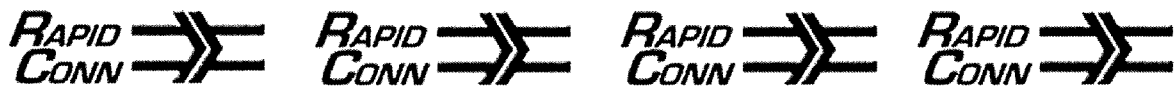




**INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED  
30 JUNE 2016**



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

**INTERIM FINANCIAL STATEMENTS FOR THE  
SECOND QUARTER ENDED 30 JUNE 2016**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		(UNAUDITED) CURRENT YEAR QUARTER 30 JUNE 2016 RM'000	(UNAUDITED) PRECEDING YEAR CORRESPONDING QUARTER 30 JUNE 2015 RM'000	(UNAUDITED) CURRENT YEAR- TO-DATE 30 JUNE 2016 RM'000	(UNAUDITED) PRECEDING YEAR CORRESPONDING PERIOD 30 JUNE 2015 RM'000
<b>Operating revenue</b>	B1	17,933	15,898	35,916	30,299
Cost of sales		(14,412)	(11,567)	(28,096)	(21,701)
<b>Gross profit</b>		<u>3,521</u>	<u>4,331</u>	<u>7,820</u>	<u>8,598</u>
Other income		220	226	672	550
Administrative expense		(3,799)	(2,612)	(6,332)	(5,180)
Distribution and selling expenses		(930)	(787)	(1,894)	(1,509)
Other expenses		(2)	(22)	(63)	(47)
Depreciation and amortisation		(340)	(341)	(705)	(659)
<b>(Loss)/profit from operations</b>		<u>(1,330)</u>	<u>795</u>	<u>(502)</u>	<u>1,753</u>
Finance costs, net		(21)	(17)	(49)	(36)
<b>(Loss)/profit before tax</b>	B1	<u>(1,351)</u>	<u>778</u>	<u>(551)</u>	<u>1,717</u>
Taxation	B5	(17)	(91)	(65)	(125)
<b>(Loss)/profit for the year</b>		<u>(1,368)</u>	<u>687</u>	<u>(616)</u>	<u>1,592</u>
<b>Other comprehensive income/(expenses):</b>					
Foreign currency translation		<u>756</u>	<u>67</u>	<u>(1,403)</u>	<u>1,052</u>
<b>Total comprehensive (loss)/profit for the year</b>		<u>(612)</u>	<u>754</u>	<u>(2,019)</u>	<u>2,644</u>
(Loss)/profit attributable to:					
Owners of the Company		<u>(1,368)</u>	<u>687</u>	<u>(616)</u>	<u>1,592</u>
		<u>(1,368)</u>	<u>687</u>	<u>(616)</u>	<u>1,592</u>
Total comprehensive (expense)/income attributable to:					
Owners of the Company		<u>(612)</u>	<u>754</u>	<u>(2,019)</u>	<u>2,644</u>
		<u>(612)</u>	<u>754</u>	<u>(2,019)</u>	<u>2,644</u>
(Loss)/Earnings per share (sen)					
- Basic	B10 (i)	<u>(0.61)</u>	<u>0.33</u>	<u>(0.56)</u>	<u>1.55</u>
- Diluted	B10 (ii)	<u>(0.15)</u>	<u>0.26</u>	<u>(0.08)</u>	<u>1.01</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 2015 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**  
**SECOND QUARTER ENDED 30 JUNE 2016**

<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>AS AT</b>	<b>AS AT</b>
	<b>30 JUNE 2016</b>	<b>31 DECEMBER 2015</b>
	<b>(UNAUDITED)</b>	<b>(AUDITED)</b>
Note	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment	3,801	4,840
Deferred tax assets	10	49
	<u>3,811</u>	<u>4,889</u>
<b>Current assets</b>		
Inventories	7,940	7,549
Trade receivables	21,584	17,185
Other receivables	4,171	2,525
Cash and bank balances	16,900	4,859
	<u>50,595</u>	<u>32,118</u>
<b>TOTAL ASSETS</b>	<u>54,406</u>	<u>37,007</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	23,541	21,661
Preference Share	14,403	-
Share premium	1,655	2,070
Foreign exchange reserve	76	1,479
Accumulated losses	(4,967)	(4,351)
<b>Total equity</b>	<u>34,708</u>	<u>20,859</u>
<b>Non-current liabilities</b>		
Borrowings	192	252
Other payables	33	28
	<u>225</u>	<u>280</u>
<b>Current liabilities</b>		
Borrowings	82	79
Trade payables	17,009	12,416
Other payables	2,382	3,373
	<u>19,473</u>	<u>15,868</u>
<b>Total liabilities</b>	<u>19,698</u>	<u>16,148</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>54,406</u>	<u>37,007</u>
<b>Net Assets Per Share (RM)</b>	<u>0.15</u>	<u>0.10</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 2015 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**  
**SECOND QUARTER ENDED 30 JUNE 2016**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	← Attributable to Equity Holders of the Parent →					→
	Share Capital RM'000	Preference Share RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Accumulated Losses RM'000	
<b>At 1 January 2015</b>	20,615	-	2,171	194	(7,043)	15,937
Profit for the period	-	-	-	-	1,592	1,592
Other comprehensive (expense)/income for the period	-	-	(181)	1,052	-	871
Issuance of ordinary shares pursuant to: - Conversion of warrant shareholdings	659	-	-	-	-	659
<b>At 30 June 2015</b>	<u>21,274</u>	<u>-</u>	<u>1,990</u>	<u>1,246</u>	<u>(5,451)</u>	<u>19,059</u>
<b>At 1 January 2016</b>	21,661	-	2,070	1,479	(4,351)	20,859
Loss for the period	-	-	-	-	(616)	(616)
Other comprehensive expense for the period	-	-	(415)	(1,403)	-	(1,818)
Issuance of ICPS	-	16,246	-	-	-	16,246
Issuance of ordinary shares	37	-	-	-	-	37
Issuance of ordinary shares pursuant to: - Conversion of ICPS shareholdings	1,843	(1,843)	-	-	-	-
<b>At 30 June 2016</b>	<u>23,541</u>	<u>14,403</u>	<u>1,655</u>	<u>76</u>	<u>(4,967)</u>	<u>34,708</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 2015 and the accompanying explanatory notes attached to this interim financial statements.)

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

**INTERIM FINANCIAL STATEMENTS FOR THE**  
**SECOND QUARTER ENDED 30 JUNE 2016**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	(UNAUDITED) CURRENT YEAR-TO-DATE 30 JUNE 2016 RM'000	(UNAUDITED) PRECEDING YEAR CORRESPONDING CUMULATIVE PERIOD 30 JUNE 2015 RM'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before tax	(551)	1,717
Adjustments for:		
Deferred taxes	-	154
Depreciation of plant and equipment	705	659
(Gain)/loss on disposal of plant and equipment	-	(6)
(Gain)/loss on foreign exchange - unrealised	(215)	(303)
Interest expenses	6	7
Interest income	(2)	(2)
Interest income	-	-
Reversal of impairment loss on other receivables	-	-
Plant and equipment written off	53	-
Operating (loss)/profit before working capital changes	(4)	2,226
Changes in working capital:		
Inventories	(391)	44
Receivables	(6,045)	(6,217)
Payables	3,607	2,303
Cash used in operations	(2,833)	(1,644)
Interest paid	(6)	(7)
Tax paid	(26)	(5)
<b>Net cash used in operating activities</b>	<b>(2,865)</b>	<b>(1,656)</b>
<b>Cash flows from investing activities</b>		
Interest received	2	2
Proceeds from disposal of plant and equipment	10	6
Purchase of plant and equipment	(358)	(1,078)
<b>Net cash used in investing activities</b>	<b>(346)</b>	<b>(1,070)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	37	-
Proceeds from issuance of ICPS	16,246	659
Private placement expenses	-	(180)
Share issuance expenses	(480)	-
Repayment of hire purchase	(34)	(43)
<b>Net cash generated from financing activities</b>	<b>15,769</b>	<b>436</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12,558</b>	<b>(2,290)</b>
<b>Effects of exchange rate changes</b>	<b>(517)</b>	<b>1,357</b>
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>4,859</b>	<b>4,847</b>
<b>Cash and cash equivalents at end of the financial period</b>	<b>16,900</b>	<b>3,914</b>
<b>Cash and cash equivalents are represented by</b>		
Cash and at bank balances	16,900	3,914
	<u>16,900</u>	<u>3,914</u>

(The unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial statements.)

**CONNECTCOUNTY HOLDINGS BERHAD (“Connect” or the “Company”)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED**  
**30 JUNE 2016**

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**PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS (“MFRS”) 134 ON INTERIM FINANCIAL REPORTING**

**A1 BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with the requirement of MFRS134: Interim Financial Reporting and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

**A2 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted as disclosed in the Group’s annual audited financial statements for the year ended 31 December 2015.

The Group has adopted the new and revised Malaysian Financial Reporting Standards (“**MFRSs**”) and IC Interpretations that became mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC Interpretations does not result in significant changes in the accounting policies of the Group.

**A3 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS**

There was no audit qualification on the respective financial statements of the Company and its subsidiaries for the financial year ended 30 June 2016 other than an audit emphasis of matter by the independent auditor as follows:

Rapid Conn Interconnect (M) Sdn. Bhd.'s and Borderless Fame Sdn. Bhd.'s respective auditors' 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.

**A4 SEASONALITY OR CYCLICALITY OF OPERATIONS**

The business of the Group is such that some of its products, particularly those relating to digital equipment are subjected 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.

**A5 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS**

During the current quarter under review, 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.

**A6 MATERIAL CHANGES IN ESTIMATES**

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

**CONNECTCOUNTY HOLDINGS BERHAD (“Connect” or the “Company”)  
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(Incorporated in Malaysia)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED  
30 JUNE 2016**

**PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS (“MFRS”) 134 ON INTERIM FINANCIAL REPORTING (CONT’D)**

**A7 ISSUANCE, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

**Exercise of Warrants 2011/2021**

During the current year to date, the Company has issued 10.5million new ordinary shares of RM0.10 each for cash at RM0.10 each pursuant to the exercise of Warrants 2011/2021 and the total cash proceeds arising from the exercise of Warrants amounted to RM1.05million. The details of the Warrants exercised during the current year to date are as follows:

<b>Batch No.</b>	<b>Allotment Date</b>	<b>No. of CCHB Warrant Converted ('000)</b>	<b>Balance of Outstanding Warrants ('000)</b>
			60,847
1	02.06.2015	760	60,087
2	09.06.2015	2,259	57,828
3	16.06.2015	3,040	54,788
4	23.06.2015	530	54,258
5	01.07.2015	2,876	51,382
6	10.07.2015	551	50,831
7	30.09.2015	60	50,771
8	15.10.2015	330	50,441
9	23.10.2015	50	50,391
		<b>10,456</b>	
<b>Note :</b>	08.06.2016	Add : Bonus adjustment of Warrant A of 9,223	<b>59,614</b>

The new ordinary shares issued arising from the exercise of Warrants shall rank pari passu in all respect with the existing ordinary shares of the Company, save and except that the new shares shall not be entitled to any dividends, rights, allotments and/or distributions, unless the exercise of Warrant is effected before the book closure of the share registers for determination of the entitlement to such rights or distributions.

**A8 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 has been brought forward, without amendment from the previous audited financial statements.

**CONNECTCOUNTY HOLDINGS BERHAD (“Connect” or the “Company”)  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED  
30 JUNE 2016**

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**PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING  
STANDARDS (“MFRS”) 134 ON INTERIM FINANCIAL REPORTING (CONT’D)**

**A9 DIVIDENDS**

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

**A10 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, assembly and sub-assembly of electronic components.

The segmental analysis as reviewed by management is based on the geographical segments as shown below:-

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**CONNECTCOUNTRY HOLDINGS BERHAD (“Connect” or the “Company”)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED**  
**30 JUNE 2016**

**PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS (“MFRS”) 134 ON INTERIM FINANCIAL REPORTING (CONT’D)**

**A10 SEGMENTAL INFORMATION (CONT’D)**

(ii) Geographical Segments	Malaysia RM’000	China RM’000	Singapore RM’000	USA RM’000	Total RM’000	Elimination RM’000	Consolidated RM’000
<b>30 June 2016</b>							
<b>REVENUE AND EXPENSES</b>							
<b>REVENUE</b>							
External sales	-	25,653	9,665	15,863	51,181	(15,265)	35,916
<b>RESULTS</b>							
Segments results	(1,434)	102	258	165	(909)	407	(502)
Finance cost, net	(1)	(20)	(16)	(12)	(49)	-	(49)
Loss before tax	(1,435)	82	242	153	(958)	407	(551)
Taxation	-	(5)	-	(60)	(65)	-	(65)
Net loss attributable to owners of the Company	(1,435)	77	242	93	(1,023)	407	(616)
<b>ASSETS AND LIABILITIES</b>							
<b>Segment assets</b>							
Consolidated total assets	25,827	24,092	9,743	10,607	70,269	(15,863)	54,406
<b>Segment liabilities</b>							
Consolidated total liabilities	6,371	19,598	5,254	5,485	36,708	(17,010)	19,698
<b>OTHER INFORMATION</b>							
Depreciation	6	471	196	32	705	-	705
Capital expenditure	11	293	-	54	358	-	358

**CONNECTCOUNTRY HOLDINGS BERHAD (“Connect” or the “Company”)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED**  
**30 JUNE 2016**

**PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS (“MFRS”) 134 ON INTERIM FINANCIAL REPORTING(CONT'D)**

**A10 SEGMENTAL INFORMATION (CONT'D)**

**(ii) Geographical Segments**

	Malaysia RM'000	China RM'000	Singapore RM'000	USA RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
<b>30 June 2015</b>							
<b>REVENUE AND EXPENSES</b>							
<b>REVENUE</b>							
External sales	-	18,473	10,709	15,429	44,611	(14,312)	30,299
<b>RESULTS</b>							
Segments results	(636)	614	963	812	1,753	-	1,753
Finance cost, net	-	(10)	(16)	(10)	(36)	-	(36)
Profit before tax	(636)	604	947	802	(1,717)	-	1,717
Taxation	-	-	-	(162)	(162)	37	(125)
Net profit attributable to owners of the Company	(636)	604	947	640	1,555	37	1,592

**ASSETS AND LIABILITIES**

<b>Segment assets</b>	10,602	16,951	5,606	10,190	43,349	(10,693)	32,656
Consolidated total assets							
<b>Segment liabilities</b>	5,810	14,580	2,070	5,523	27,983	(14,386)	13,597
Consolidated total liabilities							

**OTHER INFORMATION**

Depreciation	5	466	162	26	659	-	659
Capital expenditure	-	1,069	-	9	1,078	-	1,078

**CONNECTCOUNTY HOLDINGS BERHAD (“Connect” or the “Company”)  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED  
30 JUNE 2016**

**PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING  
STANDARDS (“MFRS”) 134 ON INTERIM FINANCIAL REPORTING (CONT’D)**

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

Save as disclosed below, and in Notes A12 and B6, there were no other material events subsequent to the current quarter ended 30 June 2016 up to date of this report:

**Proposed Acquisition of 51% Equity Interest in Kejuruteraan Asastera Sdn Bhd**

The Company had, on 30 June 2016, entered into a Heads of Agreement (“HOA”) with Lai Keng Onn (“LKO”) and Choong Gaik Seng (“CGS”) for the acquisition of 460,000 ordinary shares (“KASB Shares”) of RM1.00 each in Kejuruteraan Asastera Sdn Bhd (“KASB”) from LKO and 50,000 KASB Shares from CGS, collectively representing 51% equity interest in KASB for a purchase consideration to be determined prior to entering into a conditional share sale agreement for the Proposed Acquisition.

Arising from the Proposed Acquisition, the Company proposes to diversify its business to include mechanical and electrical engineering contracting works and trading in electrical materials.

Following the expiry of the Exclusivity Period (i.e. by 14 August 2016), the HOA had lapsed, and the Parties have concluded that it would be in their mutual interest to not extend the Exclusivity Period as both parties were unable to come to an agreement on the terms and conditions for the Proposed Acquisition.

Upon the expiry of the Exclusivity Period, the HOA becomes null and void and neither Party shall have any claims whatsoever, directly or indirectly against the other in respect of the HOA save for clauses relating to confidentiality.

**A12 CHANGES IN THE COMPOSITION OF THE GROUP**

During the financial year-to-date, the following changes in the composition of the Group were effected:

**Additional Investment in Rapid Conn (Shenzhen) Co. Ltd.**

On 15 July 2016, it was announced that the Company proposed an additional subscription of shares in its wholly-owned subsidiary, Rapid Conn (Shenzhen) Co. Ltd. (“RCC”), subject to the approval being obtained from the Ministry of Commerce’s Bureau of Trade and Industry of China (“Proposed Subscription”).

<b>Details</b>	<b>Balance before increase (USD)</b>	<b>Amount increase (USD)</b>	<b>Balance after increase (USD)</b>
Total investment	4,000,000	2,000,000	6,000,000
Registered Capital	3,200,000	1,900,000	5,100,000

The Board of Directors of the Company is of the opinion that the Proposed Subscription will be in the best interest of the Company and its subsidiaries.

**CONNECTCOUNTY HOLDINGS BERHAD (“Connect” or the “Company”)  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED  
30 JUNE 2016**

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**PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING  
STANDARDS (“MFRS”) 134 ON INTERIM FINANCIAL REPORTING (CONT’D)**

**A13 CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets since the last audited financial report and up to the date of this report.

**A14 CAPITAL COMMITMENTS**

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

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**CONNECTCOUNTY HOLDINGS BERHAD (“Connect” or the “Company”)  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED  
30 JUNE 2016**

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING  
REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET**

**B1 REVIEW OF PERFORMANCE**

The Group's overall performance has improved as it has recorded higher revenue in the period ended 30 June 2016 as compared to the corresponding period ended 30 June 2015.

For the current financial period ended 30 June 2016, the Group's revenue and loss before tax were RM35.9 million and RM551,000 respectively, compared to its preceding year's corresponding period's revenue of RM30.3 million and profit before tax of RM1.7 million.

The Group recorded a lower gross profit margin in the period ended 30 June 2016 compared to the corresponding period ended 30 June 2015 despite of higher revenue achieved during the period under review. It was mainly due to higher sales of low gross profit margin products to the local China market.

Other income consists of an overall gain in unrealised foreign exchange, scrap sales, government grant and rental income.

Other expenses consist mainly of donation and realised loss on foreign exchange.

Additionally, the overall losses were also due to the professional fees incurred in relation to the proposed acquisition of 51% equity interest in Kejuruteraan Asastera Sdn Bhd as mentioned in Note A11.

**B2 COMPARISON WITH PRECEDING QUARTER'S RESULTS**

For the current quarter under review, the Group recorded a revenue of RM18 million and a loss before tax of RM1.35 million as compared to the revenue and profit before tax at RM18 million and RM0.8 million respectively for the preceding quarter ended 31 March 2016.

The Group recorded lower gross profit margin in the current quarter compared to the preceding quarter ended 31 March 2016. This was due to the overall decline in sales of high profit margin products to key customers which were major contributors to the Group's overall revenue.

Additionally, the overall losses were also due to the professional fees incurred in relation to the proposed acquisition of 51% equity interest in Kejuruteraan Asastera Sdn Bhd as mentioned in Note A11.

**B3 PROSPECTS FOR THE FINANCIAL YEAR 2016**

According to a survey conducted by Future Market Insights (“FMI”), the global consumer electronics market, will be worth approximately USD3 trillion by 2020, while the overall wearable technology market is expected to reach USD31.27 billion by 2020, at a CAGR of 17.8% between 2015 and 2020.

The Group intends to capitalise on this trend and is currently implementing strategies to further enhance its presence in the smart connected devices industry to enable further penetration into both the wearable and mobile accessories markets. This will form part of the Group's business expansion initiatives which also includes expanding its market share in lucrative markets like automotive and white goods.

**CONNECTCOUNTY HOLDINGS BERHAD (“Connect” or the “Company”)  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED  
30 JUNE 2016**

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET (CONT'D)**

**B4 PROSPECTS FOR THE FINANCIAL YEAR 2016**

The Group did not issue any profit forecast or profit guarantee and thus this is not applicable to the Group.

**B5 TAXATION**

	Quarter Ended		Year to Date	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Current taxation:				
Domestic	-	-	-	-
Foreign tax	(19)	-	(26)	-
	(19)	-	(26)	-
Under provision in prior period:				
Domestic	-	-	-	-
Foreign tax	-	-	-	(5)
	(19)	-	(26)	(5)
Deferred taxation	2	(91)	(39)	(120)
	<b>(17)</b>	<b>(91)</b>	<b>(65)</b>	<b>(125)</b>

No provision of taxation (domestic) was provided for the current quarter and for the year due to accumulated losses suffered from previous years by the subsidiaries.

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**CONNECTCOUNTY HOLDINGS BERHAD (“Connect” or the “Company”)  
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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING  
REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET (CONT'D)**

**B6. STATUS OF CORPORATE PROPOSAL**

Save as disclosed below, there were no other corporate proposals announced but not completed as at to-date:-

**Rights Issue of ICPS**

Save as disclosed below, there were no material events subsequent to the current quarter ended 31 March 2016 up to date of this report:

On 3 March 2016, Bursa Malaysia Securities Berhad (“Bursa Securities”) has approved the following:

1. Admission to the Official List and the listing of and quotation for up to 800,994,000 new ICPS to be issued pursuant to the Proposed Rights Issue of ICPS with Warrants;
2. Listing of and quotation for up to 800,994,000 new CONNECT Shares to be issued pursuant to the conversion of the ICPS;
3. Admission to the Official List and the listing and quotation of up to 53,399,600 Warrants-B to be issued pursuant to the Proposed Rights Issue of ICPS;
4. Listing of and quotation for up to 53,399,600 new CONNECT Shares to be issued pursuant to the exercise of the Warrants-B;
5. Listing of up to 9,223,316 additional Warrants-A arising from the adjustments in accordance with provisions of the Deed Poll dated 24 June 2011, pursuant to the Proposed Rights Issue of ICPS with Warrants; and
6. Listing of up to 9,223,316 new CONNECT Shares to be issued pursuant to the exercise of the additional Warrants-A.

On 11 April 2016, the Board had resolved to fix the conversion price for the ICPS at RM0.10 per ICPS and the exercise price for the Warrants-B at RM0.10 per Warrant-B.

The conversion price of the ICPS and the exercise price of the Warrants-B of RM0.10 represents a discount of 31.93% and 19.42% to the 5D-VWAMP of CONNECT Shares up to and including 8 April 2016 (being the market day immediately preceding the date of the announcement made on 11 April 2016) of RM0.1469 and the theoretical ex-rights price of CONNECT Shares of RM0.1241, respectively.

The Company had completed the Rights Issue of ICPS with the listing of:

1. 649,821,600 new Connect ICPS and 43,321,388 Warrants-B pursuant to the Rights Issue of ICPS; and
2. 9,223,144 additional warrants 2011/2021 pursuant to the consequential adjustment arising from the Rights Issue of ICPS

on the ACE Market of Bursa Malaysia Securities Berhad on 15 June 2016.

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET (CONT'D)**

**B6. STATUS OF CORPORATE PROPOSAL (CONT'D)**

Following the completion of the Private Placement, the Company raised actual total gross proceeds of RM16,245,540, the utilisation of which has been revised as follows:-

Description	Proposed Utilisation RM'000	Revised Utilisation RM'000	Actual Utilisation as at 30 June 2016 RM'000	Balance RM'000	Estimated Timeframe for Utilisation of Proceeds
Capital expenditure	2,500	2,206	0	<b>2,206</b>	Within 12 months
Working capital	6,000	5,294	0	<b>5,294</b>	Within 12 months
Investments in similar business / vertical integration	10,975	8,095	0	<b>8,095</b>	Within 36 months
Estimated expenses in relation to corporate exercise	550	651	651	<b>0</b>	Completed
<b>Total</b>	<b>20,025</b>	<b>16,246</b>	<b>651</b>	<b>15,595</b>	

Capital Expenditure	Proposed Utilisation by RCC RM'000	Revised Utilisation by RCC RM'000	Actual Utilisation by RCC as at 30 June 2016 RM'000
Cable extrusion machine	1,000	882	0
Auto soldering machine	500	441	0
Auto braiding machine	300	265	0
Auto crimping machine	300	265	0
Auto testing machine	400	353	0
<b>Total</b>	<b>2,500</b>	<b>2,206</b>	<b>0</b>



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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET (CONT'D)**

**B6. STATUS OF CORPORATE PROPOSAL (CONT'D)**

<b>Working Capital</b>	<b>Proposed Utilisation RM'000</b>	<b>Revised Utilisation by RCC RM'000</b>	<b>Actual Utilisation by RCC as at 30 June 2016 RM'000</b>
Human resource expenses of the Group, such as salaries and staff welfare	1,500	1,324	0
Purchase of raw materials for the interconnect business, such as copper wire, synthetic polymers and connectors	3,750	3,309	0
Repairs and maintenance of machines	750	662	0
	<b>6,000</b>	<b>5,294</b>	<b>0</b>

<b>Investments in Similar Business / Vertical Integration</b>	<b>Proposed Utilisation RM'000</b>	<b>Revised Utilisation RM'000</b>	<b>Actual Utilisation as at 30 June 2016 RM'000</b>
Salaries and staff welfare for new staff required for the vertical integration	1,500	1,106	0
Purchase of raw materials being the chemical components required to produce plastic resins	3,500	2,582	0
Purchase of machines required for vertical integration	5,975	4,407	0
	<b>10,975</b>	<b>8,095</b>	<b>0</b>

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET (CONT'D)**

**B6. STATUS OF CORPORATE PROPOSAL (CONT'D)**

Estimated Expenses Relating to the Corporate Exercise	Proposed Utilisation RM'000	Revised Utilisation RM'000	Actual Utilisation as at 30 June 2016 RM'000
Professional fees	370	427	427
Fees payable to authorities	50	86	86
Underwriting fees	130	138	138
	<b>550</b>	<b>651</b>	<b>651</b>

**B7. GROUP BORROWINGS**

The Group's borrowings as at 30 June 2016 are as follows:-

	Short term (Secured) RM'000	Long term (Secured) RM'000	Total RM'000
Hire purchase liabilities	82	192	274

**DENOMINATED IN FOREIGN CURRENCY**

	Short term (Secured) USD'000	Long term (Secured) USD'000	Total USD'000
Hire purchase liabilities	20	48	68

**B8. MATERIAL LITIGATIONS**

There is no pending material litigation as at the date of this announcement.

**B9. DIVIDENDS**

The Directors did not propose any dividends as at the date of this announcement.

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**B10 EARNINGS PER SHARE**

**(i) Basic Earnings Per Share**

The basic earnings per share was calculated by dividing the net profit for the current financial quarter and the current financial year to date by the weighted average number of ordinary shares in issued.

	<b>Quarter Ended</b>		<b>Year to Date</b>	
	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (loss)/profit attributable to shareholders	(1,368)	687	(616)	1,592
Weighted average number of shares – basic	222,806	208,323	109,253	102,770
<b>Basic profit per share (sen)</b>	<b>(0.61)</b>	<b>0.33</b>	<b>(0.56)</b>	<b>1.55</b>

**(ii) Diluted Earnings Per Share**

The diluted earnings per share was calculated by dividing the net profit for the current financial quarter and year to date by the weighted average number of ordinary shares based on the assumption that the Warrants issued are fully exercised and converted into ordinary shares.

	<b>Quarter Ended</b>		<b>Year to Date</b>	
	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (loss)/profit attributable to shareholders	(1,368)	687	(616)	1,592
Weighted average number of shares - basic	222,806	208,323	109,253	102,770
Add assuming:				
Conversion of ICPS	576,103	-	576,103	-
Conversion of Warrant-A	59,614	54,258	59,614	54,258
Conversion of Warrant-B	43,321	-	43,321	-
<b>Weighted average number of shares – diluted</b>	<b>901,844</b>	<b>262,581</b>	<b>788,291</b>	<b>157,028</b>
<b>Diluted earnings per share (sen)</b>	<b>(0.15)</b>	<b>0.26</b>	<b>(0.08)</b>	<b>1.01</b>

**Note:-**

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

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**B11 REALISED AND UNREALISED (LOSSES)/PROFITS DISCLOSURE**

The accumulated losses of the Group may be analysed as follows:-

	<b>As at 30 June 2016</b>	<b>(Unaudited) As at 30 June 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Total accumulated (losses)/profits of the Group:		
- Realised	(5,182)	(5,754)
- Unrealised	215	303
	(4,967)	(5,451)
Less: Consolidated adjustments	-	-
<b>Accumulated losses as per financial statements</b>	<b>(4,967)</b>	<b>(5,451)</b>

**B12 NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME**

	Quarter Ended		Year to Date	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
Depreciation	340	341	705	659
Interest expense	3	3	6	7
Interest income	(1)	(2)	(2)	(2)
(Gain)/Loss on foreign exchange – unrealised	-	(134)	(215)	(303)
(Gain)/Loss on disposal of plant and equipment	-	-	-	(6)
Plant and equipment written off	1	-	53	-