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環球電子產品有限公司


CONNECTCOUNTY HOLDINGS BERHAD (618933-D)

**INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED
31 MARCH 2014**

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CONNECTCOUNTRY HOLDINGS BERHAD
Company no. 618933-D
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE
FIRST QUARTER ENDED 31 MARCH 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER (UNAUDITED)		CUMULATIVE QUARTER (UNAUDITED)	
		CURRENT YEAR QUARTER 31 MAR 2014 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 MAR 2013 RM	CURRENT YEAR- TO-DATE 31 MAR 2014 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 MAR 2013 RM
Operating revenue	B1	12,545,675	13,395,777	12,545,675	13,395,777
Cost of sales		(8,683,847)	(10,457,502)	(8,683,847)	(10,457,502)
Gross profit		3,861,828	2,938,275	3,861,828	2,938,275
Other income		112,190	73,572	112,190	73,572
Administrative expense		(2,423,297)	(2,178,014)	(2,423,297)	(2,178,014)
Distribution and selling expenses		(828,198)	(683,434)	(828,198)	(683,434)
Other expenses		2	(243,029)	2	(243,029)
Depreciation and amortisation		(266,790)	(294,138)	(266,790)	(294,138)
Gain/(loss) on foreign exchange	B1				
- unrealised		(31,716)	-	(31,716)	-
- realised		(369,750)	28,245	(369,750)	28,245
Profit/(loss) from operations		54,269	(358,523)	54,269	(358,523)
Interest income		56	162	56	162
Finance costs		(29,686)	(45,938)	(29,686)	(45,938)
Profit/(loss) before tax	B1	24,639	(404,299)	24,639	(404,299)
Taxation	B5	(2,475)	(82,457)	(2,475)	(82,457)
Profit/(loss) for the year		22,164	(486,756)	22,164	(486,756)
Other comprehensive income/(expense):					
Foreign exchange reserve		(212,070)	(2,838)	(212,070)	(2,838)
Total comprehensive loss for the year		(189,906)	(489,594)	(189,906)	(489,594)
Profit/(loss) attributable to:					
Owners of the Company		153,783	(486,756)	153,783	(486,756)
Non-controlling interest		(131,619)	-	(131,619)	-
		<u>22,164</u>	<u>(486,756)</u>	<u>22,164</u>	<u>(486,756)</u>
Total comprehensive income/expense attributable to:					
Owners of the Company		(58,287)	(489,594)	(58,287)	(489,594)
Non-controlling interest		(131,619)	-	(131,619)	-
		<u>(189,906)</u>	<u>(489,594)</u>	<u>(189,906)</u>	<u>(489,594)</u>
Loss per share (sen)					
- Basic	B14 (a)	<u>0.09</u>	<u>(0.31)</u>	<u>0.09</u>	<u>(0.31)</u>
- Diluted	B14 (b)	<u>0.07</u>	<u>N/A</u>	<u>0.07</u>	<u>N/A</u>

(The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial statements.)

CONNECTCOUNTY HOLDINGS BERHAD
Company no. 618933-D
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE
FIRST QUARTER ENDED 31 MARCH 2014**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31 MARCH 2014 (UNAUDITED) RM	AS AT 31 DECEMBER 2013 (AUDITED) RM
Note		
ASSETS		
Non-current assets		
Plant and equipment	2,750,179	2,593,936
Goodwill	949,000	-
Investment in associate	-	-
Deferred tax assets	444,400	444,402
	<u>4,143,579</u>	<u>3,038,338</u>
Current assets		
Inventories	5,210,170	5,370,012
Trade receivables	11,585,847	10,329,566
Other receivables	1,965,794	2,583,500
Cash and bank balances	1,836,986	3,095,258
	<u>20,598,797</u>	<u>21,378,336</u>
TOTAL ASSETS	<u>24,742,376</u>	<u>24,416,674</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	17,179,292	17,179,290
Share premium	665,621	665,621
Foreign exchange reserve	(200,181)	(19,867)
Accumulated losses	(4,211,950)	(4,383,582)
	<u>13,432,782</u>	<u>13,441,462</u>
Non-controlling interests	(82,619)	-
Total equity	<u>13,350,163</u>	<u>13,441,462</u>
Non-current liabilities		
Borrowings	109,286	122,598
Other payables	-	47,307
Deferred tax liabilities	39,799	39,799
	<u>149,085</u>	<u>209,704</u>
Current liabilities		
Borrowings	109,754	51,728
Trade payables	8,517,387	8,329,829
Other payables	2,615,987	2,383,951
	<u>11,243,128</u>	<u>10,765,508</u>
Total liabilities	<u>11,392,213</u>	<u>10,975,212</u>
TOTAL EQUITY AND LIABILITIES	<u>24,742,376</u>	<u>24,416,674</u>
Net Assets Per Share (RM)	<u>0.08</u>	<u>0.08</u>

(The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial statements.)

CONNECTCOUNTY HOLDINGS BERHAD
Company no. 618933-D
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE
FIRST QUARTER ENDED 31 MARCH 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to Equity Holders of the Parent →					→
	Share Capital RM	Share Premium RM	Non-Distributable Foreign Exchange Reserve RM	Accumulated Losses RM	Non-controlling Interests RM	
At 1 January 2013	15,617,540	491,340	76,666	(3,282,760)	-	12,902,786
Total comprehensive expense for the period	-	-	(2,838)	(486,756)	-	(489,594)
Issuance of ordinary shares pursuant to: - Private placement	-	-	-	-	-	-
At 31 March 2013	<u>15,617,540</u>	<u>491,340</u>	<u>73,828</u>	<u>(3,769,516)</u>	<u>-</u>	<u>12,413,192</u>
At 1 January 2014	17,179,292	665,621	11,889	(4,365,733)	-	13,491,069
Acquisition of subsidiary	-	-	-	-	49,000	49,000
Total comprehensive expense for the period	-	-	(212,070)	153,783	(131,619)	(189,906)
Issuance of ordinary shares pursuant to: - Private placement	-	-	-	-	-	-
At 31 March 2014	<u>17,179,292</u>	<u>665,621</u>	<u>(200,181)</u>	<u>(4,211,950)</u>	<u>(82,619)</u>	<u>13,350,163</u>

(The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial statements.)

CONNECTCOUNTY HOLDINGS BERHAD
 Company no. 618933-D
 (Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE
 FIRST QUARTER ENDED 31 MARCH 2014**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(UNAUDITED) CURRENT YEAR-TO-DATE 31 MAR 2014 RM	(UNAUDITED) PRECEDING YEAR CORRESPONDING CUMULATIVE PERIOD 31 MAR 2013 RM
Cash flows from operating activities		
Profit/(loss) before tax	24,639	(404,299)
Adjustments for:		
Depreciation	266,790	294,138
Impairment loss on receivables	-	243,029
Interest expenses	2,353	12,865
Interest income	(56)	(162)
Loss on foreign exchange unrealised	31,716	-
Operating profit before working capital changes	325,442	145,571
Changes in working capital:		
Inventories	159,842	780,451
Receivables (trade)	(1,256,281)	61,434
Receivables (non-trade)	617,706	230,470
Payables (trade)	187,558	354,605
Payables (non-trade)	184,729	249,473
Cash generated from operations	218,996	1,822,004
Interest paid	(2,353)	(12,865)
Tax (paid)/refund	(2,475)	783
Net cash generated from operating activities	214,168	1,809,922
Cash flows from investing activities		
Interest received	56	162
Investment in subsidiary	(1,000,000)	-
Purchase of plant and equipment	(423,040)	(197,406)
Net cash used in investing activities	(1,422,984)	(197,244)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	-
Repayment of hire purchase	(4,789)	(7,744)
Repayment of other short term borrowings	(39,925)	(188,455)
Net cash used in financing activities	(44,714)	(196,199)
Net (decrease)/increase in cash and cash equivalents	(1,253,530)	1,416,479
Effects of exchange rate changes	(4,743)	(2,840)
Cash and cash equivalents at beginning of the financial year	3,095,258	2,260,805
Cash and cash equivalents at end of the financial year	1,836,986	3,674,444

(The unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial statements.)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2014

**A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS") 134
INTERIM FINANCIAL REPORTING**

A1 BASIS OF PREPARATION

The unaudited interim financial statements are unaudited and have been prepared in accordance with MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2013.

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

There were no audit qualification on the financial statements of the Company and its subsidiaries for the financial year ended 31 December 2013 other than an audit emphasis of matter by the independent auditor as follows:

Rapid Conn Interconnect (M) Sdn. Bhd.'s auditor's report contain the audit emphasis of matter relating to the appropriateness of going concern basis of accounting is dependent on financial support from its holding Company and its fellow subsidiaries.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of the Group is such that some of its products, particularly those relating to digital equipments are subject to seasonal variations. Demand for these products tends to increase in the second half of the year. However, it is pertinent to note that the demand of the Group's products are also dependent on the actual overall global economic environment; and the turnaround time of product delivery. Further explanation notes are disclosed in Note B1.

A4 ITEMS OF UNUSUAL NATURE AND AMOUNT

During the current quarter under review, save as disclosed below, there were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows that are unusual by reasons of their nature, size or incidence.

A5 CHANGES IN ESTIMATES

There were no estimates changes of amounts required in the prior interim periods of the current financial year or prior financial years that have a material effect in the current quarter under review.

A6 ISSUANCE, CANCELLATION, REPURCHASE, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no other issuance, cancellations, repurchases, resale and repayment of debt and equity security during the current quarter under review up to the date of this quarterly report.

A7 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation on any of the Group's property, plant and equipment during the current quarter under review. The valuation of property, plant and equipment have been brought forward, without amendment from the previous audited financial statements.

A8 DIVIDEND PAID

There was no dividend declared or paid during the current quarter under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2014

A9 SEGMENTAL INFORMATION

(i) Business segments

Business segment information is not presented as the Group is mainly engaged in one business segment which is the design, development, manufacture and sale of customised, value-added and industry-standard cables, connectors and related products and assembly sub-assembly of electronic components and contributions from other new venture businesses during the current quarter are not material at this stage. Thus, the segmental analysis as reviewed by management is based on the geographical segments as shown below:-

(ii) Geographical segments

	Malaysia RM	China RM	Singapore RM	USA RM	Total RM	Eliminations RM	Consolidated RM
31 March 2014							
REVENUE AND EXPENSES							
Revenue							
External sales	62,996	6,263,079	2,229,697	8,392,678	16,948,450	(4,402,775)	12,545,675
RESULTS							
Segment results	(648,505)	218,576	(578,425)	921,922	(86,432)	140,701	54,269
Finance cost, net	(779)	(16,848)	(6,409)	(5,594)	(29,630)	-	(29,630)
Profit/(loss) before tax	(649,284)	201,728	(584,834)	916,328	(116,062)	140,701	24,639
Taxation	-	-	-	(2,475)	(2,475)	-	(2,475)
Net profit/(loss) attributable to	(649,284)	201,728	(584,834)	913,853	(118,537)	140,701	22,164
ASSETS AND LIABILITIES							
Segment assets							
Consolidated total assets	10,549,942	10,431,098	2,153,112	8,768,109	31,902,261	(7,159,890)	24,742,371
Segment liabilities							
Consolidated total liabilities	6,530,809	10,010,828	229,029	5,449,548	22,220,214	(10,828,001)	11,392,213
OTHER INFORMATION							
Depreciation	997	178,343	75,392	12,058	266,790	-	266,790
Capital expenditure	173,640	50,487	103,950	94,963	423,040	-	423,040
31 March 2013							
REVENUE AND EXPENSES							
Revenue							
External sales	-	6,434,376	3,297,448	7,753,088	17,484,912	(4,089,135)	13,395,777
RESULTS							
Segment results	(187,741)	(294,003)	(231,977)	359,386	(354,335)	(4,188)	(358,523)
Finance cost, net	(75)	(22,114)	(17,589)	(5,998)	(45,776)	-	(45,776)
Profit/(loss) before tax	(187,816)	(316,117)	(249,566)	353,388	(400,111)	(4,188)	(404,299)
Taxation	783	(83,240)	-	-	(82,457)	-	(82,457)
Net profit/(loss) attributable to	(187,033)	(399,357)	(249,566)	353,388	(482,568)	(4,188)	(486,756)
ASSETS AND LIABILITIES							
Segment assets							
Consolidated total assets	5,533,212	8,808,072	3,964,032	8,114,502	26,419,818	(2,668,707)	23,751,111
Segment liabilities							
Consolidated total liabilities	5,694,594	8,534,022	221,411	6,733,444	21,183,471	(9,845,552)	11,337,919
OTHER INFORMATION							
Depreciation	2,137	228,249	55,509	8,243	294,138	-	294,138
Capital expenditure	-	27,972	145,998	23,436	197,406	-	197,406

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2014

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM REPORTING PERIOD

(A) Reference is made to the Company's announcement dated 5 August 2010 and 16 August 2010 in relation to the Proposals.

The Company had on 28 September 2011 issued 60,847,500 ordinary shares with free detachable warrants at an issues price of RM0.10 per share in conjunction with the renounceable rights issue of 60,847,500 right shares on the basis of the three (3) rights share together with the three (3) warrants for every four (4) CCHB shares held ("Proposals").

The exercise period for the warrant is ten (10) years from 19 September 2011 up to and including 18 September 2021. Each warrant entitles its registered holder the right to subscribe for one (1) new ordinary share of RM0.10 each in the Company at an exercise price of RM0.10 per share until the expiry of the exercise period.

Pursuant to the Proposals, an application was made to Securities Commission by Ang Chuang Juay and his person acting in concert ("PAC"), seeking an exemption under Paragraph 16.1, Practice Note (PN) 9 of the Malaysian Code in Takeovers and Mergers 2010 (Code) from the obligation to undertake a mandatory offer for the remaining voting shares in CCHB ("Proposed Exemption").

On 18 July 2011, the Securities Commission had approved the Proposed Exemption. The approval is conditional upon the Company disclosing in its annual and interim accounts and any public document, including annual reports, prospectuses and circulars, throughout the validity period and the conversion if subscription rights or options remain outstanding.

The following are the relevant disclosures made in compliance with the disclosure conditions imposed by the SC:-

Direct share holdings as at 11 April 2014

	No. of CCHB Shares	%	No. of Warrants	%
CSC	18,287,382	10.65	4,466,070	7.34
ACJ	11,665,752	6.79	-	-
Total	29,953,134	17.44	4,466,070	7.34

(ii) The validity period for the Exemption is from 18 July 2011 up to 18 September 2021.

(iii) The maximum potential voting shares or voting rights of the offeror and persons acting in concert in the offeree, if only the offeror and persons acting in concert (but not other holders) exercise the conversion or subscription rights or options in full is 34,419,204 CCHB Shares representing 19.53% of the issued and paid-up share capital of CCHB.

(iv) The PAC shall not undertake the acquisition of voting shares or voting rights or acquisition of the conversion or subscription rights or options of CCHB (excluding issuance of new CCHB shares following the exercise of the conversion or subscription rights or options, or where all CCHB subscription rights or options on a pro-rata basis) by the PAC throughout the validity period of the Exemption.

(v) The mandatory offer obligation by the PAC to acquire all the remaining CCHB Shares not already held by them upon completion of the Rights Issue or after the exercise of the Warrants will not arise as a result of granting of the Exemption.

The Proposals was completed on 3 October 2011 with the listing and quotation for 60,847,500 new CCHB shares ("Rights Shares") together with 60,847,500 free detachable warrants ("Warrants").

A11 CHANGES IN THE COMPOSITION OF THE GROUP

On 20 January 2014, the Company had entered into a Sales and Purchase Agreement to acquire 51% equity interest in MyGenBizz Bhd. ("MyGenBizz"), a non-listed public company incorporated in Malaysia, representing 51,000 ordinary shares of RM1.00 each for a cash consideration of RM1,000,000. The principal activities of MyGenBizz are mainly to carry on the business of selling and marketing of "MyBrandApp", a personal mobile application software, in Malaysia. This transaction was completed on 24 January 2014. As a result, MyGenBizz becomes a subsidiary of the Company.

On 9 January 2014, the Company acquired 2 ordinary shares of RM1 each representing the entire issued and paid up share capital of Borderless Fame Sdn. Bhd. ("BFSB"), for a cash consideration of RM2. As a result, BFSB become a wholly own subsidiary of the Company.

A12 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets since 31 December 2013 and up to the date of this report.

A13 CAPITAL COMMITMENTS

There were no capital commitments as at the current financial quarter under review.

A14 RELATED PARTY TRANSACTIONS

There were no related party transactions for the period under review.

B ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD FOR THE ACE MARKET

B1 REVIEW OF PERFORMANCE

For the current financial period ended 31 March 2014, the Group recorded revenue of RM12,545,675 and profit before taxation of RM24,639 as compared to its preceding year's corresponding period revenue of RM13,395,777 and loss before tax amount of RM404,299. The Group recorded a slight decrease in revenue of approximately 6% in the period ended 31 March 2014 as compared to the corresponding period ended 31 March 2013.

The Group recorded more favourable margin of 31% in the period ended 31 March 2014 as compared to 22% for the period ended 31 March 2013 due to our efforts in diversifying into higher margin products as well as our controls over input costs.

The Group recorded an unrealised forex loss of RM32k for period ended 31 March 2014, compared to unrealised forex loss of RM Nil in the previous period ended 31 March 2013. Notwithstanding the above, the Group recorded a realised forex loss of RM370k in the period ended 31 March 2014, as compared to realised forex loss of RM28k for the period ended 31 March 2013; which was mainly due to the USD versus RM.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2014

B2 COMPARISON WITH PRECEDING QUARTER'S RESULTS

For the current quarter ended 31 March 2014, the Group recorded a revenue of RM12,545,675 and a profit before tax of RM24,639 as compared to a revenue and loss before tax amount of RM12,996,914 and RM1,104,671 respectively for the preceding quarter ended 31 December 2013. The Group recorded a slight decrease in revenue of approximately 3% in the first quarter of 31 March 2014 as compared to the preceding quarter ended 31 December 2013.

The Group recorded more favourable margin of 31% in the period ended 31 March 2014 as compared to 28% in the preceding quarter ended 31 December 2013 due to our efforts in diversifying into higher margin products as well as our controls over input costs.

The Group recorded an unrealised forex loss of RM32k for period ended 31 March 2014, compared to unrealised gain of RM 8k in the preceding quarter ended 31 December 2013. Notwithstanding the above, the Group recorded a realised forex loss of RM370k in the period ended 31 March 2014, as compared to realised forex loss of RM621k for the preceding quarter ended 31 December 2013; which was mainly due to the USD versus RM.

B3 PROSPECTS FOR THE FINANCIAL YEAR 2014

Due to the surging operation costs in Shenzhen where our factory is located, the Board remains caution in controlling the operation costs of the Group and the management is proactively mitigating those risks and challenges.

On the other hand, it is generally expected that the demand for digital gadgets will continue its growth momentum in 2014. With the broad range of end-use markets and increasing electronics content, this offers many potential sources of demand for interconnects, thus an increase in demand for interconnects can be fairly expected.

Thus the Board believe that the Group is in a better footing given our geographical positioning and technological capabilities to meet our existing and potential customers' demand. The Board is optimistic that the financial performance for 2014 will continue to be positive riding on good momentum of interconnect solutions provider unit and contributions from other new business units ventured into in the beginning of 2014.

B4 PROFIT FORECAST AND PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee for the current financial quarter under review or in any other public document.

B5 TAXATION

	Individual Quarter		Cumulative Quarter	
	Quarter ended	Quarter ended	Quarter period ended	Quarter period ended
	31 MAR 2014	31 MAR 2013	31 MAR 2014	31 MAR 2013
	RM	RM	RM	RM
Current taxation:				
Domestic	-	-	-	-
Foreign tax	-	-	-	-
	-	-	-	-
Under provision in prior period				
Domestic	-	-	-	-
Foreign tax	(2,475)	(783)	(2,475)	(783)
	(2,475)	(783)	(2,475)	(783)
Deferred taxation	-	83,240	-	83,240
	(2,475)	82,457	(2,475)	82,457

B6 PRE-ACQUISITION PROFITS

The were no pre-acquisition profits for the current financial year-to-date.

B7 PROFIT ON SALE OR PURCHASE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no disposals of unquoted investments and/or properties by the Group for the current quarter and financial year-to-date under review.

B8 QUOTED SECURITIES

There were no acquisitions or disposals of quoted securities by the Group during the current financial quarter under review. There was no investment in quoted securities as at end of the reporting period.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2014

B9 STATUS OF CORPORATE PROPOSAL

(i) Status of corporate proposals announced but not completed as at 26 May 2014 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report).

The Company had on 24 March 2014 announced that the Company proposes to implement the following proposals:

(a) Proposed private placement of up to 34,358,500 new ordinary shares of RM0.10 each in Connect ("Placement Shares") to independent third party investors to be identified at a later date. The 34,358,500 Placement Shares represent approximately 20% of the issued and paid-up share capital of the Company;

(b) Proposed increase in authorised share capital of the Company from RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each to RM50,000,000 comprising ordinary shares of RM0.10 each; and

(c) Proposed amendment to the Memorandum of Association of the Company for the Proposed IASC.

Based on an indicative issue paid of RM0.18 per Placement Share (representing a premium of approximately 5.39% to the five (5) days WAMP of Connect Shares up to and including 21 March 2014 of RM0.1708), the Company is expected to raise gross proceeds amounting up to RM6,184,530 from the Proposed Private Placement.

The proceeds raised are expected to be utilised in the following manner:

	Proceed RM	Expected time frame for utilisation of Proceeds from the listing of the Placement Shares
Working capital for:		
- Increased Rapid Conn (Shen Zhen) Co., Ltd. ("RCC") paid up capital	3,960,000	Within 12 months
- MyGenBizz Berhad, a 15% subsidiary of the Company ("MyGenBizz")	1,026,000	Within 12 months
- Administrative expenses of other companies under Connect group of companies ("Connect Group")	698,530	Within 12 months
Estimates expenses in relation to the Proposals	500,000	Within 1 months
Total estimate proceeds	6,184,530	

On 9 May 2014, Bursa Securities had vide its letter dated 9 May 2014 approved the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities subject to the certain conditions.

The Proposals are subject to further approvals from the Shareholders of the Company for the Proposals at an extraordinary general meeting of the Company to be convened.

The management of Connect shall endeavour to complete the Proposals during the second quarter of 2014.

(ii) Self Regularisation Plan

(A) Reference is made to the Company's announcement dated 5 August 2010 and 16 August 2010 in relation to the Proposals.

The Company had on 28 September 2011 issued 60,847,500 ordinary shares with free detachable warrants at an issues price of RM0.10 per share in conjunction with the renounceable rights issue of 60,847,500 right shares on the basis of the three (3) rights share together with the three (3) warrants for every four (4) CCHB shares held ("Proposals").

The exercise period for the warrant is ten (10) years from 19 September 2011 up to and including 18 September 2021. Each warrant entitles its registered holder the right to subscribe for one (1) new ordinary share of RM0.10 each in the Company at an exercise price of Rm0.10 per share until the expiry of the exercise period.

Pursuant to the Proposals, an application was made to Securities Commission by Ang Chuang Juay and his person acting in concert ("PAC"), seeking an exemption under Paragraph 16.1, Practice Note (PN) 9 of the Malaysian Code in Takeovers and Mergers 2010 (Code) from the obligation to undertake a mandatory offer for the remaining voting shares in CCHB ("Proposed Exemption").

On 18 July 2011, the Securities Commission had approved the Proposed Exemption. The approval is conditional upon the Company disclosing in its annual and interim accounts and any public document, including annual reports, prospectuses and circulars, throughout the validity period and the conversion if subscription rights or options remain outstanding.

The following are the relevent disclosures made in compliance with the disclosure conditions imposed by the SC:-

(i) The details of the shareholdings of the PAC and their entitlement to the Rights Issue are as follows:

Direct share holdings as at 11 April 2014

	No. of CCHB Shares	%	No. of Warrants	%
CSC	18,287,382	10.65	4,466,070	7.34
ACJ	11,665,752	6.79	-	-
Total	29,953,134	17.44	4,466,070	7.34

(ii) The validity period for the Exemption is from 18 July 2011 up to 18 September 2021.

(iii) The maximum potential voting shares or voting rights of the offeror and persons acting in concert in the offeree, if only the offeror and persons acting in concert (but not other holders) exercise the conversion or subscription rights or options in full is 34,419,204 CCHB Shares representing 19.53% of the issued and paid-up share capital of CCHB.

(iv) The PAC shall not undertake the acquisition of voting shares or voting shares or rights or acquisition of the conversion or subscription rights or options of CCHB (excluding issuance of new CCHB shares following the exercise of the conversion or subscription rights or options, or where all CCHB subscription rights or options on a pro-rata basis) by the PAC throughout the validity period of the Exemption.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2014

(v) The mandatory offer obligation by the PAC to acquire all the remaining CCHB Shares not already held by them upon completion of the Rights Issue or after the exercise of the Warrants will not arise as a result of granting of the Exemption.

The Proposals was completed on 3 October 2011 with the listing and quotation for 60,847,500 new CCHB shares ("Rights Shares") together with 60,847,500 free detachable warrants ("Warrants").

STATUS OF UTILIZATION OF PROCEEDS RAISED FROM PRIVATE PLACEMENT

The Company had on 30 October 2013 completed the Private Placement following the listing and quotation of 15,617,500 new ordinary shares of RM0.10 each on the ACE Market of Bursa Malaysia Securities Berhad.

The RM1,874,100 proceeds raised from the Private Placement of 15,617,000 new ordinary shares of RM0.10 each in the Company ("Private Placement") at an issue price of RM0.12 each, which was completed on 30 October 2013, has been proposed to be utilized as follows:-

Description	Proposed Utilization RM'000	Actual Utilization As at 31 March 2014 RM'000	Variance RM'000	Balance RM'000	Estimated timeframe for utilization of proceeds
Working capital	1,812,100	1,736,031	(76,069)	-	Completed
Estimate expenses in relation to the Proposed Private Placement	62,000	138,069	76,069	-	Completed
	<u>1,874,100</u>	<u>1,874,100</u>	<u>-</u>	<u>-</u>	

B10 BORROWINGS

	Quarter ended 31 MAR 2014	Quarter ended 31 MAR 2013
Short term borrowings (RM)		
Secured	<u>109,754</u>	<u>299,147</u>
Long-term borrowings (RM)		
Secured	<u>109,286</u>	<u>163,928</u>
Total Borrowings (RM)	<u>219,040</u>	<u>463,075</u>

DENOMINATED IN FOREIGN CURRENCY

	Foreign Currency	RM Equivalent	Foreign Currency	RM Equivalent
Short term borrowings:				
Secured (in Singapore Dollars)	15,926	52,556	-	-
Secured (in US Dollars)	-	-	95,354	295,597
Secured (in Chinese RMB)	114,396	57,198	7,100	3,550
		<u>109,754</u>		<u>299,147</u>
Long term borrowings:				
Secured (in Singapore Dollars)	33,117	109,286	-	-
Secured (in US Dollars)	-	-	52,880	163,928
		<u>109,286</u>		<u>163,928</u>

B11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group does not have any off balance sheet financial instruments as at the date of this report.

B12 MATERIAL LITIGATIONS

There is no material litigation during the period under review and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B13 DIVIDENDS

The Directors did not propose any dividend for the period under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2014

B14 EARNINGS/(LOSS) PER SHARE

(a) Basic

	Individual Quarter		Cumulative Quarter	
	Quarter ended	Quarter ended	Quarter period ended	Quarter period ended
	31 MAR 2014	31 MAR 2013	31 MAR 2014	31 MAR 2013
	RM	RM	RM	RM
Net profit/(loss) attributable to shareholders	153,783	(486,756)	153,783	(486,756)
Weighted average number of shares - basic	171,792,900	156,175,400	171,792,900	156,175,400
Basic loss per share (sen)	0.09	(0.31)	0.09	(0.31)

(b) Diluted

	Individual Quarter		Cumulative Quarter	
	Quarter ended	Quarter ended	Quarter period ended	Quarter period ended
	31 MAR 2014	31 MAR 2013	31 MAR 2014	31 MAR 2013
	RM	RM	RM	RM
Net profit/(loss) attributable to shareholders	153,783	(486,756)	153,783	(486,756)
Weighted average number of shares - basic	171,792,900	156,175,400	171,792,900	156,175,400
Add:				
Assuming conversion of Warrants	60,846,600	60,846,600	60,846,600	60,846,600
Weighted average number of shares - diluted	232,639,500	217,022,000	232,639,500	217,022,000
Diluted earnings per share (sen)	0.07	N/A (*)	0.07	N/A (*)

Note:-

* The fully diluted earnings per share is not disclosed as the effects on the assumed exercised of the warrants is anti-dilutive.

B15 AUTHORISATION

The first quarter interim financial statements were authorised for issue by the Board of Directors in accordance with resolution of the directors dated 30 May 2014.

B16 DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The determination of realised and unrealised (loss)/gain is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits of Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

The breakdown of accumulated losses of the Group as at the reporting date, into realised and unrealised losses are as follows:

	As At 31 MAR 2014 RM	(Audited) As At 31 DEC 2013 RM
Total accumulated losses of the Group:		
- Realised	(4,180,234)	(4,740,401)
- Unrealised	(31,716)	356,819
	(4,211,950)	(4,383,582)
Less: Consolidated adjustments	-	-
Accumulated losses as per financial statements	(4,211,950)	(4,383,582)

By order of the Board

Ang Chuang Juay
 Group Executive Deputy Chairman
 30 May 2014