

NETX HOLDINGS BERHAD (533441-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR TO DATE
	30/6/2017 RM'000	30/6/2016 RM'000	30/6/2017 RM'000	30/6/2016 RM'000
REVENUE	15,129	50	19,362	9,779
COST OF SALES	(12,289)	(149)	(13,830)	(3,557)
GROSS PROFIT / (LOSS)	2,840	(99)	5,532	6,222
OTHER INCOME	212	2	539	133
ADMINISTRATION EXPENSES	(1,739)	(436)	(4,278)	(2,060)
OTHER OPERATING EXPENSES	(58)	(10,775)	(140)	(10,807)
PROFIT / (LOSS) FROM OPERATIONS	1,255	(11,308)	1,653	(6,512)
FINANCE COST	(39)	(48)	(165)	(196)
PROFIT / (LOSS) BEFORE TAX	1,216	(11,356)	1,488	(6,708)
INCOME TAX EXPENSES	(521)	(1,620)	(525)	(1,631)
NET PROFIT / (LOSS) FOR THE PERIOD	695	(12,976)	963	(8,339)
OTHER COMPREHENSIVE INCOME	(13)	-	(13)	-
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD	682	(12,976)	950	(8,339)
NET PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
OWNERS OF THE COMPANY	742	(12,971)	1,113	(8,315)
NON-CONTROLLING INTEREST	(47)	(5)	(150)	(24)
	695	(12,976)	963	(8,339)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
OWNERS OF THE PARENT	730	(12,971)	1,101	(8,315)
NON-CONTROLLING INTEREST	(48)	(5)	(151)	(24)
	682	(12,976)	950	(8,339)
EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY :				
Basic (sen)	0.06	(1.78)	0.09	(1.28)

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 30 JUNE 2017

	AS AT 30 June 2017 Unaudited RM'000	AS AT 30 June 2016 Audited RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	6,057	5,854
Intangible Assets	2,195	3,215
Deferred Tax Asset	157	677
Goodwill on Consolidation	693	693
	<u>9,102</u>	<u>10,439</u>
<u>CURRENT ASSETS</u>		
Inventories	333	407
Trade Receivables	7,299	7,137
Other Receivables, Deposits and Prepayment	3,521	189
Progress Billing	15,207	-
Tax Recoverable	6	5
Fixed Deposits placed with Licensed Bank	3,994	-
Short Term Investment	2,702	-
Cash and Bank Balances	5,087	27,624
	<u>38,149</u>	<u>35,362</u>
TOTAL ASSETS	<u><u>47,251</u></u>	<u><u>45,801</u></u>
<u>EQUITIES AND LIABILITIES</u>		
<u>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</u>		
Share Capital	25,022	62,555
Share Premium	1,822	1,822
Warrant Reserve	15,263	15,263
Foreign Exchange Reserve	(12)	-
Retained Profits / (Accumulated Loss)	1,582	(38,875)
	<u>43,677</u>	<u>40,765</u>
Non-Controlling Interest	(111)	(84)
TOTAL EQUITY	<u><u>43,566</u></u>	<u><u>40,681</u></u>
<u>NON-CURRENT LIABILITIES</u>		
Long Term Borrowing (Mortgage)	2,557	2,878
	<u>2,557</u>	<u>2,878</u>
<u>CURRENT LIABILITIES</u>		
Trade Payables	421	420
Other Payables and Accruals	262	332
Provision for warranty	-	1,170
Deferred Income	138	46
Short Term Borrowing (Mortgage)	307	274
	<u>1,128</u>	<u>2,242</u>
TOTAL LIABILITIES	3,685	5,120
TOTAL EQUITIES AND LIABILITIES	<u><u>47,251</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 YEAR ENDED 30 JUNE 2017**

	←← NON - DISTRIBUTABLE		ATTRIBUTABLE TO OWNER OF THE PARENT		DISTRIBUTABLE		NON CONTROLLING INTEREST		TOTAL EQUITY
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	WARRANT RESERVE RM'000	FOREIGN EXCHANGE RESERVE RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000	RM'000	RM'000	RM'000
Balance as at 1 July 2016	62,555	1,822	15,263	0	(38,875)	40,765	(84)	40,681	
Net profit for the financial year	-	-	-	-	1,113	1,113	(150)	963	
Other comprehensive income for the year	-	-	-	(12)	-	(12)	(1)	(13)	
Total comprehensive income for the year	-	-	-	(12)	1,113	1,101	(151)	950	
Transactions with owners:									
Par Value reduction	(37,533)	-	-	0	37,533	-	-	-	
Non-controlling interest's contribution	-	-	-	-	-	-	1,935	1,935	
Change of State in subsidiary	-	-	-	-	1,811	1,811	(1,811)	-	
Balance as at 30 June 2017	25,022	1,822	15,263	(12)	1,582	43,677	(111)	43,566	
Balance as at 1 July 2015	62,555	2,599	-	-	(46,575)	18,579	(60)	18,519	
Net profit for the financial year representing total comprehensive income for the year	-	-	-	-	(8,315)	(8,315)	(24)	(8,339)	
Transactions with owners:									
Allocation of warrant reserve	-	-	15,263	-	(15,263)	-	-	-	
Par Value reduction	(31,278)	-	-	-	31,278	-	-	-	
Right shares issued	31,278	-	-	-	-	31,278	-	31,278	
Share issuance expenses	-	(777)	-	-	-	(777)	-	(777)	
Balance as at 30 June 2016	62,555	1,822	15,263	-	(38,875)	40,765	(84)	40,681	

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 YEAR ENDED 30 JUNE 2017

	CURRENT YEAR TO DATE 30/6/2017 RM'000	PRECEDING YEAR TO DATE 30/6/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	1,488	(6,708)
Adjustment for:		
Depreciation of property, plant and equipment	217	173
Amortisation of intangible assets	1,126	92
Amortisation of deferred income	(133)	(42)
Impairment loss of receivable	38	49
Provision for warranty	-	1,170
Inventories written off	143	35
Bad debts written off	-	33
Impairment loss on goodwill	-	10,087
Property, plant and equipment written off	1	3
Loss on disposal of plant and equipment	-	2
Unrealised foreign exchange loss	15	80
Interest expense	165	196
Interest income	(282)	(14)
Operating (loss)/profit before working capital changes	2,778	5,156
Increase in current assets	(18,705)	(5,495)
Decrease in current liabilities	(1,239)	(980)
Cash Used in Operations	(17,166)	(1,319)
Tax Paid	(6)	(17)
Interest paid	(165)	(196)
Net Cash Used in Operations	(17,337)	(1,532)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	266	14
Proceeds from disposal of property, plant and equipment	-	29
Purchase of intangible assets	(105)	(3,307)
Purchase of property, plant and equipment	(255)	(303)
Net Cash From/(Used in) Investing Activities	(94)	(3,567)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceed from issuance of shares via right issue with warrants (net)	-	30,501
Proceed from issuance of shares to minority interest	1,919	-
Repayment of term loans	(288)	(257)
Net Cash Used in Financing Activities	1,631	30,244
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,800)	25,145
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	27,624	2,479
UNREALISED FOREIGN EXCHANGE GAIN	(41)	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD	11,783	27,624
Cash and cash equivalents at end of year consist of :-		
Cash and bank balances	5,087	27,624
Short Term Investment	2,702	-
Fixed deposit with licensed bank	3,994	-
	11,783	27,624

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 YEAR ENDED 30 JUNE 2017

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 1 & 128	Annual Improvements to MFRSs 2014 - 2016 Cycle	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consolidation	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 year ended 30 June 2017.

A4 CHANGES IN ESTIMATES

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

A5 DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year ended 30 June 2017 other than Par Value Reduction disclosed in note B8(b).

A6 DIVIDENDS PAID

No dividends were paid during the financial year 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 30.6.2017 RM'000	Ended 30.6.2016 RM'000	Ended 30.6.2017 RM'000	Ended 30.6.2016 RM'000
Segment Revenue				
Electronic Payment services	184	71	3,887	244
Non-Electronic Payment services	15,047	-	15,653	9,620
	15,231	71	19,540	9,864
Eliminations	(102)	(21)	(178)	(85)
Group revenue	15,129	50	19,362	9,779
Segment Results				
Electronic Payment services	(1,071)	(99)	881	(215)
Non-Electronic Payment services	2,287	(11,257)	607	(6,493)
Profit before taxation	1,216	(11,356)	1,488	(6,708)
			As At 30.6.2017 RM'000	As At 30.6.2016 RM'000
Segment Assets				
Electronic Payment services			7,274	11,586
Non-Electronic Payment services			39,820	33,538
			47,094	45,124
Deferred tax Assets			157	677
			47,251	45,801
Segment Liabilities				
Electronic Payment services			129	65
Non-Electronic Payment services			692	1,903
			821	1,968
Term Loans			2,864	3,152
			3,685	5,120

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

On 16 May 2017, following the allotment of new ordinary shares of First United Technology Limited (“FUTL”) to NetX and Messaging Technologies (Hong Kong) Ltd, the shareholding of the Group in FUTL reduced from 100% to 90%. There were no other changes in the composition of the Group during the financial year under review.

A10 CONTINGENT LIABILITIES

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

A11 SIGNIFICANT EVENTS DURING THE INTERIM REPORTING PERIOD

- 1) Proposed Par Value Reduction as disclosed in Note B8 (b).
- 2) Ariantec Sdn Bhd, a wholly-owned subsidiary has on 4 April 2017 entered into a Licensing Agreement with Payallz International Limited for the licensing of Ariantec’s products, namely AllZ mPos, AllZ+, AllZ360° and AllZ Wallet, based on a 50/50 revenue sharing model depending on the sales of the Products.
- 3) Payallz Sdn Bhd, a 60% owned subsidiary has on 12 April 2017 entered into a Technology Collaboration Agreement with XOX Wallet Sdn Bhd, to develop an electronic payment mobile exchange that enables every XOX Berhad subscribers to be an e-commerce merchant and have interconnect ability with both local and international payment gateways.
- 4) Payallz Sdn Bhd, a 60% owned subsidiary has on 19 April 2017 entered into a Technology Partnership Agreement with M3 Online Sdn Bhd, to develop an electronic payment mobile exchange that enables every XOX Berhad subscribers to be an e-commerce merchant and have interconnect ability with both local and international payment gateways.
- 5) Payallz Sdn Bhd, a 60% owned subsidiary has on 5 May 2017 entered into a Technology Partnership Agreement with E-Do Business Technology Corporation (“E-DO”), a Company incorporated in China, for the provision of e-commerce online payment, e-wallet and loyalty programme solutions in territories of Cambodia, Malaysia and Thailand. E-DO specializes in the provision of payment services for Alipay, WeChat Pay and Union Pay.
- 6) On 16 May 2017, following the allotment of new ordinary shares of First United Technology Limited (“FUTL”) to the Company and Messaging Technologies (Hong Kong) Ltd, the shareholding of the Group in FUTL reduced from 100% to 90%.
- 7) The Company has on 25 May 2017 entered into a Shares Subscription Agreement with Flavours of Malaysia (“FOM”) for the subscription of FOM shares equivalent to 51% of the issued and paid up capital of FOM for a cash consideration of RMB3,000,000, which is equivalent to RM1,866,000 based on the exchange rate of RM1 to RMB 1.6077 as at 25 May 2017.
- 8) Proposed Issuance and Allotment of up to 500 million new ordinary shares in the Company to Macquarie Bank Limited as disclosed in Note B8 (c).

A12 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM REPORTING PERIOD

- 1) The Company has on 3 August 2017 offered 162,500,000 options to eligible employees at an exercise price of option RM0.04 each. Options have been fully taken up by the respective eligible employees on the same date.

A13 CAPITAL COMMITMENTS

The amount of commitments not provided for as at 30 June 2017 is as follows:

	RM'000
Approved and contracted for:	
Intangible Assets	2,964
Subscription of 51% equity interest in FOM	<u>1,896</u>

A14 RELATED PARTY TRANSACTIONS

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

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1 PERFORMANCE REVIEW

Group Results	Individual Quarter				Cumulative Quarter			
	Ended	Ended	Changes		Ended	Ended	Changes	
	30.6.2017	30.6.2016	RM'000	%	30.6.2017	30.6.2016	RM'000	%
Revenue	15,129	50	15,079	30,158	19,362	9,779	9,583	98
Gross Profit	2,840	(99)	2,939	2,969	5,532	6,222	(690)	(11)
Profit Before Interest and Tax	1,255	(11,308)	12,563	111	1,653	(6,512)	8,165	125
Profit Before Tax	1,216	(11,356)	12,572	111	1,488	(6,708)	8,196	122
Profit After Tax	695	(12,976)	13,671	105	963	(8,339)	9,302	112
Profit Attributable to Ordinary Equity Holders of the Company	742	(12,971)	13,713	106	1,113	(8,315)	9,428	113

For the current quarter ended 30 June 2017, the Group recorded revenue of RM15.13 million, significantly higher as compared to RM0.05 million in the corresponding quarter in previous year. This was mainly due to contract sales in Non-electronic payment services segment in current quarter and also higher revenue from electronic payment services segment.

The Group recorded a profit before taxation for the current quarter of RM1.22 million, significantly improved as compared to loss of RM11.36 million in the corresponding quarter in previous year, mainly due to higher revenue achieved, impairment of goodwill of RM10.09 million in the corresponding quarter in previous year but none in current quarter and lower corporate exercise expenses by RM0.61 million.

For year ended 30 June 2017, the Group recorded revenue of RM19.36 million, higher as compared to RM9.78 million in the preceding year to-date. The higher revenue in current year to-date was mainly due to contract sales in Non-electronic payment services segment and higher revenue from electronic payment services segment.

The Group recorded a profit before taxation for year ended 30 June 2017 of RM1.49 million, significantly improved as compared to loss before tax of RM6.71 million in the preceding year to-date, mainly due to higher revenue achieved, impairment of goodwill of RM10.09 million in previous year but none in current year and lower corporate exercise expenses by RM0.61 million. The gross profit were lower mainly due to warranties claim by a customer resulted in loss of RM330k and amortization of intangible assets of RM1.13 million.

Electronic Payment Segment	Individual Quarter				Cumulative Quarter			
	Ended	Ended	Changes		Ended	Ended	Changes	
	30.6.2017	30.6.2016	RM'000	%	30.6.2017	30.6.2016	RM'000	%
Revenue	184	71	113	159	3,887	244	3,643	1,493
Gross Profit	(681)	(72)	(609)	(846)	2,003	(26)	2,029	7,804
Profit Before Interest and Tax	(1,071)	(99)	(972)	(982)	881	(215)	1,096	510
Profit Before Tax	(1,071)	(99)	(972)	(982)	881	(215)	1,096	510
Profit After Tax	(1,553)	(9)	(1,544)	(17,156)	400	(125)	525	420
Profit Attributable to Ordinary Equity Holders of the Company	(1,513)	(4)	(1,509)	(37,725)	543	(101)	644	638

Electronic Payment Services Segment

For the current quarter ended 30 June 2017, this segment achieved revenue of RM184k in current quarter higher than RM71k in the corresponding quarter in previous year, was mainly due to intensive marketing initiative to increase number of merchant.

This segment has loss before tax of RM1.07 million in current quarter, higher loss than RM99k in corresponding quarter in previous year, mainly due to amortization of intangible assets of RM296k and higher marketing, support centre and staff related expenses.

For year ended 30 June 2017, this segment achieved revenue of RM3.89 million in current year to-date, higher than RM244k in preceding year to-date, was mainly due to intensive marketing initiative to increase number of merchant and new sales on electronic payment solutions.

This segment achieved profit before tax of RM881k in current year to-date, higher than loss before tax of RM215k in preceding year to-date, mainly due to higher revenue achieved. The higher profit were reduced by amortization of intangible assets of RM1.13 million and higher marketing, support centre and staff related expenses.

	Individual Quarter				Cumulative Quarter			
	Ended 30.6.2017 RM'000	Ended 30.6.2016 RM'000	Changes		Ended 30.6.2017 RM'000	Ended 30.6.2016 RM'000	Changes	
Non-Electronic Payment Segment			RM'000	%			RM'000	%
Revenue	15,047	-	15,047	-	15,653	9,620	6,033	63
Gross Profit	3,521	(27)	3,548	13,252	3,529	6,248	(2,719)	(44)
Profit Before Interest and Tax	2,326	(11,209)	13,535	121	772	(6,297)	7,069	112
Profit Before Tax	2,287	(11,257)	13,544	120	607	(6,493)	7,100	109
Profit After Tax	2,248	(12,967)	15,215	117	563	(8,214)	8,777	107
Profit Attributable to Ordinary Equity Holders of the Company	2,255	(12,967)	15,222	117	570	(8,214)	8,784	107

Non-electronic Payment Services Segment

Non-Electronic payment services segment recorded revenue of RM15.05 million in current quarter and RM15.65 million in current year to-date, higher than preceding year to-date of RM9.62 million respectively, mainly due to major contract sales in current quarter.

The profit before tax of RM2.3 million in current quarter improved as compared to loss before tax of RM11.26 million in corresponding quarter in previous year, was mainly due to higher revenue achieved, impairment of goodwill of RM10.09 million in the corresponding quarter in previous year but none in current quarter and lower corporate exercise expenses by RM0.61 million.

The profit before tax of RM0.61 million in current year to-date, improved as compared to loss before tax of RM6.49 million in preceding year to-date respectively, was mainly due to higher revenue achieved, impairment of goodwill of RM10.09 million in the corresponding quarter in previous year but none in current year and lower corporate exercise expenses by RM0.61 million.

The gross profit and gross profit margin was lower in current year as compared to previous year despite higher sales achieved. This is mainly due to higher selling price in previous year as a result of extensive product warranties and assurance given to customer in previous year and also due to warranties claim by a customer resulted in loss of RM330k in current year.

B2 COMMENT ON MATERIAL CHANGE IN PERFORMANCE COMPARED WITH PRECEDING QUARTER

	Current Quarter	Preceding Quarter	Changes	
	Ended 30.6.2017 RM'000	Ended 30.3.2017 RM'000		
Group Results				
Revenue	15,129	2,622	12,507	477
Gross Profit	2,840	2,227	613	28
Profit Before Interest and Tax	1,255	1,309	(54)	(4)
Profit Before Tax	1,216	1,269	(53)	(4)
Profit After Tax	695	1,268	(573)	(45)
Profit Attributable to Ordinary Equity Holders of the Company	742	1,306	(564)	(43)

The Group recorded revenue of RM15.13 million in current quarter, higher revenue as compared to RM2.62 million in previous quarter was mainly due to major contract sales in Non-electronic payment services segment.

The Group achieved profit before tax of RM1.22 million in current quarter, consistent with previous quarter, despite higher revenue achieved, was mainly due to the net profit margin on the contract sales in Non-electronic payment segment in current quarter were lower than the net profit margin on the sales on electronic payment solutions in previous quarter.

B3 FUTURE PROSPECTS

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

Base on the technology collaboration agreement with XOX Wallet Sdn Bhd and technology partnership agreement with E-Do Business Technology Corporation for the provision of payment services for Alipay, WeChat Pay and Union Pay, together with the implementation of digital free-trade zone, the Group is optimistic to deliver a reasonable performance for the financial year ending 30 June 2018.

B4 PROFIT FORECAST OR PROFIT GUARANTEE

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

B5 DISCLOSURE OF REALISED AND UNREALISED PROFIT/(LOSSES)

	As at 30.6.2017 Unaudited RM'000	As at 30.06.2016 Audited RM'000
Total accumulated profit / (loss):		
- Realised Profit / (Loss)	1,425	(38,382)
- Unrealised Profit / (Loss)	157	(493)
Total accumulated profit/(losses) as per consolidated statement of financial position	<u>1,582</u>	<u>(38,875)</u>

B6 PROFIT / (LOSS) BEFORE TAX

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year Totodate Ended	Preceding Year Totodate Ended
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Profit/(Loss) before tax is stated after charging/(crediting) :-				
Depreciation of Property, plant and equipm	59	48	217	173
Amortisation of intangible assets	296	92	1,126	92
(Gain) / Loss on disposal of P.P.E	-	(1)	-	2
Bad debts written off	-	7	-	33
Property, plant and equipment written off	1	-	1	3
Provision of warranty	-	-	-	1,170
Interest expense	39	48	165	196
Foreign exchange (gain) / loss	103	(156)	(44)	194
Interest income	(71)	(1)	(282)	(14)
Rental income	(50)	(14)	(175)	(118)
Impairment of goodwill on consolidation	-	10,087	-	10,087
Inventories written off	143	35	143	35
Allowance for doubtful debts	38	49	38	49

B7 TAXATION

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year Todate Ended	Preceding Year Todate Ended
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
Current period				
- Income taxation	1	1	5	12
- Deferred taxation	520	1,619	520	1,619
Total	521	1,620	525	1,631

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 tax expenses.

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	Original Proposed Utilisation (RM'000)	Revision	Revised Proposed Utilisation	Actual Utilisation (RM'000)	Deviation	Intended Timeframe for Utilisation
Development of Electronic payment platform and solutions	10,000		10,000	5,162	-	Within 24 months
Expansion of existing business and acquisition of future business	12,778	3,036	15,814	12,648	-	Within 24 months
Repayment of existing bank borrowings	3,300	(3,036)	264	264	-	Within 6 months
Working Capital	4,200		4,200	3,276	-	Within 24 months
Corporate Exercise exp	1,000		1,000	1,000	-	Within 2 months
	31,278	-	31,278	22,350	-	

The Board has on 21st February 2017 approved the revision of the proceeds utilisation raised from the Company's Right Issue with Warrants.

B) 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 High Court of Malaya had on 15 February 2017 granted an order confirming the Par Value Reduction.

C) PROPOSED ISSUANCE AND ALLOTMENT OF UP TO 50 MILLION NEW ORDINARY SHARES TO MACQUARIE BANK LIMITED

On 16 June 2017, the Company entered into a conditional subscription agreement with Macquarie Bank Limited (“Macquarie Bank”) in relation to the proposed issuance and allotment of up to 500 million new ordinary shares in NetX to Macquarie Bank in accordance with the terms and conditions of the Subscription Agreement (“Proposed Share Issuance”)

Bursa Securities had, vide its letter dated 26 July 2017, resolved to approve the listing of up to 500,000,000 new NetX shares to be issued pursuant to the Proposed Share Issuance. The Proposed Share Issuance has been approved by the shareholders at the Extraordinary General Meeting held on 24 August 2017.

B9 GROUP BORROWINGS AND DEBT SECURITIES

	As at 30.6.2017 Unaudited RM'000	As at 30.06.2016 Audited RM'000
Short term borrowing		
Term loan - Secured	<u>307</u>	<u>274</u>
Long term borrowing		
Term loan - Secured	<u>2,557</u>	<u>2,878</u>

The term loans is denominated in Ringgit Malaysia and the interest rate of the term loan at the reporting date is 5.34% (2016: 5.91%) per annum.

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 30.6.2017	Preceding Year Corresponding Quarter Ended 30.6.2016	Current Year ToDate Ended 30.6.2017	Preceding Year To date Ended 30.6.2016
Net profit/(loss) attributable to owners of the parent (RM)	<u>742,000</u>	<u>(12,971,000)</u>	<u>1,113,000</u>	<u>(8,315,000)</u>
Weighted average number of ordinary shares	<u>1,251,106,066</u>	<u>728,666,164</u>	<u>1,251,106,066</u>	<u>651,260,687</u>
Basic profit/(loss) per share (sen)	<u>0.06</u>	<u>(1.78)</u>	<u>0.09</u>	<u>(1.28)</u>

(b) Diluted

There is no dilution in the earnings per share of the Company as the average market values of the warrants as at 30 June 2017 together with the exercise price were higher than the market value of the ordinary shares. Accordingly, there was no assumed full conversion of the warrants into ordinary shares which could result in the dilution of the Company's earnings per share.

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.