

NETX HOLDINGS BERHAD (Registration No. 200001030834 (533441-W))
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR CURRENT QUARTER AND YEAR TO DATE ENDED 31 AUGUST 2020

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/08/2020 RM'000	PRECEDING YEAR QUARTER 31/08/2019 **	CURRENT YEAR TO DATE 31/08/2020 RM'000	PRECEDING YEAR TO DATE 31/08/2019 **
REVENUE	4,666	N/A	11,479	N/A
COST OF SALES	(2,654)	N/A	(4,731)	N/A
GROSS PROFIT	2,012	N/A	6,748	N/A
OTHER INCOME	3,916	N/A	1,617	N/A
ADMINISTRATION EXPENSES	(6,504)	N/A	(7,839)	N/A
OTHER OPERATING EXPENSES	(717)	N/A	(2,650)	N/A
PROFIT / (LOSS) FROM OPERATIONS	(1,293)	N/A	(2,124)	N/A
FINANCE COST	(30)	N/A	(90)	N/A
PROFIT / (LOSS) BEFORE TAX	(1,323)	N/A	(2,214)	N/A
INCOME TAX EXPENSES	(1)	N/A	(3)	N/A
NET PROFIT / (LOSS) FOR THE PERIOD	(1,324)	N/A	(2,217)	N/A
OTHER COMPREHENSIVE INCOME	959	N/A	(395)	N/A
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD	(365)	N/A	(2,612)	N/A
NET PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
OWNERS OF THE COMPANY	(1,303)	N/A	(2,028)	N/A
NON-CONTROLLING INTEREST	(21)	N/A	(189)	N/A
	(1,324)	N/A	(2,217)	N/A
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
OWNERS OF THE PARENT	(398)	N/A	(2,414)	N/A
NON-CONTROLLING INTEREST	33	N/A	(198)	N/A
	(365)	N/A	(2,612)	N/A
EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY :				
Basic (sen)	(0.03)	N/A	(0.05)	N/A

** There are no comparative figures disclosed for the preceding year quarter and preceding year-todate results following the change in the financial year end from 30 June to 30 November

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 November 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2020

	AS AT 31 Aug 2020 Unaudited RM'000	AS AT 30 Nov 2019 Audited RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	13,201	10,568
Intangible Assets	22,260	20,792
Other Investments	-	-
Marketable Securities	7,326	7,326
	<u>42,787</u>	<u>38,686</u>
<u>CURRENT ASSETS</u>		
Inventories	3	16
Trade Receivables	4,763	4,062
Other Receivables, Deposits and Prepayment	5,916	2,162
Tax Recoverable	1	1
Cash and Bank Balances	46,262	35,229
	<u>56,945</u>	<u>41,470</u>
TOTAL ASSETS	<u><u>99,732</u></u>	<u><u>80,156</u></u>
<u>EQUITIES AND LIABILITIES</u>		
<u>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</u>		
Share Capital	124,479	103,280
Foreign Exchange Reserve	(560)	(174)
Retained Profits	(26,126)	(24,098)
	<u>97,793</u>	<u>79,008</u>
Non-Controlling Interest	(2,899)	(2,701)
TOTAL EQUITY	<u>94,894</u>	<u>76,307</u>
<u>NON-CURRENT LIABILITIES</u>		
Long Term Borrowing (Mortgage)	1,714	1,779
	<u>1,714</u>	<u>1,779</u>
<u>CURRENT LIABILITIES</u>		
Trade Payables	437	422
Other Payables and Accruals	2,343	1,198
Deferred Income	61	121
Short Term Borrowing (Mortgage)	283	329
	<u>3,124</u>	<u>2,070</u>
TOTAL LIABILITIES	4,838	3,849
TOTAL EQUITIES AND LIABILITIES	<u><u>99,732</u></u>	<u><u>80,156</u></u>
Net Assets per share attributable to owners of the Company (RM)	0.02	0.02

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 November 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR TO DATE ENDED 31 AUGUST 2020

	← ATTRIBUTABLE TO OWNER OF THE PARENT →						NON CONTROLLING INTEREST RM'000	TOTAL EQUITY RM'000
	← NON - DISTRIBUTABLE →			← DISTRIBUTABLE →				
	SHARE CAPITAL RM'000	SHARE OPTION RESERVE RM'000	WARRANT RESERVE RM'000	FOREIGN EXCHANGE RESERVE RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000		
As at 1 December 2019	103,280	-	-	(174)	(24,098)	79,008	(2,701)	76,307
Total Comprehensive income for the financial period	-	-	-	(386)	(2,028)	(2,414)	(198)	(2,612)
Transactions with owners:								
Share Issuance	9,359	-	-	-	-	9,359	-	9,359
Share options granted under SIS	-	1,677	-	-	-	1,677	-	1,677
Issuance of shares under SIS	11,840	(1,677)	-	-	-	10,163	-	10,163
As at 31 August 2020	124,479	-	-	(560)	(26,126)	97,793	(2,899)	94,894
As at 1 December 2018 **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net profit for the financial year representing total comprehensive income for the period	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transactions with owners:								
Share issuance during the year	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Share options granted under SIS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Issuance of shares under SIS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
As at 31 August 2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

** There are no comparative figures disclosed for the preceding year following the change in the financial year end from 30 June to 30 November

The unaudited Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 November 2019 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR TO DATE ENDED 31 AUGUST 2020**

	CURRENT YEAR TO DATE 31/08/2020 RM'000	PRECEDING YEAR TO DATE 31/08/2019 **
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	(2,214)	N/A
Adjustment for:		
Depreciation of property, plant and equipment	1,013	N/A
Amortisation of intangible assets	924	N/A
Amortisation of deferred income	(170)	N/A
Share-based payment expenses accrued	1,677	N/A
Property, plant and equipment written off	1	N/A
Loss on fair value revaluation on investment	33	N/A
Unrealised foreign exchange (gain)/loss	(327)	N/A
Interest expense	90	N/A
Interest income	(1,181)	N/A
Operating (loss)/profit before working capital changes	(140)	N/A
Decrease / (Increase) in current assets	(8,102)	N/A
Increase / (Decrease) in current liabilities	920	N/A
Advance receipts for deferred income	111	N/A
Cash Used in Operations	(7,211)	N/A
Tax Refund / (Paid)	(3)	N/A
Interest received	1,181	N/A
Interest paid	(90)	N/A
Net Cash Used in Operations	(6,123)	N/A
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(99)	N/A
Acquisition of intangible assets	(2,221)	N/A
Net Cash From/(Used in) Investing Activities	(2,320)	N/A
CASH FLOW FROM FINANCING ACTIVITIES		
Proceed from issuance of shares	19,521	N/A
Repayment of term loans	(111)	N/A
Net Cash Used in Financing Activities	19,410	N/A
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,967	N/A
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	35,229	N/A
EFFECT ON FOREIGN CURRENCY TRANSLATION	66	N/A
CASH AND CASH EQUIVALENTS CARRIED FORWARD	46,262	N/A
Cash and cash equivalents at end of year consist of :-		
Cash and bank balances	46,262	N/A

** There are no comparative figures disclosed for the preceding year following the change in the financial year end from 30 June to 30 November

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial period ended 30 November 2019 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR CURRENT QUARTER AND YEAR TO DATE ENDED 31 AUGUST 2020

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 period ended 30 November 2019. 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 period ended 30 November 2019.

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 period ended 30 November 2019 except for the adoption of the following MFRS and Amendments to MFRS:

<u>MFRS and IC Interpretations (Including the Consequential Amendments)</u>		<u>Effective for annual periods beginning on or after</u>
MFRS 16	Leases	1 January 2019
Amendments to MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Employees Benefits – Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Investments in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS standards 2015 - 2017 Cycle		1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

A1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

The adoption of the above pronouncements did not have material impact on the financial statements of the Group, except as follows:

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is currently assessing the impact of adoption of MFRS 16. As at the date of authorisation of issue of the interim financial statements, this assessment process is still on-going. Thus, the impact of adoption cannot be determined and estimated reliably now until the process is complete.

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 for annual periods beginning on or after</u>
Amendments to MFRS 2	Share-Based Payment	1 January 2020
Amendments to MFRS 3	Business Combinations	1 January 2020
Amendment to MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendment to MFRS 14	Regulatory Deferral Accounts	1 January 2020
Amendment to MFRS 101	Presentation of Financial Reporting	1 January 2020
Amendment to MFRS 108	Accounting Policies, Change in Accounting Estimates and Errors	1 January 2020
Amendment to MFRS 134	Interim Financial Reporting	1 January 2020
Amendment to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138	Intangible Assets	1 January 2020

Amendment to IC Interpretation 12	Services Concession Arrangements	1 January 2020
Amendment to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendment to IC Interpretation 20	Stripping cost in the Production Phase of a Surface Mine	1 January 2020
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendment to IC Interpretation 132	Intangible Assets – Web Site Costs	1 January 2020
Amendment to MFRS 9, 139 and 7	Interest Rate Benchmark Reform	1 January 2020
MFRS 17	Insurance Contracts #	1 January 2021
Amendments to MFRS 10 and 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Not applicable to the Group's existing activities

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 current quarter and year to date ended 31 August 2020.

A4 CHANGES IN ESTIMATES

There were no changes in estimates that have had any material effect on current quarter and year to date ended 31 August 2020.

A5 DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during current quarter and year to date ended 31 August 2020 other than as disclosed below:

- 1) 200,000,000 ordinary shares were issued under Share Issuance Scheme during 1st quarter.
- 2) 368,484,500 ordinary shares were issued under Share Issuance Scheme during 2nd quarter
- 3) 390,038,800 ordinary shares were issued under Private Placement during 2nd quarter
- 4) 186,961,000 ordinary shares were issued under Share Issuance Scheme during current quarter.
- 5) 459,891,000 ordinary shares were issued under Private Placement during current quarter.

A6 DIVIDENDS PAID

No dividends were paid during current quarter and year to date ended 31 August 2020.

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.

GEM : Involved in provision of reservation and planning services and its related solutions.

	Electronic payment services RM'000	Non- electronic payment services RM'000	GEM RM'000	Elimination RM'000	Total RM'000
2020					
Revenue					
External revenue	278	11,008	193	-	11,479
Inter-company	264	-	4	(268)	-
	542	11,008	197	(268)	11,479
Results					
Segment operating profit/(loss)	(579)	2,558	(3,070)	-	(1,091)
Other operating income					1,617
Other operating expenses					(2,650)
Finance costs					(90)
Loss before taxation					(2,214)
Tax expenses					(3)
Loss after taxation					(2,217)
Non-controlling interests					189
Loss attributable to owners of the Company					(2,028)

A7 SEGMENTAL INFORMATION (CONTINUED)

	Electronic payment services RM'000	Non- electronic payment services RM'000	GEM RM'000	Elimination RM'000	Total RM'000
Segments assets	36,807	32,121	23,478	-	92,406
Other investments and market securities					7,326
Total assets					99,732
Segments liabilities	79	2,542	220	-	2,841
Term loan					1,997
Total liabilities					4,838

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 current quarter and year to date ended 31 August 2020 other than as disclosed below:

- 1) On 28 February 2020, Gem Live Sdn Bhd, a wholly-owned subsidiary company had incorporated a new subsidiary company namely Gem Excite Sdn Bhd.
- 2) On 17 March 2020, the Company has incorporated a new subsidiary company namely E-Fx Sdn Bhd.

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) On 18 December 2019, 50,000,000 share options were offered to eligible employee at an exercise price of option of RM0.02 each.
- 2) On 9 January 2020, the Company proposed to undertake private placement of up to 10% of total number of issued shares of the Company to independent third party investors, as disclosed in note B8(D).
- 3) On 13 January 2020, 50,000,000 share options were offered to eligible employee at an exercise price of option of RM0.02 each.

- 4) On 5 February 2020, 50,000,000 share options were offered to eligible employee at an exercise price of option of RM0.02 each.
- 5) On 21 February 2020, 50,000,000 share options were offered to eligible employee at an exercise price of option of RM0.02 each.
- 6) On 2 March 2020, 60,000,000 share options were offered to eligible employee at an exercise price of option of RM0.0175 each.
- 7) On 6 April 2020, Gem Live Sdn Bhd (“GEM”), an indirect wholly-owned subsidiary had entered into a Memorandum of Understanding with Lambomove Sdn Bhd (formerly known as Oriented Media Services Sdn Bhd) (“Lambomove”) for the appointment of Lambomove as GEM’s food delivery service provider to its customers.
- 8) On 21 April 2020, 221,900,000 share options were offered to eligible employee at an exercise price of option of RM0.01 each.
- 9) On 29 April 2020, E-Fx Sdn Bhd, a wholly-owned subsidiary company, had entered into a collaboration agreement with Finexia Securities Ltd to introduce, promote and operate the Point-to-Point currency exchange digital platform with an inbuilt e-wallet function in Australia.
- 10) On 30 April 2020, 66,603,500 share options were offered to eligible employee at an exercise price of option of RM0.01 each.
- 11) On 14 May 2020, 19,981,000 share options were offered to eligible employee at an exercise price of option of RM0.0125 each.
- 12) On 29 May 2020, the Company proposed to undertake the private placement of up to 10% of the total number of issued shares of the Company (excluding treasury shares) to third party investors, as disclosed in note B7.
- 13) On 16 June 2020, 143,961,000 share options were offered to eligible employee at an exercise price of option of RM0.01 each.
- 14) On 25 June 2020, 43,000,000 share options were offered to eligible employee at an exercise price of option of RM0.0125 each.
- 15) On 15 July 2020, the Company proposed consolidation of every 50 ordinary shares in NetX into 1 NetX Share; and proposed renounceable rights issue of up to 629,491,596 new Shares (“Rights Shares”) together with up to 314,745,798 free detachable warrants in NetX (“Warrants C”) on the basis of 6 Rights Shares together with 3 free Warrants C for every 1 existing Share (after the Proposed Share Consolidation) held by the entitled shareholders.
- 16) On 14 August 2020, the Company revised its previous proposal to proposed consolidation of every 25 ordinary shares in NetX into 1 NetX Share; and proposed renounceable rights issue of up to 629,491,596 new Shares (“Rights Shares”) together with up to 314,745,798 free detachable warrants in NetX (“Warrants C”) on the basis of 6 Rights Shares together with 3 free Warrants C for every 2 existing Share (after the Proposed Share Consolidation) held by the entitled shareholders, as disclosed in note B7

A12 MATERIAL EVENTS SUBSEQUENT TO THE INTERIM REPORTING PERIOD

- 1) On 9 October 2020, Gem Pay Sdn Bhd, a subsidiary company had entered into a Collaboration Agreement with DGB Networks Sdn Bhd, a wholly owned subsidiary of DGB Asia Berhad, for the supply of up to 1,000 units of contactless payment terminals to aid cashless and e-wallet payment solutions via DGB Networks Sdn Bhd's next-generation artificial intelligences (AI) vending machines.
- 2) On 9 October 2020, Gem Pay Sdn Bhd, a subsidiary company had entered into a Memorandum of Understanding with XOX Media Sdn Bhd, a wholly owned subsidiary of XOX Bhd, for the purpose to discuss, explore and enter into negotiations in respect of a business arrangement to provide and rent to XOX Media Sdn Bhd of up to 1,000 units of contactless payment terminals an/or cashless e-wallet payment solutions to be incorporated into smart vending machines.
- 3) On 13 October 2020, Gem Pay Sdn Bhd, a subsidiary company signed a Letter of Intent with Mr Foo Jee Hai ("vendor") for the proposed acquisition of 1,800,000 ordinary shares in Emicro Capital (M) Sdn Bhd, representing 60% of the total issued and paid up share capital of Emicro Capital (M) Sdn Bhd for a sum to be determined later based on the due diligence exercise to be undertaken by the Company.

A13 CAPITAL COMMITMENTS

The amount of commitments not provided for as at 31 August 2020 is as follows:

Approved and contracted for:	USD'000	RM'000
Registered share capital of FFUTL to be paid up by year 2048	8,889	-

A14 RELATED PARTY TRANSACTIONS

There were no significant transactions with related parties during current quarter and year to date ended 31 August 2020.

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1 PERFORMANCE REVIEW

Group Results	Individual Quarter				Cumulative Quarter			
	Ended 31.8.2020 RM'000	Ended 31.8.2019 RM'000	Changes		Ended 31.8.2020 RM'000	Ended 31.8.2019 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	4,666	N/A	-	-	11,479	N/A	-	-
Gross Profit	2,012	N/A	-	-	6,748	N/A	-	-
Loss Before Interest and Tax	(1,293)	N/A	-	-	(2,124)	N/A	-	-
Loss Before Tax	(1,323)	N/A	-	-	(2,214)	N/A	-	-
Loss After Tax	(1,324)	N/A	-	-	(2,217)	N/A	-	-
Loss Attributable to Ordinary Equity Holders of the Company	(1,303)	N/A	-	-	(2,028)	N/A	-	-

For the current quarter ended 31 August 2020, the Group recorded revenue of RM4.67 million. The revenue mainly derived from project sales of network equipment and infrastructure in Non-Payment Services Segment and rental of EFTPOS terminal to merchants.

The Group recorded a loss before taxation for the current quarter of RM1.32 million, mainly due to unrealized forex loss of RM3.5 million and share-based compensation expenses of RM0.39 million for share option granted to employees, cushioned by gain on fair value adjustment on investment in MLAB System Berhad of RM2.7 million.

For the 9 months ended 31 August 2020, the Group recorded revenue of RM11.48 million, which mainly derived from project sales of network equipment and infrastructure in Non-Payment Services Segment and rental of EFTPOS terminal to merchants.

The Group recorded a loss before taxation of RM2.21 million for 9 months ended 31 August 2020, mainly due to resources invested for expansion and promotion of the business and share-based compensation expenses of RM1.68 million for share option granted to employees, cushioned by unrealized forex gain of RM0.33 million.

B1 PERFORMANCE REVIEW (CONTINUED)

Electronic Payment Services Segment

	Individual Quarter				Cumulative Quarter			
	Ended 31.8.2020 RM'000	Ended 31.8.2019 RM'000	Changes		Ended 31.8.2020 RM'000	Ended 31.8.2019 RM'000	Changes	
Electronic Payment Segment			RM'000	%			RM'000	%
Revenue	68	N/A	-	-	278	N/A	-	-
Gross Profit	7	N/A	-	-	101	N/A	-	-
Loss Before Interest and Tax	(185)	N/A	-	-	(588)	N/A	-	-
Loss Before Tax	(185)	N/A	-	-	(588)	N/A	-	-
Loss After Tax	(185)	N/A	-	-	(588)	N/A	-	-

For the current quarter and year to-date ended 31 August 2020, Electronic payment services segment reported revenue of RM0.07 million and RM0.28 million respectively. The revenue mainly derived from rental of EFTPOS terminal to merchants.

The loss before tax of RM0.18 million in current quarter and RM0.59 million in year to-date ended 31 August 2020, mainly due to minimum resources required to service the merchants and the general administrative expenses.

Non-electronic Payment Services Segment

	Individual Quarter				Cumulative Quarter			
	Ended 31.8.2020 RM'000	Ended 31.8.2019 RM'000	Changes		Ended 31.8.2020 RM'000	Ended 31.8.2019 RM'000	Changes	
Non -Electronic Payment Segment			RM'000	%			RM'000	%
Revenue	4,500	N/A	-	-	11,008	N/A	-	-
Gross Profit	2,000	N/A	-	-	6,628	N/A	-	-
Profit Before Interest and Tax	(2,121)	N/A	-	-	4,160	N/A	-	-
Profit Before Tax	(2,151)	N/A	-	-	4,070	N/A	-	-
Profit After Tax	(2,152)	N/A	-	-	4,067	N/A	-	-

This segment achieved revenue of RM4.5 million in current quarter and RM11.01 million in year to-date ended 31 August 2020, mainly derived from project sales of network equipment and infrastructure. Currently this segment only supplies network equipment and infrastructure on a confirmed project basis.

This segment achieved a loss before tax of RM2.15 million in current quarter, mainly due to unrealized forex loss of RM3.5 million. The profit before tax of RM4.07 million for year to-date ended 31 August 2020, mainly due to gross profit from the project sales and unrealized forex gain of RM0.33 million.

B1 PERFORMANCE REVIEW (CONTINUED)

GEM Segment

	Individual Quarter				Cumulative Quarter			
	Ended 31.8.2020 RM'000	Ended 31.8.2019 RM'000	Changes RM'000 %		Ended 31.8.2020 RM'000	Ended 31.8.2019 RM'000	Changes RM'000 %	
GEM								
Revenue	98	N/A	-	-	193	N/A	-	-
Gross Profit	5	N/A	-	-	19	N/A	-	-
Loss Before Interest and Tax	(1,288)	N/A	-	-	(3,986)	N/A	-	-
Loss Before Tax	(1,288)	N/A	-	-	(3,986)	N/A	-	-
Loss After Tax	(1,288)	N/A	-	-	(3,986)	N/A	-	-

This segment recorded a loss before tax of RM1.29 million in current quarter and RM3.99 million in year to-date ended 31 August 2020 mainly due to resources invested for expansion and promotion of the business.

B2 COMMENT ON MATERIAL CHANGE IN PERFORMANCE COMPARED WITH PRECEDING QUARTER

	Current Quarter	Preceding Quarter	Changes	
	Ended 31.8.2020 RM'000	Ended 31.05.2020 RM'000	RM'000	%
Group Results				
Revenue	4,666	3,151	1,515	48
Gross Profit	2,012	2,626	(614)	(23)
Profit Before Interest and Tax	(1,293)	4,054	(5,347)	(132)
Profit Before Tax	(1,323)	4,024	(5,347)	(133)
Profit After Tax	(1,324)	4,024	(5,348)	(133)
Profit Attributable to Ordinary Equity Holders of the Company	(1,303)	3,681	(4,984)	(135)

The Group recorded revenue of RM4.67 million in current quarter, higher than RM3.15 million in previous quarter. Both current and previous quarter revenue are mainly derived from project sales of network equipment and infrastructure in Non-payment segment.

The Group recorded loss before tax of RM1.32 million in current quarter. As compared to profit before tax of RM4.02 million in previous quarter, the losses were mainly due to unrealized forex loss of RM3.5 million as compared to unrealized forex gain of RM4.07 million in previous quarter, cushioned by gain on fair value adjustment on investment in MLAB System Berhad of RM2.7 million as compared to RM1.19 million in previous quarter.

B3 FUTURE PROSPECTS

The Group has upgraded the GEM application and relaunching it with a new name – GEM Spot in December 2019, which is in-line with the company’s new vision of putting a spotlight on all F&B merchants in Klang Valley through its new comprehensive F&B directory listing that allows users to search, get essential information, make plans and place their bookings conveniently all at once.

At the same time, GemSpot Lite, the merchant web application created to support the backend of F&B businesses has launched alongside GemSpot, focusing on the three main pillars of any F&B business which are sales, operations and marketing. The GemSpot Lite platform is set as a replacement for a merchant’s business backend and will assist in reservation management, floor planning and even sales tracking, all within an easy-to-use and dynamic user interface.

In light of the ongoing COVID-19 pandemic which has resulted in a nationwide Movement Control Order (MCO) enforced by the Malaysian Government since 18th March 2020, GemSpot has pivoted its business model to now cater to on-demand food delivery with users being able to order food and beverages in-app as restaurants are currently unable to serve patrons in their outlets and are compelled to resort to takeaway and delivery options for retail survival.

At this juncture, the Group plans to maintain the on-demand food delivery feature as a permanent component of the GEM Universe ecosystem. GemSpot will also offer digital marketing support through its unique Key Opinion Leader (KOL) marketing program which will be built into the existing GemSpot app platform and is meant to function as a marketing awareness tool for businesses. The development for these enhancements have commenced in April 2020 and is expected to be fully completed by stages in third quarter of 2021. Alongside with the enhancement, the Group intends to intensify its marketing efforts via various marketing and promotional activities aimed at consumers, KOL, F&B merchants and event organisers. These marketing initiatives are expected to create brand awareness and to generate a larger traffic and user base.

The Group also recognizes that while e-wallets as a financial payment product have a legitimate place in our financial system, there is a further need and opportunity to build an ecosystem for both merchants and e-wallet companies to work together and leverage off each other’s industrial capabilities. The focus moving forward would be to build up the entire user experience with GEM’s platform ecosystem that is meant to grow both user base and increase the touchpoints for merchants who are looking to elevate their businesses. This will ultimately improve the overall internal structure of financial management and benefit all parties.

Whilst we remain cautious over the outlook of the economy, the Group will continue to explore new business opportunities to invest. The Group will continue to reinvent and improve the business and will take affirmative steps to expand the Group’s scope. Despite the uncertain market condition, the Group is optimistic to deliver a reasonable performance for the financial year ending 30 November 2020.

B4 PROFIT FORECAST OR PROFIT GUARANTEE

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

B5 PROFIT / (LOSS) BEFORE TAX

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year Totodate Ended	Preceding Year Totodate Ended
	31.8.2020 RM'000	31.8.2019 RM'000	31.8.2020 RM'000	31.8.2019 RM'000
Profit/(Loss) before tax is stated after charging/(crediting) :-				
Depreciation of PPE	344	N/A	1,013	N/A
Amortisation of intangible assets	309	N/A	924	N/A
Property, plant and equipment written off	-	N/A	1	N/A
Interest expense	30	N/A	90	N/A
Foreign exchange (gain) / loss	3,548	N/A	(328)	N/A
Interest income	(1,175)	N/A	(1,181)	N/A
Rental income	(29)	N/A	(76)	N/A
FV (Gain)/Loss on Investment	(2,694)	N/A	33	N/A
Share-based Compensation expenses	394	N/A	1,677	N/A

B6 TAXATION

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year Totodate Ended	Preceding Year Totodate Ended
	31.8.2020 RM'000	31.8.2019 RM'000	31.8.2020 RM'000	31.8.2019 RM'000
Current period				
- Income taxation	1	N/A	3	N/A
- Deferred taxation	-	N/A	-	N/A
Total	1	N/A	3	N/A

The Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated taxable profit for the financial year.

The effective tax rate of the Group for the financial year were higher than the statutory tax rate mainly due to certain expenses not tax allowable.

B7 STATUS OF CORPORATE PROPOSALS

SHARE CONSOLIDATION AND RIGHTS ISSUE WITH WARRANTS

On 14 August 2020, the Company revised its proposal to undertake the followings:

- (i) Proposed consolidation of every 25 ordinary shares in NetX (“**NetX Shares**” or “**Shares**”) into 1 NetX Share (“**Share Consolidation**”); and
- (ii) Proposed renounceable rights issue of up to 629,491,596 new Shares (“**Rights Shares**”) together with up to 314,745,798 free detachable warrants in NetX (“**Warrants C**”) on the basis of 6 Rights Shares together with 3 free Warrants C for every 2 existing Share (after the Proposed Share Consolidation) held by the entitled shareholders on an entitlement date to be determined (“**Rights Issue with Warrants**”)

(Collectively, referred to as the “Proposals”)

The proposals has approved by Bursa Securities on 17 August 2020 and approved by shareholders during Extraordinary General Meeting on 9 September 2020. The Share Consolidation has been completed following the listing and quotation of 209,830,512 Consolidated Shares on the ACE Market of Bursa Securities on 25 September 2020.

The Company had received valid acceptances and excess application for a total of 626,136,825 Right Shares, representing 99.47% subscription of the total number of Right Shares available for subscription under the Right Issue with Warrants. Successful applicants of the Right Shares will be given Warrants C on the basis of 1 Warrant C for every 2 Right Shares successfully subscribed for. The Right Shares and Warrant C are expected to be listed on the ACE Market of Bursa Securities on 3 November 2020.

B8 STATUS OF UTILISATION OF PROCEEDS

A) STATUS OF UTILISATION OF PROCEEDS RAISED FROM SHARE ISSUANCE 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”)

The Shares Issuance was completed on 19 January 2018. The 500 million Subscription Shares under the Share Issuance have fully subscribed by Macquarie Bank raising RM21,103,000 for the Company.

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance (RM'000)	Intended Timeframe for Utilisation
Development and marketing of MPEX System	20,000	9,044	10,956	Within 36 months
Working Capital	323	323	-	Within 24 months
Expenses for the Share Issuance	780	780	-	Immediate
	<u>21,103</u>	<u>10,147</u>	<u>10,956</u>	

B8 STATUS OF UTILISATION OF PROCEEDS (cont'd)

B) PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES TO THIRD PARTY INVESTOR(S)

On 15 March 2018, The Company propose to undertake the private placement of new ordinary shares of up to 10% of the total number of issued shares of the Company to third party investor(s). The private placement was completed on 20 April 2018 following the listing and quotation of 243,998,000 placement shares at RM0.0271 per placement shares on the Ace Market of Bursa Securities, raising RM6,612,346 for the Company.

Purpose	Propose Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance (RM'000)	Intended for Timeframe Utilisation
Payallz's funding requirement for Onliner Project	6,504	6,504	-	Within 36 months
Expenses for the Private Placement	108	108	-	Immediate
	<u>6,612</u>	<u>6,612</u>	<u>-</u>	

C) PRIVATE PLACEMENT OF UP TO 30% OF THE TOTAL NUMBER OF ISSUED SHARES TO THIRD PARTY INVESTOR(S)

On 16 January 2019, the Company proposed to undertake the private placement of up to 30% of the total number of issued shares of the Company to third party investor(s). The Private Placement was completed on 21 November 2019, following the listing and quotation of 840,089,500 placement shares on the Ace Market of Bursa Securities, raising RM12,814,411 for the Company.

Purpose	Propose Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance (RM'000)	Intended for Timeframe Utilisation
Development of the GEM application	6,000	6,000	-	Within 24 months
Marketing costs for the GEM application	6,514	6,147	367	Within 24 months
Expenses for the Private Placemer	300	300	-	Immediate
	<u>12,814</u>	<u>12,447</u>	<u>367</u>	

** The Gem application has been rebranded to GemSpot and GemSpot Lite in December 2019. The balance of proceeds available will be channelled towards the marketing of the rebranded application.

B8 STATUS OF UTILISATION OF PROCEEDS (cont'd)**D) PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES TO THIRD PARTY INVESTOR(S)**

On 9 January 2020, the Company proposed to undertake private placement of up to 10% of total number of issued shares of the Company to independent third party investors. The Private Placement was completed on 21 April 2020 following the listing and quotation of 390,038,800 placement shares on the Ace Market of Bursa Securities, raising RM4,668,357 for the Company.

Purpose	Purpose Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance (RM'000)	Intended for Timeframe Utilisation
Rebranding and upgrading of the GEM application	4,573	1,231	3,342	Within 12 months
Expenses for the Private Placemer	95	95	-	Immediate
	<u>4,668</u>	<u>1,326</u>	<u>3,342</u>	

E) PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES TO THIRD PARTY INVESTOR(S)

On 29 May 2020, the Company proposed to undertake the private placement of up to 10% of the total number of issued shares of the Company (excluding treasury shares) to third party investors. The Private Placement was completed on 16 June 2020 following the listing and quotation of 459,891,000 placement shares on the Ace Market of Bursa Securities, raising RM4,690,888 for the Company

Purpose	Purpose Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance (RM'000)	Intended for Timeframe Utilisation
Enhancement of GemSpot and GemSpot Lite	4,581	151	4,430	Within 12 months
Expenses for the Private Placemer	110	110	-	Immediate
	<u>4,691</u>	<u>261</u>	<u>4,430</u>	

B9 GROUP BORROWINGS AND DEBT SECURITIES

	As at 31.8.2020 Unaudited RM'000	As at 30.11.2019 Audited RM'000
Short term borrowing		
Term loan - Secured	<u>283</u>	<u>329</u>
Long term borrowing		
Term loan - Secured	<u>1,714</u>	<u>1,779</u>

The term loans is denominated in Ringgit Malaysia and the interest rate of the term loan at the reporting date is 3.69% per annum.

B10 DIVIDEND PAYABLE

No dividend was declared or paid in current quarter and year to date ended 31 August 2020.

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 31.8.2020	Preceding Year Corresponding Quarter Ended 31.5.2019	Current Year Todate Ended 31.8.2020	Preceding Year Todate Ended 31.5.2019
Net profit/(loss) attributable to owners of the parent (RM)	<u>(1,303,000)</u>	N/A	<u>(2,028,000)</u>	N/A
Weighted average number of ordinary shares	<u>4,624,933,444</u>	N/A	<u>4,340,358,900</u>	N/A
Basic profit/(loss) per share (sen)	<u>(0.03)</u>	N/A	<u>(0.05)</u>	N/A

B12 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 30 November 2019 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.