

# ORION IXL BERHAD

(Company No: 554979-T)

(Incorporated in Malaysia)

## Quarterly report on consolidated results for the 4th quarter ended 31.12.2017

### A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

#### A1 Basis of preparation

The interim financial report has been prepared in compliance with MFRS 134, Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016.

#### A2 Significant accounting policies

The accounting policies and methods of computation adopted by the Group in the preparation of this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2016, except as follows:

##### Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107	Disclosures Initiatives
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 12	Annual Improvements to MFRSs 2014 - 2016 Cycle

The adoption of the above does not have a material impact on the financial statements of the Group in the period of initial application

At the date of authorisation of this unaudited interim financial statements, the following MFRSs and IC interpretation have been issued by the MASB but are not yet effective and have not been adopted by the Group:

##### Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15	Clarification to MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 128	Annual Improvements to MFRSs 2014 - 2016 Cycle
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

##### Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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##### MFRSs, Interpretations and amendments effective for a date yet to be confirmed

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application, except as described below:

#### MFRS 9 Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

MFRS 9 Financial Instruments also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 Financial Instruments aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment are still being assessed, but the requirements for hedge accounting is not relevant to the Group and the Company.

#### MFRS 15 Revenue from Contracts with Customers

MFRS 15 introduces a new model for revenue recognition arising from contracts with customers. MFRS 15 will replace and supersede MFRS 111 Construction contracts, MFRS 118 Revenue, IC 13 Customer Loyalty Programmes, IC 15 Agreements for the Construction of Real Estate, IC 18 Transfers of Assets from Customers and IC 31 Revenue - Barter Transactions Involving Advertising Services. The application of MFRS 15 may result in difference in timing of revenue recognition as compared with current accounting policies.

The Group and the Company is currently assessing the impact to the financial statements upon adopting MFRS 15, and will adopt MFRS 15 on the mandatory effective date.

#### MFRS 16 Leases

Currently under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the former but not the latter. As a result, many users have resorted to adjust the lessees' financial statements for the effects of operating leases commitments to enable comparison with entities that borrow to buy assets.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position as recording certain leases as off- balance sheet leases will no longer be allowed except for some limited practical exemptions. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to increase substantially.

The Group and the Company is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

#### **A3 Auditors' report of preceding annual financial statements**

The auditors' report on the preceding year's annual audited financial statements was not subject to any qualification.

#### **A4 Seasonal or cyclical factors**

The Group's operations were not subject to any seasonal or cyclical changes.

**A5 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 since the last annual audited financial statements.

**A6 Material changes in estimates**

There were no changes in estimates of amounts reported in prior financial years, which may have a material effect in the current financial quarter.

**A7 Debt and equity securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

**A8 Dividend paid**

There were no dividends paid during the current financial quarter

**A9 Segment information**

Segmental information is presented only in respect of the Group's geographical segments. There is no information on business segments as the Group is principally involved in software development.

GEOGRAPHICAL SEGMENTS	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	31/12/2017	QUARTER	31/12/2017	PERIOD
	RM('000)	31/12/2016	31/12/2016	RM('000)
		RM('000)		RM('000)
<b>REVENUE</b>				
Malaysia	3,741	484	8,216	2,398
United States of America	17	487	309	964
	<u>3,758</u>	<u>971</u>	<u>8,525</u>	<u>3,362</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>				
Malaysia	514	(563)	724	(1,838)
United States of America	11	(165)	71	(232)
	<u>525</u>	<u>(728)</u>	<u>795</u>	<u>(2,070)</u>

**A10 Valuation of property, plant and equipment**

The Group has not carried out any valuation on its property, plant and equipment.

**A11 Material events subsequent to the end of the quarter**

There were no material events subsequent to the current financial quarter ended 31 December 2017 up to the date of this report which, is likely to substantially affect the results of the operations of the Group.

**A12 Changes in the composition of the Group**

On 2 August 2017, the Company acquired 100% equity interest in Asap Sdn Bhd for a total cash consideration of RM73 million and hence Asap Sdn Bhd became a wholly-owned subsidiary of the Company.

**A13 Contingent liabilities**

There were no contingent liabilities as at the date of this announcement.

**A14 Capital commitments**

There were no capital commitments as at the date of this announcement.

**A15 Significant related party transactions**

There were no significant related party transactions as at the date of this announcement.

**A16 Cash and cash equivalents**

	31.12.2017 RM('000)	31.12.2016 RM('000)
Cash and bank balances	3,290	2,405
Fixed deposits with licensed banks	2,140	-
	<u>5,430</u>	<u>2,405</u>

**A17 Notes to the Statements of Comprehensive Income**

	INDIVIDUAL QUARTER 31 December 2017 RM('000)	CUMULATIVE QUARTER 31 December 2017 RM('000)
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
Amortisation of development costs	63	250
Audit fee	29	90
Bad debts written off	-	8
Depreciation of property, plant and equipment	12	45
Directors' remuneration - Fee	217	414
- Other remuneration	67	107
Gain on disposal of property, plant and equipment	(36)	(36)
Property, plant and equipment written off	-	32
Rental of office premises	23	108
Rental income	-	(63)
Interest income	(165)	(165)

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE ACE MARKET****B1 Analysis of performance**

The Board of Directors of the Company has approved the change of financial year end of the Company from 31 December 2017 to 30 June 2018. The next audited financial statements of the Company shall be for a period of eighteen (18) months from 1 January 2017 to 30 June 2018 and thereafter, the financial year end shall be 30 June for each subsequent year.

The Group recorded a turnover of approximately RM3.76 million, as compared to RM0.97 million for the current financial quarter. These represents an improvement of approximately 287% or RM2.79 million, as compared to the same corresponding financial quarter in 2016 ("Q4 2016). The improvement was mainly contributed by wholly-owned subsidiary, ASAP Sdn Bhd, which contributed approximately 88% of the total revenue generated by the Group and additional progress billing on existing customers. In line with the substantial improvement in turnover, the Group registered a profit before tax of RM0.53 million as compared to a loss before tax of RM0.73 million recorded in Q4 2016.

Cumulatively for the 12-month period ended 31 December 2017, the Group managed to turnaround from a loss before tax of RM2.07 million registered for cumulative 12-month period ended 31 December 2016 to a profit before tax of RM0.79 million in the same period in 2017.

**B2 Variation of results against preceding quarter**

	Current quarter 31 December 2017 RM'000	Preceding quarter 30 September 2017 RM'000
Revenue	3,758	3,969
Profit/(Loss) before tax	525	1,212

The Group recorded a turnover of approximately RM3.76 million for the current financial quarter and slight decrease of 5.4% as compared to the preceding financial quarter (Q3 2017). The Group posted lower profit before tax in the current quarter under review which decrease by 57% or RM0.687 million during the period. This is mainly due to higher cost of purchase and other direct cost incurred during the current quarter under review.

### B3 Prospects

The computerised maintenance management system ("CMMS") market in Malaysia is still growing. There is increased awareness among the users on the importance of business applications such as CMMS. CMMS is an effective means for increasing productivity via an effective maintenance management. Moving forward, the advancement in technology, sustained economic growth, rapidly growing digital population and increasing importance of technology in business operations and replacement of physical functions with virtual possibilities are the main driver of the industry.

In addition, Orion IXL Berhad accepted the purchase order from Greystone Capital Sdn Bhd on 22<sup>nd</sup> February 2018 for installation setup for Hadoop for Insight 4.0 Platform ("Job Awarded"). The tenure of the Job Awarded is approximately 6 months from 22 February 2018 to 31 July 2018. The estimated value of the Job Awarded is approximately RM3,816,000.00 (including with GST) for the abovementioned duration.

Barring any unforeseen circumstances, the Board of Directors of the Company is of the opinion that will remain favourable for the remaining financial period ending 30 June 2018.

### B4 Profit forecast and profit guarantee

The Group did not announce any profit forecast nor profit guarantee during the financial quarter.

### B5 Taxation

No provision for income tax has been made for the Company which incurred losses for the current quarter while its foreign subsidiary has sufficient unutilised tax losses brought forward from prior year to off set against current quarter's taxable income.

In addition, the newly acquired subsidiary, Asap Sdn Bhd is a Multimedia Super Corridor company and enjoys 100% tax exemption on their statutory business income.

### B6 Unquoted investments and properties

There were no acquisitions or disposals of unquoted investments and properties for the financial quarter under review.

### B7 Quoted securities

There were no acquisitions or disposals of quoted securities for the financial quarter under review.

### B8 Status of corporate proposals

#### 1) Private placement

On behalf of the Company, M & A Securities Sdn Bhd ("M & A Securities") had on 26 January 2016, 28 January 2016 and 5 February 2016, announced that the Company proposes to undertake a private placement of 12,100,100 new ordinary shares of RM0.10 each in the Company, representing approximately ten percent (10%) of the total issued and paid-up share capital of the Company to independent third party investor(s) to be identified ("Private Placement"). The Private Placement was approved by Bursa Securities on 11 March 2016 and was completed on 26 July 2016.

Further on 22 November 2016, the Company announced to revise the utilisation of proceeds from the Private Placement.

The status of the utilisation of proceeds from the Private Placement as at 31 December 2017 is as follows:

Descriptions	Revised Utilisation RM('000)	Actual Utilisation as at 31.12.2017 RM('000)	Balance Unutilised as at 31.12.2017 RM('000)
Product development	307	307	-
Working capital	2,703	2,703	-
Expenses for the private placement	196	196	-
	<u>3,206</u>	<u>3,206</u>	<u>-</u>

## **2) Multiple Proposals**

On 17 October 2016 and 31 March 2017, on behalf of the Company, M&A Securities announced that the Company entered into a share sale agreement with Mohamad Sharaff bin Haji Mohamad Shariff, Prabuddha Kumar Pronob Chakraverty and Lilibeth Gamboa Belinario for the acquisition of the entire equity interest in ASAP Sdn Bhd ("ASAP") for a total cash purchase consideration of RM73,000,000 ("Acquisition"). Suruhanjaya Syarikat Malaysia approved on 9th November 2017 under Section 41 on the conversion of ASAP Berhad to ASAP Sdn Bhd.

In conjunction with the Acquisition, the Company proposes to undertake the following corporate proposals:-

Rights issue of 465,854,970 new ordinary shares in the Company ("Orion Shares") ("Rights Shares") together with up to 232,927,485 free detachable warrants ("Warrants") at an issue price of RM0.17 per Rights Share on the basis of seven (7) Rights Shares for every two (2) existing Orion Shares held at 5.00p.m on 4 July 2017 together with one (1) free Warrant for every two (2) Rights Share subscribed.

(Collectively, the "Proposals")

ASAP is a company involved in the CMMS business with a proven track record. The Board views the Acquisition as an opportunity for the Group to improve its profitability and market share in the CMMS business. As both the Group and ASAP provide solutions of similar nature, the Acquisition will allow the Group and ASAP to explore the potential of harnessing each other's technology, expertise and client base. The Acquisition is expected to contribute positively to the future earnings of the Group and address the financial condition of the Group.

The Acquisition and the Rights Issue with Warrants was completed on 2 August 2017.

The status of the utilisation of proceeds from the above Proposals as at 31 December 2017 is as follows:

Descriptions	Proposed Utilisation RM('000)	Actual Utilisation as at 31.12.2017 RM('000)	Balance Unutilised as at 31.12.2017 RM('000)
Purchase consideration to be paid to vendors of Asap Berhad	73,000	73,000	-
Expenses in relation to the Proposals	2,700	2,700	-
Working capital	3,495	681	2,814
	<u>79,195</u>	<u>76,381</u>	<u>2,814</u>

### **B9 Group's borrowings and debt securities**

There were no borrowings and debt securities for the financial quarter under review.

### **B10 Off balance sheet financial instruments**

There were no financial instruments with off-balance sheet risk as at the date of this announcement applicable to the Group.

### **B11 Material litigations**

Asap Berhad had on 20 July 2017 informed the Company that they have been served with the writ of summons and statement of claims filed by Sporty Beans Sdn Bhd ("Plaintiff") against ASAP Sdn Bhd ("Summon"). Based on the legal opinion obtained by ASAP Sdn Bhd, the plaintiff's allegations are frivolous and unsubstantiated and as such Asap Sdn Bhd does not expect any potential liability arising from the Summon.

On 27.11.2017, the court has decided to dismiss ASAP's interlocutory application to strike out the Writ and Statement of Claim with cost in the cause.

The above Summon is still on-going as at the date of this announcement.

### **B12 Dividends**

No dividend has been declared in respect of the financial period under review.

**B13 Earnings/(Loss) per share**

## a. Basic earnings/(loss) per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM('000)	RM('000)	RM('000)	RM('000)
Profit/(Loss) attributable to ordinary equity holders of the parent	<u>519</u>	<u>148</u>	<u>760</u>	<u>(1,115)</u>
Weighted average number of ordinary shares in issue ('000)	<u>598,956</u>	<u>133,101</u>	<u>334,759</u>	<u>126,291</u>
Basic earnings/(loss) per share (sen)	<u>0.09</u>	<u>0.11</u>	<u>0.23</u>	<u>(0.88)</u>

## b. Diluted earnings/(loss) per share

The fully diluted earnings/(loss) per share have not been presented as there is anti dilutive effect for the shares of the Group.

**B14 REALISED AND UNREALISED PROFITS/(LOSSES) DISCLOSURE**

Supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities are as follow:

	AS AT END OF CURRENT YEAR QUARTER 31/12/2017 RM('000)	AS AT PRECEDING FINANCIAL YEAR END 31/12/2016 RM('000)
Total cumulated loss of the Company and its subsidiaries:		
Unrealised	-	-
Realised	(7,444)	(8,204)
Total cumulated loss	<u>(7,444)</u>	<u>(8,204)</u>

By Order of the Board

Wong Yuet Chyn (MAICSA 7047163)  
Secretary

Kuala Lumpur

Date: 26 February 2018