

NETX HOLDINGS BERHAD (533441-W)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR TO DATE
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
REVENUE	1,228	4,873	1,611	5,913
COST OF SALES	(298)	(1,780)	(1,146)	(2,027)
GROSS PROFIT / (LOSS)	930	3,093	465	3,886
OTHER INCOME	327	202	429	248
ADMINISTRATION EXPENSES	(1,009)	(452)	(1,805)	(805)
OTHER OPERATING EXPENSES	-	(26)	-	(26)
PROFIT / (LOSS) FROM OPERATIONS	248	2,817	(911)	3,303
FINANCE COST	(40)	(55)	(86)	(100)
PROFIT / (LOSS) BEFORE TAX	208	2,762	(997)	3,203
INCOME TAX EXPENSES	(1)	-	(3)	-
NET PROFIT / (LOSS) FOR THE PERIOD	207	2,762	(1,000)	3,203
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD	207	2,762	(1,000)	3,203
NET PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
OWNERS OF THE COMPANY	239	2,771	(935)	3,207
NON-CONTROLLING INTEREST	(32)	(9)	(65)	(4)
	207	2,762	(1,000)	3,203
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
OWNERS OF THE PARENT	239	2,771	(935)	3,207
NON-CONTROLLING INTEREST	(32)	(9)	(65)	(4)
	207	2,762	(1,000)	3,203
EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY :				
Basic (sen)	0.02	0.44	(0.07)	0.51

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

NETX HOLDINGS BERHAD (533441-W)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	AS AT 31 Dec 2016 Unaudited RM'000	AS AT 30 June 2016 Audited RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	5,896	5,854
Intangible Assets	2,664	3,215
Deferred Tax Asset	677	677
Goodwill on Consolidation	693	693
	<u>9,930</u>	<u>10,439</u>
<u>CURRENT ASSETS</u>		
Inventories	360	407
Trade Receivables	7,032	7,137
Other Receivables, Deposits and Prepayment	14,443	189
Tax Recoverable	5	5
Fixed Deposits placed with Licensed Bank	9,836	-
Short Term Investment	858	-
Cash and Bank Balances	958	27,624
	<u>33,492</u>	<u>35,362</u>
TOTAL ASSETS	<u><u>43,422</u></u>	<u><u>45,801</u></u>
<u>EQUITIES AND LIABILITIES</u>		
<u>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</u>		
Share Capital	62,555	62,555
Share Premium	1,822	1,822
Warrant Reserve	15,263	15,263
Accumulated Losses	(39,810)	(38,875)
	<u>39,830</u>	<u>40,765</u>
Non-Controlling Interest	(149)	(84)
TOTAL EQUITY	<u><u>39,681</u></u>	<u><u>40,681</u></u>
<u>NON-CURRENT LIABILITIES</u>		
Long Term Borrowing (Mortgage)	2,730	2,878
	<u>2,730</u>	<u>2,878</u>
<u>CURRENT LIABILITIES</u>		
Trade Payables	421	420
Other Payables and Accruals	226	332
Provision for warranty	-	1,170
Deferred Income	82	46
Short Term Borrowing (Mortgage)	282	274
	<u>1,011</u>	<u>2,242</u>
TOTAL LIABILITIES	3,741	5,120
TOTAL EQUITIES AND LIABILITIES	<u><u>43,422</u></u>	<u><u>45,801</u></u>
Net Assets per share attributable to owners of the Company (RM)	0.03	0.03

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

NETX HOLDINGS BERHAD (533441-W)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	← ATTRIBUTABLE TO OWNER OF THE PARENT →				TOTAL RM'000	NON CONTROLLING INTEREST RM'000	TOTAL EQUITY RM'000	
	← NON - DISTRIBUTABLE →	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	WARRANT RESERVE RM'000				DISTRIBUTABLE ACCUMULATED LOSSES RM'000
Balance as at 1 July 2016		62,555	1,822	15,263	(38,875)	40,765	(84)	40,681
Net loss for the financial period representing total comprehensive expenses for the period		-	-	-	(935)	(935)	(65)	(1,000)
Balance as at 31 December 2016		62,555	1,822	15,263	(39,810)	39,830	(149)	39,681
Balance as at 1 July 2015		62,555	2,599	-	(46,575)	18,579	(60)	18,519
Net profit for the financial period representing total comprehensive income for the period		-	-	-	3,207	3,207	(4)	3,203
Balance as at 31 December 2015		62,555	2,599	-	(43,368)	21,786	(64)	21,722

The unaudited Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

NETX HOLDINGS BERHAD (533441-W)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	CURRENT YEAR TO DATE 31/12/2016 RM'000	PRECEDING YEAR TO DATE 31/12/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(997)	3,203
Adjustment for:		
Depreciation of property, plant and equipment	104	85
Amortisation of intangible assets	551	-
Amortisation of deferred income	(53)	(37)
Provision for warranty	-	1,170
Bad debts written off	-	26
Unrealised foreign exchange loss	(228)	(163)
Interest expense	86	100
Interest income	(123)	(12)
Operating (loss)/profit before working capital changes	(660)	4,372
Increase in current assets	(13,850)	(2,453)
Decrease in current liabilities	(1,276)	(483)
Cash Used in Operations	(15,786)	1,436
Tax Paid	(3)	-
Interest paid	(86)	(100)
Net Cash Used in Operations	(15,875)	1,336
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	32	12
Purchase of property, plant and equipment	(36)	(74)
Net Cash From/(Used in) Investing Activities	(4)	(62)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of term loans	(140)	(126)
Net Cash Used in Financing Activities	(140)	(126)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(16,019)	1,148
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	27,624	2,479
UNREALISED FOREIGN EXCHANGE GAIN	47	49
CASH AND CASH EQUIVALENTS CARRIED FORWARD	11,652	3,676
Cash and cash equivalents at end of year consist of :-		
Cash and bank balances	958	3,676
Short Term Investment	858	-
Fixed deposit with licensed bank	9,836	-
	11,652	3,676

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

NETX HOLDINGS BERHAD (533441-W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31
DECEMBER 2016**

A. EXPLANATORY NOTES

A1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The report should be read in conjunction with the audited financial statements of the Group for year ended 30 June 2016. The explanatory notes attached to the quarterly financial report provide an explanation on events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016.

The accounting policies and methods of computation adopted by the Group in the quarterly financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 30 June 2016 except for the adoption of the following MFRS and Amendments to MFRS. The adoption of these MFRSs does not have any significant impact on the interim financial statements of the Group and the Company.

<u>MFRS and IC Interpretations (Including the Consequential Amendments)</u>	<u>Effective Date</u>
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants	1 January 2016
Amendments to MFRS 127 Equity method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101 Disclosure Initiative	1 January 2016
Amendments to MFRS 10 MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception	1 January 2016

The following MFRS and Amendments to MFRS have been issued by MASB but are not yet effective to the Group:

<u>MFRS and IC Interpretations (Including the Consequential Amendments)</u>		<u>Effective Date</u>
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 16	Leases	1 January 2019

A2 SEASONAL OR CYCLICAL FACTORS

The business operations of the Group are not subject to any seasonal or cyclical factors.

A3 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 31 December 2016.

A4 CHANGES IN ESTIMATES

There were no changes in estimates that have had any material effect on the financial period under review.

A5 DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 December 2016.

A6 DIVIDENDS PAID

No dividends were paid during the financial period under review.

A7 SEGMENTAL INFORMATION

The Group's operating segments are classified according to the nature of activities as follow:-

- Electronic Payment services : Involved in terminal and other related services
Non-electronic Payment services : Involved in provision of turnkey solutions on the network infrastructure, security management, research and development of software, system design, integration and installation and provision of IT services.

	Individual Quarter		Cumulative Quarter	
	Ended	Ended	Ended	Ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Electronic Payment services	1,252	32	1,594	113
Non-Electronic Payment services	-	4,858	69	5,848
	<u>1,252</u>	<u>4,890</u>	<u>1,663</u>	<u>5,961</u>
Eliminations	(24)	(17)	(52)	(48)
Group revenue	<u>1,228</u>	<u>4,873</u>	<u>1,611</u>	<u>5,913</u>
Segment Results				
Electronic Payment services	744	(65)	404	(29)
Non-Electronic Payment services	(536)	2,827	(1,401)	3,232
Profit before taxation	<u>208</u>	<u>2,762</u>	<u>(997)</u>	<u>3,203</u>

A8 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no valuation undertaken for property, plant and equipment.

A9 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period under review.

A10 CONTINGENT LIABILITIES

There were no material contingent liabilities not provided for as at the date of this report.

A11 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM REPORTING PERIOD

There were no material events subsequent to the end of the interim reporting period other than corporate exercise disclosed in Note B8 (B).

A12 CAPITAL COMMITMENTS

The amount of commitments not provided for as at 31 December 2016 is as follows:

	RM'000
Approved and contracted for:	
Intangible Assets	<u>291</u>

A13 RELATED PARTY TRANSACTIONS

There were no significant transactions with related parties during the financial period under review.

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1 PERFORMANCE REVIEW

For the current quarter ended 31 December 2016, the Group recorded revenue of RM1.23 million, lower as compared to RM4.87 million in the corresponding quarter in previous year. This was mainly due to no revenue generated from Non-electronic payment services segment in current quarter, as compared to RM4.86 million in the corresponding quarter in previous year; mitigated by higher revenue from electronic payment services segment.

The Group recorded a profit before taxation for the current quarter of RM0.21 million. As compared to profit before tax of RM2.76 million in the corresponding quarter in previous year, the lower profits in the current quarter was mainly due to lower revenue achieved and higher marketing, support centre and staff related expenses.

For the 6 months ended 31 December 2016, the Group recorded revenue of RM1.61 million, lower as compared to RM5.91 million in the preceding year to-date. The lower revenue in current year to-date was mainly due to lower revenue generated from Non-electronic payment services segment, but mitigated by higher revenue from electronic payment services segment. The lower gross profit margin in current year to-date of 29%, as compared to 66% in preceding year to-date was due to warranties claim by a customer resulted in loss of RM330k and amortization of intangible assets of RM551k in current year to-date.

The Group recorded a loss before taxation for the 6 months ended 31 December 2016 of RM0.997 million. As compared to profit before tax of RM3.2 million in the preceding year to-date, the losses in current year to-date was mainly due to lower revenue achieved, warranties claim by a customer resulted in loss of RM330k, amortization of intangible assets of RM551k and higher marketing, support centre and staff related expenses.

Electronic Payment Services Segment

Electronic payment services segment has achieved revenue of RM1.25 million in current quarter and RM1.59 million in current year to-date, higher than RM32k in the corresponding quarter in previous year and RM113k in preceding year to-date respectively, was mainly due to intensive marketing initiative to increase number of merchant and new sales on electronic payment software.

This segment achieved profit before tax of RM744k in current quarter and RM404k in current year to-date, compared to loss before tax of RM65k in the corresponding quarter in previous year and RM29k in preceding year to-date respectively, was mainly due to higher revenue achieved from intensive marketing initiative to increase number of merchant and new sales on electronic payment software.

Non-electronic Payment Services Segment

Non-Electronic payment services segment recorded revenue of RM69k in current year to-date, lower than preceding year to-date of RM5.85 million. The loss before tax of RM1.4 million in current year to-date, higher loss as compared to profit before tax of RM3.2 million in the preceding year to-date, was mainly due to lower sales and warranties claim by a customer resulted in loss of RM330k.

B2 COMMENT ON MATERIAL CHANGE IN PERFORMANCE COMPARED WITH PRECEDING QUARTER

	Current Quarter Ended 31.12.2016 RM'000	Preceding Quarter Ended 30.9.2016 RM'000
Revenue	1,228	383
(Loss)/Profit before tax	<u>208</u>	<u>(1,205)</u>

The Group recorded revenue of RM1.23 million in the current quarter, 221% higher revenue as compared to RM383k in the previous quarter was mainly due to higher revenue from payment services segment as a result of intensive marketing initiative to increase number of merchant and new sales on electronic payment software. 110 terminals were deployed during current quarter.

The Group achieved profit before tax of RM0.21 million in current quarter, as compared to loss before tax in previous quarter of RM1.205 million, was mainly due to higher revenue achieved in current quarter and warranties claim by a customer resulted in loss of RM330k in the previous quarter.

B3 FUTURE PROSPECTS

The Group continue to pursue business ventures domestically and internationally to propel future growth despite the uncertain market condition.

The Group is cautiously optimistic to deliver a reasonable performance despite the challenging economic condition for the financial year ending 30 June 2017.

B4 PROFIT / (LOSS) BEFORE TAX

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31.12.2016 RM'000	Preceding Year Corresponding Quarter Ended 31.12.2015 RM'000	Current Year To date Ended 31.12.2016 RM'000	Preceding Year To date Ended 31.12.2015 RM'000
Profit/(Loss) before tax is stated after charging/(crediting) :-				
Depreciation of Property, plant and equipment	54	42	104	85
Amortisation of intangible assets	275	-	551	-
Bad debts written off	-	26	-	26
Provision of warranty	-	972	-	1,170
Interest expense	40	55	86	100
Foreign exchange (gain) / loss	(189)	(163)	(220)	(163)
Interest income	(99)	(4)	(123)	(12)
Rental income	(39)	(34)	(78)	(69)

B5 PROFIT FORECAST OR PROFIT GUARANTEE

There is no profit forecast and profit guarantee provided by the Company.

B6 TAXATION

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To date Ended	Preceding Year To date Ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Current period				
- Income taxation	1	-	3	-
- Deferred taxation	-	-	-	-
Total	<u>1</u>	<u>-</u>	<u>3</u>	<u>-</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the financial period.

The effective tax rate of the Group for the financial period were higher than the statutory tax rate mainly due to non-allowable expenses and interest income

B7 DISCLOSURE OF REALISED AND UNREALISED PROFIT/(LOSSES)

	As at 31.12.2016 Unaudited RM'000	As at 30.06.2016 Audited RM'000
Total accumulated losses:		
- Realised Profit / (Loss)	(40,487)	(38,382)
- Unrealised Profit / (Loss)	<u>677</u>	<u>(493)</u>
Total accumulated losses as per consolidated statement of financial position	<u>(39,810)</u>	<u>(38,875)</u>

B8 STATUS OF CORPORATE PROPOSALS

A) STATUS OF UTILISATION OF PROCEEDS RAISED FROM RIGHT ISSUE WITH WARRANTS

Following the completion of Right Issue with Warrants on 16 June 2016, the following are the status of utilisation of the proceeds in the financial quarter under review:-

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Deviation	Intended Timeframe for Utilisation
Development of Electronic payment platform and solutions	10,000	4,157	-	Within 24 months
Expansion of existing business and acquisition of future business	12,778	9,177	-	Within 18 months
Repayment of existing bank borrowings	3,300	264	-	Within 6 months
Working Capital	4,200	1,807	-	Within 24 months
Corporate Exercise exp	1,000	1,000	-	Within 2 months
	<u>31,278</u>	<u>16,405</u>	-	

B) PROPOSED PAR VALUE REDUCTION

On 22 September 2016, the Company proposed to undertake the proposed reduction of the issued and paid up share capital of NetX via the cancellation of RM0.03 of the par value of every existing ordinary share of RM0.05 each to RM0.02 each pursuant to Section 64 of the Companies Act, 1965 ("Proposed Par Value Reduction").

The Proposed Par Value Reduction has been approved by the shareholders at the Extraordinary General Meeting held on 24 November 2016. The Company has, via its legal counsel, filed a petition to the High Court of Malaya, Kuala Lumpur on 1st December 2016. The High Court of Malaya had on 15 February 2017 granted an order confirming the Par Value Reduction.

B9 GROUP BORROWINGS AND DEBT SECURITIES

	As at 31.12.2016 Unaudited RM'000	As at 30.06.2016 Audited RM'000
Short term borrowing		
Secured	<u>282</u>	<u>274</u>
Long term borrowing		
Secured	<u>2,730</u>	<u>2,878</u>

B10 DIVIDEND PAYABLE

No dividend was declared or paid in the current period under review.

B11 EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the profit/(loss) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The basic earnings per share was calculated as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31.12.2016	Preceding Year Corresponding Quarter Ended 31.12.2015	Current Year To date Ended 31.12.2016	Preceding Year To date Ended 31.12.2015
Net profit/(loss) attributable to owners of the parent (RM)	239,000	2,771,000	(935,000)	3,207,000
Weighted average number of ordinary shares	1,251,106,066	625,553,033	1,251,106,066	625,553,033
Basic profit/(loss) per share (sen)	0.02	0.44	(0.07)	0.51

(b) Diluted

The outstanding warrants have been excluded from the computation of fully diluted loss per ordinary share as the exercise of warrants to ordinary shares would be anti-dilutive.

B12 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 30 June 2016 was not subject to any qualification.

B13 AUTHORISATION FOR ISSUE

The interim financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the directors.