



KRONOLOGI ASIA BERHAD (Company no. 1067697-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
For the First (1st) Quarter Ended 31 March 2019

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 2018. 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 2018.

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 2018.

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 2019.

MFRS 16	Leases
Amendments to MFRS 128	Investment in Associates and Joint Ventures : Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

The initial application on the above pronouncements did not have any material impact on the financial statements, except for MFRS 16 as disclosed below:

MFRS 16, Leases

The Group has adopted MFRS 16, Leases from 1 January 2019.

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under MFRS 117 and related interpretations. The details of the changes in accounting policies are disclosed below.



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A2. Changes in accounting policies (Cont'd)

I. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 5 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under MFRS 16, a contract is, or contains, a lease of the contract which conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative standalone prices. However, for leases of properties in which it is a lease, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

II. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under MFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on balance sheet. However, the Group has elected not to recognise right-of-use assets and liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

a) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the by-country risk free rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use recognised.

b) Transition

Previously, the Group classifies property leases as operating leases under MFRS 117.

At transition, for leases classified as operating leases under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the by-country risk free rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if MFRS 16 has been applied since the commencement date, discounted using the lessee's by-country risk free rate at the date of initial application.



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A2. Changes in accounting policies (Cont'd)

II. As a lessee (cont'd)

b) Transition (cont'd)

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of MFRS 16 are only applied after that date

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating leases under MFRS 117.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs for measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

c) Impact of transition

On transition to MFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:-

In RM'000	Impact to adoption of MFRS 16 to opening balance at 1 January 2019
Increase in right-of-use assets	4,731
Increase in accumulated depreciation – right-of-use assets	(2,251)
Increase in lease liabilities	(2,546)
Decrease in retained earnings	66

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.



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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 31/3/2019 RM'000	Preceding Corresponding Quarter Ended 31/3/2018 RM'000	Current Year To Date Ended 31/3/2019 RM'000	Preceding Corresponding Year To Date Ended 31/3/2018 RM'000
Singapore	20,313	30,542	20,313	30,542
Hong Kong & Taiwan	3,369	3,445	3,369	3,445
India	2,201	1,560	2,201	1,560
SEA (1)	1,821	1,530	1,821	1,530
Others	4,796	1,681	4,796	1,681
Total revenue	32,500	38,758	32,500	38,758
Add: Inter-company transactions	2,393	2,603	2,393	2,603
Total revenue before eliminating inter company transaction	34,893	41,361	34,893	41,361

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

(b) Analysis of revenue by product categories

	Current Quarter Ended 31/3/2019 RM'000	Preceding Corresponding Quarter Ended 31/3/2018 RM'000	Current Year To Date Ended 31/3/2019 RM'000	Preceding Corresponding Year To Date Ended 31/3/2018 RM'000
EDM Infrastructure Technology	30,611	37,586	30,611	37,586
EDM Managed Services	1,889	1,172	1,889	1,172
Total revenue	32,500	38,758	32,500	38,758
Add: Inter-company Transactions	2,393	2,603	2,393	2,603
Total revenue before eliminating inter company transaction	34,893	41,361	34,893	41,361



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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 31.3.2019 Results						
Segment results	4,028	917	(416)	-	-	4,529
Share of results of associate	-	-	-	-	2	2
Interest expenses	(341)	(229)	(2)	-	56	(516)
Profit before tax expense	3,687	688	(418)	-	58	4,015
Tax expense	(325)	-	-	-	-	(325)
Profit after tax expense	3,362	688	(418)	-	58	3,690
Segment assets	129,604	17,024	74,974	4,429	12,890	238,921
Segment liabilities	86,879	34,773	440	-	(49,717)	72,375
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

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 completion of the acquisition of the entire share capital of Sandz Solutions (Singapore) Pte Ltd on 29 April 2019 ("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

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.



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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 period ended 31 March 2019, the Group's revenue declined by 16.15% or RM6.258 million from RM38.758 million to RM32.500 million. Despite the decreased in revenue, the Group's profit after tax increased from RM2.007 million to RM3.690 million. This was achieved through higher gross profit margin of 28% against 26%, and lower administrative cost incurred in the current financial period compared to the previous preceding period, which included the Share Grant Plan expense.

Majority of the Group's revenue was derived from Singapore, amounting to RM20.313 million (62.50% of total revenue), followed by Hong Kong and Taiwan which recorded RM3.369 million (10.37%).

By product category, the Enterprise Data Management ("EDM") Infrastructure Technology segment continued to dominate the Group's revenue, amounting to RM30.611 million or 94.19% of total revenue, with EDM Managed Services making up the balance.

B2. Comparison with preceding quarter's results

	3 months ended	
	31/3/2019	31/12/2018
	RM'000	RM'000
Revenue	32,500	41,895
Profit from operations	4,531	2,464
Profit before tax expense	4,015	2,114
Profit for the period	3,690	4,747

Revenue in the current quarter ended 31 March 2019 recorded revenue of RM32.500 million against RM41.895 million. as compared with the previous quarter. The Group recorded a higher profit before tax of RM4.015 million as a result of better inventory management as compared with the previous quarter of RM2.114 million.

B3. Prospects

The Enterprise Data Management ["EDM"] Infrastructure Technology ["IT"] business will continue to be an important business driver for the Group, especially with new EDM IT solutions and opportunities through recently acquired Sandz Solutions.

The Group is also expanding its EDM Managed Services with powering innovative breakthrough "as a service" and expertise enterprise solution for on premise, hybrid and cloud-based solution to meet our customer needs.



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B4. Tax expense

	Current Quarter Ended 31/3/2019 RM'000	Preceding Corresponding Quarter Ended 31/3/2018 RM'000	Current Year To Date Ended 31/3/2019 RM'000	Preceding Corresponding Year To Date Ended 31/3/2018 RM'000
Current tax				
- current year	(315)	(54)	(315)	(54)
- in prior years		(1)		(1)
Deferred taxation				
- current provision	(10)	(826)	(10)	(826)
	(325)	(881)	(325)	(881)

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

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 March 2019 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	



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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			
2019			
Finance lease liabilities	3,466	7,248	10,714
Bill payable	24,094	-	24,094
	<u>27,560</u>	<u>7,248</u>	<u>34,808</u>
2018			
Finance lease liabilities	1,849	4,061	5,910
Bill payable	9,987	-	9,987
	<u>11,836</u>	<u>4,061</u>	<u>15,897</u>

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.

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
	31/3/2019	31/3/2018	31/3/2019	31/3/2018
Net profit attributable to ordinary equity holders of the Company (RM'000)	3,690	2,007	3,690	2,007
Weighted average number of ordinary shares in issue ('000)	398,810	328,627	398,810	328,627
Basic earnings per share ("EPS") (sen)	0.93	0.61	0.93	0.61



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B10. Earnings per share (Cont'd)

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 31/3/2019	Preceding Corresponding Quarter Ended 31/3/2018	Current Year To Date Ended 31/3/2019	Preceding Corresponding Year To Date Ended 31/3/2018
Net profit attributable to ordinary equity holders of the Company (RM'000)	3,690	2,007	3,690	2,007
Weighted average number of ordinary shares in issue as per Basic EPS ('000)	398,810	328,627	398,810	328,627
Effect on issuance of share capital for QSI and QHK Acquisition ('000)	-	7,556	-	7,556
Weighted average number of ordinary shares in issue ('000)	398,810	336,183	398,810	336,183
Diluted EPS (sen)	0.93	0.60	0.93	0.60

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 31/3/2019 RM'000	Preceding Corresponding Quarter Ended 31/3/2018 RM'000	Current Year To Date Ended 31/3/2019 RM'000	Preceding Corresponding Year To Date Ended 31/3/2018 RM'000
Amortisation of development cost	101	13	101	13
Depreciation on property, plant and equipment	2,023	1,473	2,023	1,473
Realised foreign currency exchange (gain)/loss	106	(109)	106	(109)
Unrealised foreign exchange currency loss	292	711	292	711
Interest income	(259)	(106)	(259)	(106)
Finance costs	516	194	516	194



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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 21 May 2019.

Kronologi Asia Berhad
21 May 2019