32,979	15,823
Total revenue before eliminating inter company transaction	66,512	48,673	196,044	160,192



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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 31.12.2018 Results						
Segment results	8,733	3,088	8,472	9,849	(10,446)	19,696
Share of results of associate	-	-	-	-	66	66
Interest expenses	(645)	(807)	-	-	353	(1,099)
Profit before tax expense	8,088	2,281	8,472	9,849	(10,027)	18,663
Tax expense	(1,518)	(745)	(55)	-	-	(2,318)
Profit after tax expense	6,570	1,536	8,417	9,849	(10,027)	16,345
Segment assets	134,866	29,353	65,020	4,530	14,545	248,314
Segment liabilities	98,037	44,959	382	-	(58,681)	84,697
As at 31.12.2017 Results						
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
Segment assets	108,391	12,339	33,507	4,670	37,525	196,432
Segment liabilities	85,823	9,498	15,328	702	(24,818)	86,533

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 Sandz Solutions (Singapore) Pte Ltd as announced on 27 December 2018 ("Proposed Acquisition"), 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

Save for the subscription of 20 new ordinary shares in Quantum China Limited ("QCL") which represents 16.67% of the equity shareholding of QCL, there was 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.



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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 year ended 31 December 2018, the Group's revenue rose by 12.95% or RM18.696 million to RM163.065 million compared to RM144.369 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. Majority of the Group's revenue was derived from Singapore, amounting to RM100.388 million (61.56% of total revenue), followed by Hong Kong and Taiwan which recorded RM28.695 million (17.60%).

By product category, the Enterprise Data Management ("EDM") Infrastructure Technology segment continued to dominate the Group's revenue, amounting to RM152.839 million or 93.73% of total revenue, with EDM Managed Services making up the balance.

The Group's profit after tax increased from RM12.063 million to RM16.345 million and is in line with the increase in revenue as compared to the preceding equivalent financial year, despite the one-time charge of RM1.70 million for the Company's Share Grant Plan in Q1FY2018. Both business segments grew with steady momentum, with EDM Managed Services increasing by 71.78%, albeit from a low base.

B2. Comparison with preceding quarter's results

	3 months ended	
	31/12/2018	30/9/2018
	RM'000	RM'000
Revenue	41,895	41,979
Profit from operations	4,150	7,257
Profit before tax expense	3,797	6,929
Profit for the period	4,832	5,007

Revenue in the current quarter ended 31 December 2018 remained flat at RM41,895 million as compared with the previous quarter of RM41,979 million. The Group recorded a slightly lower profit for the period of RM4,832 million as a result of less favourable foreign exchange as compared with the previous quarter of RM5,007 million.



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B3. Prospects

Whilst the EDM Infrastructure Technology business will continue to be an important business driver, the Group's effort in expanding its EDM Managed Services is bearing results, and the Group will continue to increase its presence in existing markets by offering managed services cum transnational infrastructure for data storage and backup solutions in the Asian region.

With a steady growth finish for the financial year ended 31 December 2018, going forward, the Group will continue to build its existing EDM businesses.

B4. Tax expense

	Current Quarter Ended 31/12/2018 RM'000	Preceding Corresponding Quarter Ended 31/12/2017 RM'000	Current Year To Date Ended 31/12/2018 RM'000	Preceding Corresponding Year To Date Ended 31/12/2017 RM'000
Current tax				
- current year	96	(129)	(787)	(506)
- in prior years	10	-	9	(8)
Deferred taxation				
- current provision	929	(14)	(1,540)	(402)
	1,035	(143)	2,318	(916)

B5. Profit forecast and profit guarantee

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



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B6. Status of corporate proposals

Private placement

On 2 August 2018, the Company announced a proposal 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 gross proceeds from the Private Placement amounted to 22.986 million and the status of the utilisation of the proceeds raised as at 31 December 2018 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) Future business development and expansion	8,000	(8,000)	-	-	Within 24 months
2) Managed services cum transnational infrastructure equipment	10,000	-	-	10,000	Within 24 months
3) Working capital	4,466	(4,736)	270	-	Within 24 months
4) Estimated expenses	520	(250)	(270)	-	Within 2 weeks
Total gross proceeds	22,986	12,986	-	10,000	

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
Secured			
2018			
Finance lease liabilities	3,586	8,087	11,673
Bill payable	21,193	-	21,193
	24,779	8,087	32,866
2017			
Finance lease liabilities	1,182	1,434	2,616
Bill payable	13,122	-	13,122
	14,304	1,434	15,738

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.

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 of Directors have proposed a final single tier dividend of 2 sen per ordinary share, amounting to approximately RM8.0 million for the financial year ended 31 December 2018. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

B10. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Corresponding Quarter Ended	Current Year To Date Ended	Preceding Corresponding Year To Date Ended
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net profit attributable to ordinary equity holders of the Company (RM'000)	4,832	3,435	16,345	12,063
Weighted average number of ordinary shares in issue ('000)	359,386	276,963	359,386	276,963
Basic earnings per share ("EPS") (sen)	1.34	1.24	4.56	4.36

The diluted EPS has been calculated by dividing the Group's profit for the current quarter and financial period ended 31 December 2018 attributable to equity holders of the Company by the weighted average number of shares (2017 : 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	Preceding Corresponding Quarter Ended	Current Year To Date Ended	Preceding Corresponding Year To Date Ended
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net profit attributable to ordinary equity holders of the Company (RM'000)	4,832	3,435	16,345	12,063
Weighted average number of ordinary shares in issue as per Basic EPS ('000)	359,386	276,963	359,386	276,963
Effect on issuance of share capital for QSI Acquisition ('000)	-	16,980	-	16,980
Weighted average number of ordinary shares in issue ('000)	359,386	293,943	359,386	293,943
Diluted EPS (sen)	1.34	1.17	4.56	4.10



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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 31/12/2018 RM'000	Preceding Corresponding Quarter Ended 31/12/2017 RM'000	Current Year To Date Ended 31/12/2018 RM'000	Preceding Corresponding Year To Date Ended 31/12/2017 RM'000
Allowance for obsolete inventories	-	6	-	6
Allowance for obsolete inventories write back	-	(24)	-	(24)
Allowance for doubtful debts write back	-	(277)	-	(277)
Amortisation of development cost	84	13	196	51
Depreciation on property, plant and equipment	1,754	1,017	6,459	4,548
Realised foreign currency exchange (gain)/loss	408	120	(75)	(35)
Unrealised foreign exchange currency loss	(826)	761	(1,319)	2,269
Property, plant and equipment written off	20	2	20	18
Loss on disposal of property, plant and equipment	-	(1)	-	(17)
Rental of premises	871	605	2,779	2,417
Rental of office equipment	6	5	21	19
Interest income	(277)	(129)	(501)	(224)
Finance costs	353	179	1,099	469

B13. Authorisation for issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 28 Feb 2019.

Kronologi Asia Berhad
28 Feb 2019