



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

A8. Segmental information

(a) Analysis of revenue by geographical area

	Current Quarter Ended 31/12/2019 RM'000	Preceding Corresponding Quarter Ended 31/12/2018 RM'000	Current Year To Date Ended 31/12/2019 RM'000	Preceding Corresponding Year To Date Ended 31/12/2018 RM'000
Singapore	14,649	26,524	71,900	100,388
The Philippines	34,431	203	75,751	1,625
China	6,963	7,828	28,913	12,178
Hong Kong & Taiwan	4,968	4,190	27,784	28,695
India	4,072	2,372	17,111	9,777
Others	4,185	778	14,042	10,402
Total revenue	69,268	41,895	235,501	163,065
Add: Inter-company transactions	19,329	24,617	32,381	32,979
Total revenue before eliminating inter company transaction	88,597	66,512	267,882	196,044

(b) Analysis of revenue by product categories

	Current Quarter Ended 31/12/2019 RM'000	Preceding Corresponding Quarter Ended 31/12/2018 RM'000	Current Year To Date Ended 31/12/2019 RM'000	Preceding Corresponding Year To Date Ended 31/12/2018 RM'000
EDM Infrastructure Technology	61,834	39,191	217,485	152,839
EDM Managed Services	7,434	2,704	18,016	10,226
Total revenue	69,268	41,895	235,501	163,065
Add: Inter-company Transactions	19,329	24,617	32,381	32,979
Total revenue before eliminating inter company transaction	88,597	66,512	267,882	196,044



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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 31.12.2019 Results						
Segment results	19,040	5,556	(2,612)	4,009	(354)	25,639
Share of results of associate	-	-	-	-	280	280
Interest expense	(1,139)	(1,238)	(9)	-	354	(2,032)
Profit/(Loss) before tax expense	17,901	4,318	(2,621)	4,009	280	23,887
Tax expense	(3,969)	(1,348)	(4)	-	-	(5,321)
Profit/(Loss) after tax expense	13,932	2,970	(2,625)	4,009	280	18,566
Segment assets	204,595	38,288	62,146	4,126	53,599	362,754
Segment liabilities	182,640	4,612	19,041	-	(66,366)	139,927
As at 31.12.2018 Results						
Segment results	8,005	2,259	8,279	9,849	(10,379)	18,013
Share of result of associate	-	-	-	-	66	66
Interest expense	(645)	(807)	-	-	353	(1,099)
Profit before tax expense	7,360	1,452	8,279	9,849	(9,960)	16,980
Tax expense	(484)	(181)	(55)	-	-	(720)
Profit after tax expense	6,876	1,271	8,224	9,849	(9,960)	16,260
Segment assets	160,440	29,001	65,020	4,530	(12,604)	246,387
Segment liabilities	97,622	43,479	382	-	(58,616)	82,867

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.



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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 2019 compared to the preceding period, the Group's revenue grew by 44.42% or RM72.436 million to RM163.065 million (compared to RM235.501 million in the previous financial year). The Group's profit after tax rose by 14.18% or RM2.304 million from RM16.260 million to RM18.566 million. This was achieved through a combination of higher contribution from the Group's India operations and our recent acquisition, Sandz Solutions Group. The Group's lower overall growth rate in profit after tax from the previous period was attributed to higher interest, depreciation and tax expense incurred for the periods in comparison.

The Group's revenue during the financial year was mainly derived from Singapore and the Philippines, amounting to RM147.651 million, representing 62.70% of total revenue.

By product category, the Enterprise Data Management ("EDM") Infrastructure Technology segment continued to dominate the Group's revenue, contributing RM217.485 million or 92.35% of total revenue. Our EDM Managed Services business made up the balance. Notably, profit from EDM Managed Services has more than doubled compared to the preceding period.

B2. Comparison with preceding quarter's results

	3 months ended	
	31/12/2019	30/9/2019
	RM'000	RM'000
Revenue	69,268	81,662
Profit from operations	5,675	8,927
Profit before tax expense	5,112	8,465
Profit for the period	3,041	6,775

Revenue in the current quarter ended 31 December 2019 of RM69.268 million was 15.18% or RM12.394 million lower than the previous quarter. Hence, the Group recorded a lower profit before tax of RM5.112 million. Besides the lower revenue, the Group also recorded higher selling and distribution costs arising from higher staff costs. Profit for the period was 55.11% or RM3.734 million lower at RM3.041 million over the previous quarter, due to higher provision for deferred tax expense on property, plant and equipment acquired in the current quarter under review.

B3. Prospects

The Company is cautiously optimistic for the outlook of the year ahead, which is clouded in the near-term by the on-going US-China trade war, political uncertainty in Hong Kong and the more recent global pandemic resulting from the Covid-19 virus. However, our evolving business strategy remains on track for achieving further business growth in the medium-to-long term.



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B3. Prospects (cont'd)

The Enterprise Data Management [“EDM”] Infrastructure Technology [“IT”] business will continue to be an important business driver for the Group through continuous innovation of existing and new EDM IT solutions and opportunities.

The Group is also expanding its EDM Managed Services with innovative breakthrough “as a service” and expertise in enterprise solutions for on-premise, hybrid and cloud-based solutions to meet our customers’ needs.

B4. Tax (expense)/income

	Current Quarter Ended 31/12/2019 RM'000	Preceding Corresponding Quarter Ended 31/12/2018 RM'000	Current Year To Date Ended 31/12/2019 RM'000	Preceding Corresponding Year To Date Ended 31/12/2018 RM'000
Current tax				
- current year	(244)	72	(3,399)	(811)
- in prior years	159	4	160	3
Deferred taxation				
- current provision	(1,986)	2,557	(2,082)	88
	<u>(2,071)</u>	<u>2,633</u>	<u>(5,321)</u>	<u>(720)</u>

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

There were no corporate proposals announced by the Company during the current financial quarter under review.

B7. Borrowings and debt securities

The total borrowings of the Group as at 31 December were as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
2019			
Finance lease liabilities	2,667	5,434	8,101
Bills payable	30,579	-	30,579
	<u>33,246</u>	<u>5,434</u>	<u>38,680</u>
2018			
Finance lease liabilities	3,586	8,087	11,673
Bills payable	21,193	-	21,193
	<u>24,779</u>	<u>8,087</u>	<u>32,866</u>



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B7. Borrowings and debt securities (cont'd)

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 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 31/12/2019	Preceding Corresponding Quarter Ended 31/12/2018	Current Year To Date Ended 31/12/2019	Preceding Corresponding Year To Date Ended 31/12/2018
Net profit attributable to ordinary equity holders of the Company (RM'000)	3,041	4,681	18,566	16,260
Weighted average number of ordinary shares in issue ('000)	459,782	360,530	459,782	360,530
Basic earnings per share ("EPS") (sen)	0.66	1.30	4.04	4.51

The diluted EPS has been calculated by dividing the Group's profit for the current quarter and financial period ended 31 December 2019 attributable to equity holders of the Company by the weighted average number of shares. The calculation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/12/2019	Preceding Corresponding Quarter Ended 31/12/2018	Current Year To Date Ended 31/12/2019	Preceding Corresponding Year To Date Ended 31/12/2018
Net profit attributable to ordinary equity holders of the Company (RM'000)	3,041	4,681	18,566	16,260
Weighted average number of ordinary shares in issue as per Basic EPS ('000)	459,782	360,530	459,782	360,530
Effect on issuance of share capital for Sandz Acquisition ('000)	8,098	-	8,098	-
Weighted average number of ordinary shares in issue ('000)	467,880	360,530	467,880	360,530
Diluted EPS (sen)	0.65	1.30	3.97	4.51



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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 31/12/2019 RM'000	Preceding Corresponding Quarter Ended 31/12/2018 RM'000	Current Year To Date Ended 31/12/2019 RM'000	Preceding Corresponding Year To Date Ended 31/12/2018 RM'000
Amortisation of development cost	101	84	404	196
Depreciation on property, plant and equipment	2,702	1,754	7,888	6,459
Property, plant and equipment written off	45	20	45	20
Realised foreign currency exchange (gain)/loss	-	408	236	(75)
Unrealised foreign exchange currency (gain)/loss	(257)	(826)	(640)	(1,319)
Interest income	(199)	(277)	(893)	(501)
Finance costs	563	353	(2,032)	1,099

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 25 February 2020

Kronologi Asia Berhad
25 February 2020