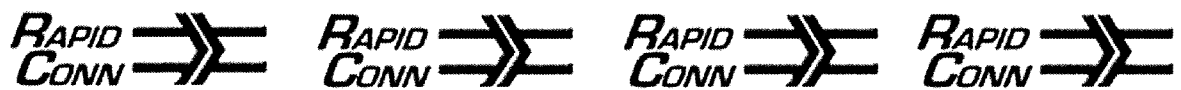




INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 JUNE 2017



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

**INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2017**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		(UNAUDITED) CURRENT YEAR QUARTER 30 JUNE 2017 RM'000	(UNAUDITED) PRECEDING YEAR CORRESPONDING QUARTER 30 JUNE 2016 RM'000	(UNAUDITED) CURRENT YEAR- TO-DATE 30 JUNE 2017 RM'000	(UNAUDITED) PRECEDING YEAR CORRESPONDING PERIOD 30 JUNE 2016 RM'000
Revenue	B1	26,953	17,933	54,616	35,916
Cost of sales		(21,021)	(14,412)	(41,798)	(28,096)
Gross profit		<u>5,932</u>	<u>3,521</u>	<u>12,818</u>	<u>7,820</u>
Other income		848	220	1,138	672
Administration expense		(4,169)	(3,799)	(8,153)	(6,332)
Distribution and selling expenses		(1,381)	(930)	(2,996)	(1,894)
Other expenses		(177)	(2)	(325)	(63)
Depreciation and amortisation		(679)	(340)	(1,308)	(705)
Profit/(loss) from operations		<u>374</u>	<u>(1,330)</u>	<u>1,174</u>	<u>(502)</u>
Finance costs, net		(31)	(21)	(52)	(49)
Profit/(loss) before tax	B1	<u>343</u>	<u>(1,351)</u>	<u>1,122</u>	<u>(551)</u>
Income tax expense	B5	(256)	(17)	(641)	(65)
Profit/(loss) net of tax		<u>87</u>	<u>(1,368)</u>	<u>481</u>	<u>(616)</u>
Other comprehensive (expenses)/income:					
Foreign currency translation		(563)	756	(458)	(1,403)
Total comprehensive (expenses)/income for the period		<u>(476)</u>	<u>(612)</u>	<u>23</u>	<u>(2,019)</u>
Profit/(loss) attributable to:					
Owners of the Company		223	(1,368)	748	(616)
Non-controlling interest		(136)	-	(267)	-
		<u>87</u>	<u>(1,368)</u>	<u>481</u>	<u>(616)</u>
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(326)	(612)	304	(2,019)
Non-controlling interest		(150)	-	(281)	-
		<u>(476)</u>	<u>(612)</u>	<u>23</u>	<u>(2,019)</u>
Earnings/(loss) per share attributable to owners of the Company (sen)					
- Basic	B10 (i)	<u>0.07</u>	<u>(0.61)</u>	<u>0.25</u>	<u>(0.56)</u>
- Diluted	B10 (ii)	<u>0.05</u>	<u>(0.61)</u>	<u>0.16</u>	<u>(0.56)</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 2016 and the accompanying explanatory notes attached to this interim financial statements.)

CONNECTCOUNTY HOLDINGS BERHAD
Company no. 618933-D
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INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT	AS AT
Note	30 JUNE 2017	31 DECEMBER 2016
	(UNAUDITED)	(AUDITED)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	11,434	10,146
Intangible assets	796	-
Deferred tax assets	386	392
	<u>12,616</u>	<u>10,538</u>
Current assets		
Inventories	15,771	12,899
Trade receivables	25,102	27,322
Other receivables	6,195	5,507
Cash and bank balances	15,031	14,607
	<u>62,099</u>	<u>60,335</u>
TOTAL ASSETS	<u><u>74,715</u></u>	<u><u>70,873</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	31,859	28,683
Equity component of irredeemable convertible preference share	10,904	11,102
Warrants reserve	2,170	3,032
Foreign exchange reserve	1,535	1,993
Accumulated losses	(4,225)	(5,835)
	42,243	38,975
Non-controlling interests	705	503
Total equity	<u>42,948</u>	<u>39,478</u>
Non-current liabilities		
Borrowings	130	173
Other payables	18	10
Liability component of irredeemable convertible preference share	1,396	1,422
Deferred tax liabilities	-	-
	<u>1,544</u>	<u>1,605</u>
Current liabilities		
Borrowings	88	94
Trade payables	26,828	22,262
Other payables	3,307	7,369
Tax Payable	-	65
	<u>30,223</u>	<u>29,790</u>
Total liabilities	<u>31,767</u>	<u>31,395</u>
TOTAL EQUITY AND LIABILITIES	<u><u>74,715</u></u>	<u><u>70,873</u></u>
Net Assets Per Share (RM)	<u>0.13</u>	<u>0.14</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 2016 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 2017**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Share Premium RM'000	ICPS - equity component RM'000	Attributable to Equity Holders of the Parent			Total RM'000	Non- controlling Interest RM'000	Total Equity RM'000
				Warrants Reserve RM'000	Foreign Exchange Reserve RM'000	Accumulated Losses RM'000			
At 1 January 2016	21,661	2,070	-	-	1,479	(4,351)	20,859	-	20,859
Loss for the period	-	-	-	-	-	(616)	(616)	-	(616)
Other comprehensive expenses for the period	-	(415)	-	-	(1,403)	-	(1,818)	-	(1,818)
Total comprehensive expenses	-	(415)	-	-	(1,403)	(616)	(2,434)	-	(2,434)
Transactions with owners of the Company									
Issuance of ICPS	-	-	16,246	-	-	-	16,246	-	16,246
Issuance of ordinary shares pursuant to conversion of ICPS	1,880	-	(1,843)	-	-	-	37	-	37
Total transactions with owners of the Company	1,880	-	14,403	-	-	-	16,283	-	16,283
At 30 JUNE 2016	23,541	1,655	14,403	-	76	(4,967)	34,708	-	34,708
At 1 January 2017	28,683	-	11,102	3,032	1,993	(5,835)	38,975	503	39,478
Profit for the period	-	-	-	-	-	748	748	(267)	481
Other comprehensive expenses for the period	-	-	-	-	(444)	-	(444)	(14)	(458)
Total comprehensive income	-	-	-	-	(444)	748	304	(281)	23
Transactions with owners of the Company									
Issuance of ordinary shares pursuant to : - conversion of ICPS - exercise of warrants	872	-	(218)	-	-	-	654	-	654
Reclassification from equity component to liability component	2,304	-	-	(862)	-	862	2,304	-	2,304
Capital contribution by non-controlling interest	-	-	20	-	-	-	20	-	20
Total transactions with owners of the Company	3,176	-	(198)	(862)	(14)	862	2,964	483	3,447
At 30 JUNE 2017	31,859	-	10,904	2,170	1,535	(4,225)	42,243	705	42,948

(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 2016 and the accompanying explanatory notes attached to this interim financial statements.)

CONNECTCOUNTY HOLDINGS BERHAD
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INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(UNAUDITED) CURRENT YEAR-TO-DATE 30 JUNE 2017 RM'000	(UNAUDITED) PRECEDING YEAR CORRESPONDING CUMULATIVE PERIOD 30 JUNE 2016 RM'000
Cash flows from operating activities		
Profit/(loss) before tax	1,122	(551)
Adjustments for:		
Amortisation of intangible asset	28	-
Bad debts recovered	(854)	-
Depreciation of plant and equipment	1,280	705
Gain on disposal of plant and equipment	(25)	-
Loss/(gain) on foreign exchange - unrealised	295	(215)
Interest expenses	5	6
Interest income	(105)	(2)
Plant and equipment written off	-	53
Operating profit/(loss) before working capital changes	1,746	(4)
Changes in working capital:		
Inventories	(3,301)	(391)
Receivables	1,350	(6,045)
Payables	1,162	3,607
Cash generated from/(used in) operations	957	(2,833)
Interest paid	(5)	(6)
Tax paid	(705)	(26)
Net cash generated from/(used in) operating activities	247	(2,865)
Cash flows from investing activities		
Interest received	105	2
Proceeds from disposal of plant and equipment	274	10
Purchase of intangible asset	(760)	-
Purchase of plant and equipment	(3,132)	(358)
Net cash used in investing activities	(3,513)	(346)
Cash flows from financing activities		
Non-controlling interest arising from investment in subsidiaries	483	-
Proceeds from issuance of ICPS	-	16,246
Proceeds from issuance of ordinary shares pursuant to :		
- Conversion of ICPS	654	37
- Exercise of warrants	2,304	-
Conversion of ICPS expenses	-	(480)
Repayment of hire purchase	(38)	(34)
Net cash generated from financing activities	3,403	15,769
Net increase in cash and cash equivalents	137	12,558
Effects of exchange rate changes	287	(517)
Cash and cash equivalents at beginning of the financial period	14,607	4,859
Cash and cash equivalents at end of the financial period	15,031	16,900
Cash and cash equivalents are represented by		
Cash and at bank balances	15,031	16,900
	<u>15,031</u>	<u>16,900</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 2016 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 SECOND QUARTER ENDED
30 JUNE 2017**

**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 2016.

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 31 December 2016.

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 is 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.

CONNECTCOUNTY HOLDINGS BERHAD (“CONNECT” or the “Company”)
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED
30 JUNE 2017**

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

A6 MATERIAL CHANGES IN ESTIMATES

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

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

During the financial year-to-date, the number of issued shares capital of the Company was increased from 286,830,225 to 318,587,325 by way of allotment and issuance of:

- 8,722,000 new ordinary shares arising from conversion of irredeemable convertible preference shares (“ICPS”) by surrendering 8,722,000 number of ICPS;
- 10,726,000 new ordinary shares arising from the exercise of Warrants 2011/2021 (“Warrants-A”); and
- 12,309,100 new ordinary shares arising from the exercise of Warrants 2016/2021 (“Warrants-B”).

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.

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CONNECTCOUNTY HOLDINGS BERHAD (“CONNECT” or the “Company”)
Company No. 618933-D
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED
30 JUNE 2017**

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

A9 INTANGIBLE ASSETS

	AS AT 30 June 2017 (UNAUDITED) RM'000	AS AT 30 June 2016 (UNAUDITED) RM'000
Technology transfer - technical expertise and associated expenses incurred in the development and production of thermoplastic elastomers (“TPE”) materials in Shenzhen Rapid Resin Co. Ltd. (“RCR”)	823	-
Less: amortisation to date	(27)	-
	796	-

The intangible asset was valued at fair value by a qualified, independent third-party. The intangible asset is to be amortised over 10 years, commencing March 2017.

A10 DIVIDENDS

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

A11 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:-

CONNECTCOUNTRY HOLDINGS BERHAD (“CONNECT” or the “Company”)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED
30 JUNE 2017

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

A11	(ii)	Geographical Segments	Malaysia RM’000	China RM’000	Singapore RM’000	USA RM’000	Total RM’000	Elimination RM’000	Consolidated RM’000
30 June 2017									
REVENUE AND EXPENSES									
REVENUE									
		External sales	-	41,814	14,653	27,296	83,763	(29,147)	54,616
RESULTS									
		Segments results	(604)	(94)	575	1,297	1,174	-	1,174
		Finance cost, net	(1)	(12)	(21)	(18)	(52)	-	(52)
		(Loss)/profit before tax	(605)	(106)	554	1,279	1,122	-	1,122
		Taxation	-	(144)	-	(497)	(641)	-	(641)
		(Loss)/profit after tax	(605)	(250)	554	782	481	-	481
		Minority interest	-	267	-	-	267	-	267
		Net (loss)/profit attributable to owners of the Company	(605)	17	554	782	748	-	748
ASSETS AND LIABILITIES									
Segment assets									
		Consolidated total assets	38,787	43,786	16,246	16,141	114,960	(40,245)	74,715
Segment liabilities									
		Consolidated total liabilities	6,761	30,990	735	9,554	48,040	(16,273)	31,767
OTHER INFORMATION									
		Depreciation & amortisation	7	1,041	238	22	1,308	-	1,308
		Capital expenditure	1	1,972	1,141	18	3,132	-	3,132

CONNECTCOUNTRY HOLDINGS BERHAD (“CONNECT” or the “Company”)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED
30 JUNE 2017

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

A11 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
30 June 2016							
REVENUE AND EXPENSES							
REVENUE							
External sales	-	25,653	9,665	15,863	51,181	(15,265)	35,916
RESULTS							
Segments results	(1,434)	102	258	165	(909)	407	(502)
Finance cost, net	(1)	(20)	(16)	(12)	(49)	-	(49)
(Loss)/profit before tax	(1,435)	82	242	153	(958)	407	(551)
Taxation	-	(5)	-	(60)	(65)	-	(65)
(Loss)/profit after tax	(1,435)	77	242	93	(1,023)	407	(616)
ASSETS AND LIABILITIES							
Segment assets							
Consolidated total assets	25,827	24,092	9,743	10,607	70,269	(15,863)	54,406
Segment liabilities							
Consolidated total liabilities	6,371	19,598	5,254	5,485	36,708	(17,010)	19,698
OTHER INFORMATION							
Depreciation	6	471	196	32	705	-	705
Capital expenditure	11	293	-	54	358	-	358

CONNECTCOUNTY HOLDINGS BERHAD ("CONNECT" or the "Company")
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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED
30 JUNE 2017

PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS ("MFRS") 134 ON INTERIM FINANCIAL REPORTING (CONT'D)

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

Save as disclosed in Notes A13 and B6, there were no other material events subsequent to the current quarter ended 30 June 2017 up to the date of this report.

A13 CHANGES IN THE COMPOSITION OF THE GROUP

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

1. The Company had, on 13 January 2017, invested an additional 727,388 ordinary shares of SGD1/- each and fully paid-up, in the share capital of its wholly-owned subsidiary, Rapid Conn (S) Pte. Ltd. ("**RCS**") ("**the Investment**") (equivalent to approximately RM2,246,756/- at the exchange rate of SGD1/- = RM3.0888 as at 5 May 2017).

Upon completion of the Investment, the issued and paid-up share capital of RCS has increased from 4,311,525 ordinary shares to 5,038,913 ordinary shares.

2. The Company, had on 3 May 2017, invested an additional 963,762 ordinary shares of SGD1/- each and fully paid-up, in the share capital of its wholly-owned subsidiary, Rapid Conn (S) Pte. Ltd. ("**RCS**") ("**the Investment**") (equivalent to approximately RM2,976,868/- at the exchange rate of SGD1/- = RM3.0888 as at 5 May 2017).

Upon completion of the Investment, the issued share capital of RCS has increased from 5,038,913 ordinary shares to 6,002,675 ordinary shares. RCS shall remain as a wholly-owned subsidiary of the Company.

Both the above additional investments are not expected to have any material effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholdings of the Company for the financial year ending 31 December 2017.

3. The Company had on 5 July 2017 invested an additional 90,000 ordinary shares in the share capital of its wholly-owned subsidiary, Borderless Fame Sdn. Bhd. ("**BFSB**") ("**the Investment**"). The issued share capital of BFSB has increased from 100,000 ordinary shares to 190,000 ordinary shares.

4. The Company had announced that BFSB on 16 August 2017 via a Written Resolution of the Member, resolved to be wound-up voluntarily pursuant to Section 439(1)(b) of the Companies Act 2016 ("the Act"). The winding-up of BFSB was initiated as it has not commenced its operation since incorporation. The voluntary winding-up is part of CONNECT's continued initiative to reduce the number of dormant companies in the Group and to eliminate unnecessary administrative costs.

The winding-up of BFSB is not expected to have any material effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholdings of the Company for the financial year ending 31 December 2017.

**CONNECTCOUNTY HOLDINGS BERHAD (“CONNECT” or the “Company”)
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED
30 JUNE 2017**

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

A14 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.

A15 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 SECOND QUARTER ENDED
30 JUNE 2017

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

B1 REVIEW OF PERFORMANCE

For the current financial period ended 30 June 2017, the Group's overall performance has improved. The revenue and profit before tax were RM54.6 million and RM1.1 million respectively, compared to its preceding year's corresponding period's revenue of RM35.9 million and loss before tax of RM0.6 million.

The Group achieved higher sales from all segments. The increase mainly due to higher sales from key customers, sales from two sub-subsidiaries in current financial period and strengthen in foreign currencies.

The Group's profit before tax has increased due to the same reasons as mentioned above and the higher other income, offset by higher operating expenses.

Other income consists mainly of interest income and the recovery of bad debts.

B2 COMPARISON WITH PRECEDING QUARTER'S RESULTS

For the current quarter under review, the Group recorded a revenue of RM27.0 million and a profit before tax of RM0.34 million as compared to the revenue and profit before tax at RM27.7 million and RM0.78 million respectively for the preceding quarter ended 30 March 2017. The decrease in profit before tax was mainly due to lower sales and higher operating expenses from USA segment.

B3 PROSPECTS FOR THE FINANCIAL YEAR 2017

The Group is currently implementing strategies to further enhance its presence in the lucrative but highly competitive automotive, white goods and smart connected devices markets.

In addition to implementing cost-savings strategies, the Group intends to increase its overall profits and margins via vertical integration with the incorporation of Shenzhen Rapid Power Co. Ltd. (“**RCP**”) (high-end cable extrusion) and Shenzhen Rapid Resin (“**RCR**”) (TPE materials), which are majority-owned (i.e. 80%) subsidiaries of RCC. They play a key role in supplementing RCC's current business model, while engaging in trade of their core products in their respective domestic markets.

B4 VARIANCE OF FORECAST AND PROFIT GUARANTEE

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

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED
30 JUNE 2017**

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

B5 TAXATION

	Quarter Ended		Year to Date	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Current taxation:				
Domestic	-	-	-	-
Foreign tax	(306)	(19)	(691)	(26)
	-	(19)	(691)	(26)
Under provision in prior period:				
Domestic	-	-	-	-
Foreign tax	50	-	50	-
	(256)	(19)	(641)	(26)
Deferred taxation	-	2	-	(39)
	(256)	(17)	(641)	(65)

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.

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

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-A 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.

The Company raised actual total gross proceeds of RM16,245,540 and the utilisation of which has been revised accordingly.

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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)

As at 21 August 2017, the status of utilisation of proceeds is as follow:

Description	Proposed Utilisation RM'000	Revised Utilisation RM'000	Actual Utilisation as at 21 August 2017 RM'000	Balance RM'000	Intended Timeframe for Utilisation of Proceeds
Capital expenditure	2,500	2,206	461	1,745	¹⁾ Within 24 months
Working capital	6,000	5,294	3,859	1,435	¹⁾ Within 24 months
Investments in similar business / vertical integration	10,975	8,095	²⁾ 6,243	1,852	Within 36 months
Estimated expenses in relation to corporate exercise	550	651	651	0	Completed
Total	20,025	16,246	11,214	5,032	

¹⁾ On 28 July 2017, the Board had resolved to approve the extension of timeframe for utilisation of proceeds.

²⁾ On 19 July 2017, the Company announced that NetObjex, Inc. (“NOI”), a Delaware Corporation had on 17 July 2017 entered into a Letter of Intent with the Company to signify the Company’s intention to subscribe 3,131,675 shares of Series A Voting Common Stock of NOI for an aggregate purchase price of USD250,000.00 (United States Dollar: Two Hundred and Fifty Thousand) only (“Proposed Subscription”).

On 24 July 2017, the Company announced the execution of Series A Voting Common Stock Subscription Agreement with NOI for the Proposed Subscription.

Arising from the above, the Board had on 28 July 2017 resolved to vary the estimated breakdown of utilisation to fund the Proposed Subscription (“Proposed Variation”).

The Proposed Variation is mainly due to the requirement of additional time for stabilisation and expansion of the businesses of the Company.

The Proposed Subscription, similar with or complementary to the current interconnect business, is related to the investments in similar business as disclosed in Section 5 of the Abridged Prospectus. It provides an attractive opportunity for the Company, to further strengthen its participation and increase its interest in providing a comprehensive end-to-end set of platforms for implementing Internet of Things (“IoT”) - Blockchain Software Platform solutions which is changing the way smart devices operate.

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B6 STATUS OF CORPORATE PROPOSAL (CONT'D)

Capital Expenditure	Proposed Utilisation by RCC RM'000	Revised Utilisation by RCC RM'000	Actual Utilisation by RCC as at 21 August 2017 RM'000
Cable extrusion machine	1,000	882	402
Auto soldering machine	500	441	0
Auto braiding machine	300	265	0
Auto crimping machine	300	265	0
Auto testing machine	400	353	59
Total	2,500	2,206	461
Working Capital	RM'000	RM'000	RM'000
Human resource expenses of the Group, such as salaries and staff welfare	1,500	1,324	550
Purchase of raw materials for the interconnect business, such as copper wire, synthetic polymers and connectors	3,750	3,309	3,309
Repairs and maintenance of machines	750	662	0
	6,000	5,294	3,859

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B6 STATUS OF CORPORATE PROPOSAL (CONT'D)

Investments in Similar Business / Vertical Integration	Proposed Utilisation RM'000	Revised Utilisation RM'000	Relocation/ Variation RM'000	Actual Utilisation as at 21 August 2017 RM'000
Salaries and staff welfare for new staff required for the vertical integration	1,500	1,106	-	593
Purchase of raw materials being the chemical components required to produce plastic resins	3,500	2,582	173	1,416
Purchase of machines required for vertical integration	5,975	4,407	(1,253)	3,154
Investments in Similar Business	-	-	1,080	1,080
	10,975	8,095	-	6,243

Estimated Expenses Relating to the Corporate Exercise	Proposed Utilisation RM'000	Revised Utilisation RM'000	Actual Utilisation as at 21 August 2017 RM'000
Professional fees	370	427	427
Fees payable to authorities	50	86	86
Underwriting fees	130	138	138
	550	651	651

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B7 GROUP BORROWINGS

The Group's borrowings as at 30 June 2017 are as follows:-

	Short term (Secured) RM'000	Long term (Secured) RM'000	Total RM'000
Hire purchase liabilities	88	130	<u>218</u>

DENOMINATED IN FOREIGN CURRENCY

	Short term (Secured) USD'000	Long term (Secured) USD'000	Total USD'000
Hire purchase liabilities	21	30	<u>51</u>

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 (“EPS”) / LOSS PER SHARE (“LPS”)

(i) Basic EPS / (LPS)

The basic earnings/(loss) 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.

	Quarter Ended		Year to Date	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Net profit/(loss) attributable to shareholders	223	(1,368)	748	(616)
Weighted average number of ordinary shares ('000)	306,400	222,806	297,958	109,253
Basic EPS/ (LPS) (sen)	0.07	(0.61)	0.25	(0.56)

(ii) Diluted EPS / (LPS)

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 ICPS and warrants issued are fully exercised and converted into ordinary shares.

	Quarter Ended		Year to Date	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Net profit/(loss) attributable to shareholders	223	(1,368)	748	(616)
Weighted average number of shares - basic	306,400	222,806	297,958	109,253
Add assuming:				
Conversion of ICPS	119,647	*	119,647	*
Effect of dilution of unexercised Warrant-A	31,218	*	31,674	*
Effect of dilution of unexercised Warrant-B	19,803	*	20,092	*
Weighted average number of shares – diluted	477,068	222,806	469,371	109,253
Diluted EPS / (LPS) (sen)	0.05	(0.61)	0.16	(0.56)

* Not taken into account in the computation of diluted LPS because the effect is anti-dilutive.

The computation for diluted LPS is not applicable for individual quarter and period ended 30 June 2016 as it has an anti-dilution effect

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B11 REALISED AND UNREALISED (LOSSES)/PROFITS DISCLOSURE

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

	As at 30 June 2017 RM'000	As at 31 Dec 2016 RM'000
Total accumulated losses of the Group:		
- Realised	13,457	12,299
- Unrealised	(1,149)	(1,601)
	12,308	10,698
Less: Consolidated adjustments	(16,533)	(16,533)
Accumulated losses as per financial statements	(4,225)	(5,835)

B12 NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME

Profit/(loss) for the period was arrived after charging/(crediting):

	Quarter Ended		Year to Date	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Amortisation	21	-	28	-
Bad debts recovered	(673)	-	(854)	-
Depreciation	658	340	1,280	705
Interest expense	3	3	5	6
Interest income	(41)	(1)	(105)	(2)
Loss/(Gain) on foreign exchange – unrealised	147	-	295	(215)
Plant and equipment written off	-	1	-	53

B13 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issued by the Board of Directors in accordance with a resolution of the Directors on 21 August 2017.

By Order of the Board

Ang Chuang Juay
Executive Deputy Chairman

21 August 2017