



**INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED
31 MARCH 2018**



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

**INTERIM FINANCIAL STATEMENTS FOR THE
FIRST QUARTER ENDED 31 MARCH 2018**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 MARCH 2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MARCH 2017 RM'000	CURRENT YEAR- TO-DATE 31 MARCH 2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 MARCH 2017 RM'000
Revenue	B1	29,932	27,663	29,932	27,663
Cost of sales		(26,161)	(21,242)	(26,161)	(21,242)
Gross profit		<u>3,771</u>	<u>6,421</u>	<u>3,771</u>	<u>6,421</u>
Other income		372	290	372	290
Administration expense		(3,772)	(4,148)	(3,772)	(4,148)
Distribution and selling expenses		(1,193)	(1,615)	(1,193)	(1,615)
Other expenses		(350)	(148)	(350)	(148)
(Loss)/profit from operations		<u>(1,172)</u>	<u>800</u>	<u>(1,172)</u>	<u>800</u>
Finance costs, net		(44)	(21)	(44)	(21)
(Loss)/profit before tax	B1	<u>(1,216)</u>	<u>779</u>	<u>(1,216)</u>	<u>779</u>
Income tax expense	B5	(258)	(385)	(258)	(385)
(Loss)/profit net of tax		<u>(1,474)</u>	<u>394</u>	<u>(1,474)</u>	<u>394</u>
Other comprehensive (expenses)/income:					
Foreign currency translation		(574)	105	(574)	105
Total comprehensive (expenses)/income for the period		<u>(2,048)</u>	<u>499</u>	<u>(2,048)</u>	<u>499</u>
(Loss)/profit attributable to:					
Owners of the Company		(1,390)	525	(1,390)	525
Non-controlling interest		(84)	(131)	(84)	(131)
		<u>(1,474)</u>	<u>394</u>	<u>(1,474)</u>	<u>394</u>
Total comprehensive (expenses)/income attributable to:					
Owners of the Company		(1,966)	632	(1,966)	632
Non-controlling interest		(82)	(133)	(82)	(133)
		<u>(2,048)</u>	<u>499</u>	<u>(2,048)</u>	<u>499</u>
(Loss)/earnings per share attributable to owners of the Company (sen)					
- Basic	B10 (i)	<u>(0.42)</u>	<u>0.74</u>	<u>(0.42)</u>	<u>0.74</u>
- Diluted	B10 (ii)	<u>(0.42)</u>	<u>0.22</u>	<u>(0.42)</u>	<u>0.22</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 2017 and the accompanying explanatory notes attached to this interim financial statements.)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31 MARCH 2018 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2017 (AUDITED) RM'000
Note		
ASSETS		
Non-current assets		
Plant and equipment	10,281	10,876
Intangible assets	714	741
Other investment	1,080	1,080
Deferred tax assets	378	383
	<u>12,453</u>	<u>13,080</u>
Current assets		
Inventories	17,069	19,438
Trade receivables	34,332	33,285
Other receivables	11,023	7,495
Cash and bank balances	11,055	13,789
	<u>73,479</u>	<u>74,007</u>
TOTAL ASSETS	<u>85,932</u>	<u>87,087</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	32,843	32,234
Equity component of irredeemable convertible preference share	10,731	10,864
Warrants reserve	2,034	2,043
Foreign exchange reserve	(39)	535
Accumulated losses	(6,936)	(5,555)
	<u>38,633</u>	<u>40,121</u>
Non-controlling interests	550	632
Total equity	<u>39,183</u>	<u>40,753</u>
Non-current liabilities		
Borrowings	448	77
Liability component of irredeemable convertible preference share	1,374	1,391
	<u>1,822</u>	<u>1,468</u>
Current liabilities		
Borrowings	64	77
Trade payables	37,627	37,780
Other payables	7,195	6,511
Tax Payable	41	498
	<u>44,927</u>	<u>44,866</u>
Total liabilities	<u>46,749</u>	<u>46,334</u>
TOTAL EQUITY AND LIABILITIES	<u>85,932</u>	<u>87,087</u>
Net Assets Per Share (RM)	<u>0.12</u>	<u>0.13</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 2017 and the accompanying explanatory notes attached to this interim financial statements.)

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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 2017	28,683	-	11,102	3,032	1,993	(5,835)	503.00	39,478	
Profit for the period	-	-	-	-	-	525	(131)	394	
Other comprehensive income for the period	-	-	-	-	107	-	(2)	105	
Total comprehensive income	-	-	-	-	107	525	(133)	499	
Transactions with owners of the Company									
Issuance of ordinary shares pursuant to :									
- conversion of ICPS	331	-	(82)	-	-	-	-	249	
- exercise of Warrant - B	22	-	-	-	-	-	-	22	
Capital contribution by non-controlling interest	-	-	-	-	(2)	-	482	480	
Total transactions with owners of the Company	353	-	(82)	-	(2)	-	482	751	
At 31 March 2017	29,036	-	11,020	3,032	2,098	(5,310)	852	40,728	
At 1 January 2018	32,234	-	10,864	2,043	535	(5,555)	632	40,753	
Loss for the period	-	-	-	-	-	(1,390)	(84)	(1,474)	
Other comprehensive expenses for the period	-	-	-	-	(576)	-	2	(574)	
Total comprehensive expenses	-	-	-	-	(576)	(1,390)	(82)	(2,048)	
Transactions with owners of the Company									
Issuance of ordinary shares pursuant to :									
- conversion of ICPS	583	-	(146)	-	-	-	-	437	
- exercise of Warrant - A	13	-	-	-	-	-	-	13	
- exercise of Warrant - B	13	-	-	(9)	-	9	-	13	
Effects on deferred tax asset on conversion of ICPS	-	-	(4)	-	-	-	-	(4)	
Reclassification from equity component to liability component	-	-	17	-	-	-	-	17	
Capital contribution by non-controlling interest	-	-	-	-	2	-	-	2	
Total transactions with owners of the Company	609	-	(133)	(9)	2	9	-	478	
At 31 March 2018	32,843	-	10,731	2,034	(39)	(6,936)	550	39,183	

(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 2017 and the accompanying explanatory notes attached to this interim financial statements.)

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INTERIM FINANCIAL STATEMENTS FOR THE
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT YEAR-TO-DATE 31 MARCH 2018 RM'000	PRECEDING YEAR CORRESPONDING CUMULATIVE PERIOD 31 MARCH 2017 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(1,216)	779
Adjustments for:		
Amortisation of intangible asset	20	7
Bad debts recovered	-	(181)
Depreciation of plant and equipment	686	622
Loss on disposal of plant and equipment	96	-
Loss on foreign exchange- unrealised	161	148
Interest expenses	11	2
Interest income	(31)	(64)
Plant and equipment written off	51	-
Operating (loss)/profit before working capital changes	(222)	1,313
Changes in working capital:		
Inventories	1,886	(1,560)
Receivables	(5,827)	(944)
Payables	1,425	2,297
Cash (used in)/generated from operations	(2,738)	1,106
Interest paid	(11)	(2)
Tax paid	(714)	(385)
Net cash (used in)/generated from operating activities	(3,463)	719
Cash flows from investing activities		
Acquisition of other investment	-	-
Interest received	31	64
Proceeds from disposal of plant and equipment	432	-
Purchase of intangible asset	-	(835)
Purchase of plant and equipment	(852)	(1,556)
Net cash used in investing activities	(389)	(2,327)
Cash flows from financing activities		
Non-controlling interest arising from investment in subsidiaries	-	482
Proceeds from issuance of ordinary shares pursuant to conversion of ICPS	583	331
Proceeds from issue of shares upon exercise of warrants	26	22
Conversion of ICPS expenses	(146)	-
Dividend paid	-	-
Repayment of hire purchase	(472)	(19)
Net cash (used in)/generated from financing activities	(9)	816
Net decrease in cash and cash equivalents	(3,861)	(792)
Effects of exchange rate changes	1,127	170
Cash and cash equivalents at beginning of the financial year	13,789	14,607
Cash and cash equivalents at end of the financial year	11,055	13,985
Cash and cash equivalents are represented by		
Cash and at bank balances	11,055	13,985
	<u>11,055</u>	<u>13,985</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 2017 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
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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 2017.

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 2017.

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.

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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 322,344,425 to 328,433,625 by way of allotment and issuance of:

- 5,834,200 new ordinary shares arising from conversion of irredeemable convertible preference shares (“ICPS”) by surrendering 5,834,200 number of ICPS;
- 130,000 new ordinary shares arising from the exercise of Warrants 2011/2021 (“Warrants-A”); and
- 125,000 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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PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING
STANDARDS ("MFRS") 134 ON INTERIM FINANCIAL REPORTING (CONT'D)

A9 INTANGIBLE ASSETS

	As at 31 March 2018 RM'000	As at 31 December 2017 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")	801	808
Less: amortisation to date	(87)	(67)
	714	741

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:-

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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
31 March 2018							
REVENUE AND EXPENSES							
REVENUE							
External sales	-	22,522	5,986	11,965	40,473	(10,541)	29,932
RESULTS							
Operating (loss)/profit	(374)	(1,425)	93	534	(1,172)	-	(1,172)
Finance cost, net	-	(21)	(18)	(5)	(44)	-	(44)
(Loss)/profit before tax	(374)	(1,446)	75	529	(1,216)	-	(1,216)
Taxation	-	-	-	(258)	(258)	-	(258)
(Loss)/profit after tax	(374)	(1,446)	75	271	(1,474)	-	(1,474)
Minority interest	-	84	-	-	84	-	84
Net (loss)/profit attributable to owners of the Company	(374)	(1,362)	75	271	(1,390)	-	(1,390)

ASSETS AND LIABILITIES

Segment assets

Consolidated total assets

	37,093	53,377	17,798	12,280	120,548	(34,616)	85,932
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Segment liabilities

Consolidated total liabilities

	6,522	42,575	3,146	6,065	58,308	(11,559)	46,749
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OTHER INFORMATION

Depreciation & amortisation
Capital expenditure

	-	557	140	9	706	-	706
	-	15	837	-	852	-	852

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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
31 March 2017							
REVENUE AND EXPENSES							
REVENUE							
External sales	-	20,469	7,622	14,501	42,592	(14,929)	27,663
RESULTS							
Operating (loss)/profit	(232)	(287)	392	927	800	-	800
Finance cost, net	(1)	(1)	(9)	(10)	(21)	-	(21)
(Loss)/Profit before tax	(233)	(288)	383	917	779	-	779
Taxation	-	(65)	-	(320)	(385)	-	(385)
(Loss)/Profit after tax	(233)	(353)	383	597	394	-	394
Minority interest	-	131	-	-	131	-	131
Net (loss)/profit attributable to owners of the Company	(233)	(222)	383	597	525	-	525

ASSETS AND LIABILITIES

Segment assets

Consolidated total assets	36,432	44,395	14,866	16,339	112,032	(37,675)	74,357
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Segment liabilities

Consolidated total liabilities	6,741	31,602	2,111	9,980	50,434	(16,805)	33,629
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OTHER INFORMATION

Depreciation & amortisation	3	503	112	11	629	-	629
Capital expenditure	-	917	629	10	1,556	-	1,556

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**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 31 March 2018 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 28 November 2017 entered into a Shareholders Agreement with LE Global Services Sdn. Bhd. (“LGS”), for the proposed disposal of 1,364,000 ordinary shares of RM1 each, representing 40% of total paid-up share capital in a wholly-owned subsidiary namely, Connect Security Solution Sdn. Bhd. (formerly known as Rapid Conn Interconnect (M) Sdn. Bhd.) (“CSS”), for a sale consideration of RM1.

The transfer of shares was completed on 14 February 2018 and it 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 2018.

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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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED
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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

	Individual Quarter		%	Cumulative Quarter		%
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-Date	Preceding Year Corresponding Period	
	31 Mar 2018	31 Mar 2017		31 Mar 2018	31 Mar 2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	29,932	27,663	8.2%	29,932	27,663	8.2%
Operating (loss)/profit	(1,172)	800	-246.5%	(1,172)	800	-246.5%
(Loss)/profit before tax	(1,216)	779	-256.1%	(1,216)	779	-256.1%
(Loss)/profit after tax	(1,474)	394	-474.1%	(1,474)	394	-474.1%
(Loss)/profit attributable to owners of the company	(1,390)	525	-364.8%	(1,390)	525	-364.8%
The following average exchange rates were used in the calculation of currency translation:						
USD:RM				3.9239	4.4460	
RMB:RM				0.6173	0.6454	

Current Quarter vs Preceding Year Corresponding Quarter

Overall Review of Group's Financial Performance

For the current financial period ended 31 March 2018, the Group's revenue and loss before tax were RM29.9 million and RM1.2 million respectively, compared to its preceding year's corresponding period's revenue of RM27.7 million and profit before tax of RM0.8 million.

Segmental Analysis

The Group achieved higher sales in China mainly contributed from two sub-subsidiaries as it only started the operation during the preceding year corresponding period. However, sales from Singapore and USA segment decreased due to the lower sales from key customers and unfavourable average exchange rates used in the calculation of currency translation.

Despite increase in sales and decrease in operating expenses, the Group's recorded loss before tax mainly due to general reduction in selling price, increase in commodities costs and negative impact of changes in foreign currency in inventory

Other income consists mainly of interest income, recovery of goods written off and reversal of impairment loss on trade receivables.

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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)

B2 COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31 Mar 2018	Immediate Preceding Quarter 31 Dec 2017	%
	RM'000	RM'000	
Revenue	29,932	35,486	-15.7%
Operating (loss)/profit	(1,172)	(1,590)	-26.3%
(Loss)/profit before tax	(1,216)	(1,613)	-24.6%
(Loss)/profit after tax	(1,474)	(1,509)	-2.3%
(Loss)/profit attributable to owners of the company	(1,390)	(1,292)	7.6%

In current quarter, the Group recorded a revenue of RM29.9 million and a loss before tax of RM1.2 million as compared to the revenue and loss before tax at RM35.5 million and RM1.6 million respectively for the preceding quarter ended 31 December 2017.

The deduction in revenue was mainly due to lower sales from China despite higher sales from USA and Singapore.

The Group recorded loss before tax mainly due to sales of certain low margin products, general reduction in selling price and negative impact of changes in foreign currency in inventory.

B3 PROSPECTS FOR THE FINANCIAL YEAR 2018

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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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	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Current taxation:				
Domestic	-	-	-	-
Foreign tax	(258)	(385)	(258)	(385)
	(258)	(385)	(258)	(385)
Under provision in prior year:				
Domestic	-	-	-	-
Foreign tax	-	-	-	-
	(258)	(385)	(258)	(385)
Deferred taxation	-	-	-	-
	(258)	(385)	(258)	(385)

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

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

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 24 May 2018, the status of utilisation of proceeds is as follow:

Description	Proposed Utilisation RM'000	Revised Utilisation RM'000	Actual Utilisation as at 24 May 2018 RM'000	Balance RM'000	Intended Timeframe for Utilisation of Proceeds
Capital expenditure	2,500	2,206	815	1,391	¹⁾ Within 24 months
Working capital	6,000	5,294	4,118	1,176	¹⁾ Within 24 months
Investments in similar business / vertical integration	10,975	8,095	²⁾ 8,095	-	Within 36 months
Estimated expenses in relation to corporate exercise	550	651	651	-	Completed
Total	20,025	16,246	13,679	2,567	

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 RM'000	Revised Utilisation RM'000	Actual Utilisation as at 24 May 2018 RM'000
Cable extrusion machine	1,000	882	402
Auto soldering machine	500	441	60
Auto braiding machine	300	265	-
Auto crimping machine	300	265	-
Auto testing machine	400	353	353
Total	2,500	2,206	815
Working Capital	RM'000	RM'000	RM'000
Human resource expenses of the Group, such as salaries and staff welfare	1,500	1,324	809
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	-
	6,000	5,294	4,118

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B6 STATUS OF CORPORATE PROPOSAL (CONT'D)

Investments in Similar Business / Vertical Integration	Proposed Utilisation	Revised Utilisation	Relocation/ Variation	Actual Utilisation as at 24 May 2018
	RM'000	RM'000	RM'000	RM'000
Salaries and staff welfare for new staff required for the vertical integration	1,500	1,106	-	1,106
Purchase of raw materials being the chemical components required to produce plastic resins	3,500	2,582	173	2,755
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	-	8,095

Estimated Expenses Relating to the Corporate Exercise	Proposed Utilisation	Revised Utilisation	Actual Utilisation as at 24 May 2018
	RM'000	RM'000	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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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET (CONT'D)**

B7 GROUP BORROWINGS

The Group's borrowings as at 31 March 2018 are as follows:-

	Short term (Secured) RM'000	Long term (Secured) RM'000	Total RM'000
Hire purchase liabilities	64	448	512

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	Short term (Secured) USD'000	Long term (Secured) USD'000	Total USD'000
Hire purchase liabilities	16	116	132

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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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED
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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)

B10 EARNINGS PER SHARE (“EPS”) / LOSS PER SHARE (“LPS”)

(i) Basic (LPS) / EPS

The basic (loss)/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.

	Quarter Ended		Year to Date	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Net (loss)/profit attributable to shareholders	(1,390)	525	(1,390)	525
Weighted average number of ordinary shares ('000)	327,297	71,364	327,297	71,364
Basic (LPS) / EPS (sen)	(0.42)	0.74	(0.42)	0.74

(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	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Net (loss)/profit attributable to shareholders	(1,390)	525	(1,390)	525
Weighted average number of shares - basic	327,297	71,364	327,297	71,364
Add assuming:				
Conversion of ICPS	*	106,176	*	106,176
Effect of dilution of unexercised Warrant-A	*	40,846	*	40,846
Effect of dilution of unexercised Warrant-B	*	20,023	*	20,023
Weighted average number of shares – diluted	327,297	238,409	327,297	238,409
Diluted (LPS) / EPS (sen)	(0.42)	0.22	(0.42)	0.22

* 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 31 March 2018 as it has an anti-dilution effect.

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REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET (CONT'D)**

B11 NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME

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

	Quarter Ended		Year to Date	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Amortisation	20	7	20	7
Reversal of impairment loss on trade receivables	-	(181)	-	(181)
Depreciation	686	622	686	622
Interest expense	11	2	11	2
Interest income	(31)	(64)	(31)	(64)
Loss on foreign exchange – unrealised	161	148	161	148
Plant and equipment written off	51	-	51	-

B12 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 24 May 2018.

By Order of the Board

Ang Chuang Juay
Executive Deputy Chairman

24 May 2018