



**INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED  
30 JUNE 2018**



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

**INTERIM FINANCIAL STATEMENTS FOR THE  
SECOND QUARTER ENDED 30 JUNE 2018**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30 JUNE 2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUNE 2017 RM'000	CURRENT YEAR- TO-DATE 30 JUNE 2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUNE 2017 RM'000
Revenue	B1	27,090	26,953	57,022	54,616
Cost of sales		(23,373)	(21,508)	(49,534)	(42,750)
<b>Gross profit</b>		<u>3,717</u>	<u>5,445</u>	<u>7,488</u>	<u>11,866</u>
Other income		521	848	893	1,138
Administration expense		(4,163)	(4,361)	(7,935)	(8,509)
Distribution and selling expenses		(1,025)	(1,381)	(2,218)	(2,996)
Other expenses		(199)	(177)	(549)	(325)
<b>(Loss)/profit from operations</b>		<u>(1,149)</u>	<u>374</u>	<u>(2,321)</u>	<u>1,174</u>
Finance costs, net		(72)	(31)	(116)	(52)
<b>(Loss)/profit before tax</b>	B1	<u>(1,221)</u>	<u>343</u>	<u>(2,437)</u>	<u>1,122</u>
Income tax expense	B5	(195)	(256)	(453)	(641)
<b>(Loss)/profit net of tax</b>		<u>(1,416)</u>	<u>87</u>	<u>(2,890)</u>	<u>481</u>
<b>Other comprehensive income/(expenses):</b>					
Foreign currency translation		753	(563)	179	(458)
<b>Total comprehensive (expenses)/income for the period</b>		<u>(663)</u>	<u>(476)</u>	<u>(2,711)</u>	<u>23</u>
<b>(Loss)/profit attributable to:</b>					
Owners of the Company		(1,345)	223	(2,735)	748
Non-controlling interest		(71)	(136)	(155)	(267)
		<u>(1,416)</u>	<u>87</u>	<u>(2,890)</u>	<u>481</u>
<b>Total comprehensive (expenses)/income attributable to:</b>					
Owners of the Company		(596)	(328)	(2,562)	304
Non-controlling interest		(67)	(148)	(149)	(281)
		<u>(663)</u>	<u>(476)</u>	<u>(2,711)</u>	<u>23</u>
<b>(Loss)/earnings per share attributable to owners of the Company (sen)</b>					
- Basic	B10 (i)	<u>(0.41)</u>	<u>0.07</u>	<u>(0.83)</u>	<u>0.25</u>
- Diluted	B10 (ii)	<u>(0.41)</u>	<u>0.05</u>	<u>(0.83)</u>	<u>0.16</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.)

**CONNECTCOUNTY HOLDINGS BERHAD**  
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**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS FOR THE**  
**SECOND QUARTER ENDED 30 JUNE 2018**

<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
	Note	<b>AS AT 30 JUNE 2018 (UNAUDITED) RM'000</b>	<b>AS AT 31 DECEMBER 2017 (AUDITED) RM'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment		10,195	10,876
Intangible assets	A9	688	741
Other investment		1,080	1,080
Deferred tax assets		378	383
		<u>12,341</u>	<u>13,080</u>
<b>Current assets</b>			
Inventories		15,013	19,438
Trade receivables		33,118	33,285
Other receivables		7,945	7,495
Cash and bank balances		9,734	13,789
		<u>65,810</u>	<u>74,007</u>
<b>TOTAL ASSETS</b>		<u>78,151</u>	<u>87,087</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		32,893	32,234
Equity component of irredeemable convertible preference share		10,720	10,864
Warrants reserve		2,034	2,043
Foreign exchange reserve		714	535
Accumulated losses	B11	(8,281)	(5,555)
		<u>38,080</u>	<u>40,121</u>
Non-controlling interests		483	632
<b>Total equity</b>		<u>38,563</u>	<u>40,753</u>
<b>Non-current liabilities</b>			
Borrowings	B7	1,442	77
Liability component of irredeemable convertible preference share		1,373	1,391
		<u>2,815</u>	<u>1,468</u>
<b>Current liabilities</b>			
Borrowings	B7	1,371	77
Trade payables		31,770	37,780
Other payables		3,619	6,511
Tax Payable		13	498
		<u>36,773</u>	<u>44,866</u>
<b>Total liabilities</b>		<u>39,588</u>	<u>46,334</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>78,151</u>	<u>87,087</u>
<b>Net Assets Per Share (RM)</b>		<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.)

**CONNECTCOUNTRY HOLDINGS BERHAD**  
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**INTERIM FINANCIAL STATEMENTS FOR THE  
SECOND QUARTER ENDED 30 JUNE 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	ICPS -		Attributable to Equity Holders of the Parent				Total Equity RM'000
	Share Capital RM'000	equity component RM'000	Warrants Reserve RM'000	Foreign Exchange Reserve RM'000	Accumulated Losses RM'000	Non- controlling Interest RM'000	
At 1 January 2017	28,683	11,102	3,032	1,993	(5,835)	503	39,478
Profit for the period	-	-	-	-	748	(287)	481
Other comprehensive expenses for the period	-	-	-	(444)	-	(14)	(458)
Total comprehensive income	-	-	-	(444)	748	(291)	23
Transactions with owners of the Company	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to: - conversion of ICPS	872	(218)	-	-	-	-	654
- exercise of Warrant - A	1,073	-	-	-	-	-	1,073
- exercise of Warrant - B	1,231	-	(862)	-	862	-	1,231
Reclassification from equity component to liability component	-	20	-	-	-	-	20
Capital contribution by non-controlling interest	-	-	-	(14)	-	483	469
Total transactions with owners of the Company	3,176	(198)	(862)	(14)	862	483	3,447
At 30 June 2017	31,859	10,904	2,170	1,535	(4,225)	705	42,948

At 1 January 2018

Loss for the period

Other comprehensive income  
for the period

Total comprehensive expenses

Transactions with owners of the  
Company

Issuance of ordinary shares pursuant to:  
- conversion of ICPS

- exercise of Warrant - A

- exercise of Warrant - B

Effects on deferred tax asset on  
conversion of ICPS

Reclassification from equity component  
to liability component

Capital contribution by non-controlling  
interest

Total transactions with owners of the  
Company

At 30 June 2018

At 1 January 2018	32,234	10,864	2,043	535	(5,555)	632	40,753
Loss for the period	-	-	-	-	(2,735)	(155)	(2,890)
Other comprehensive income for the period	-	-	-	173	-	6	179
Total comprehensive expenses	-	-	-	173	(2,735)	(149)	(2,711)
Transactions with owners of the Company	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to: - conversion of ICPS	633	(158)	-	-	-	-	475
- 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	-	18	-	-	-	-	18
Capital contribution by non-controlling interest	-	-	-	6	-	-	6
Total transactions with owners of the Company	659	(144)	(9)	6	9	521	521
At 30 June 2018	32,893	10,720	2,034	714	(8,281)	483	38,553

(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**  
**SECOND QUARTER ENDED 30 JUNE 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>CURRENT YEAR-TO-DATE 30 JUNE 2018 RM'000</b>	<b>PRECEDING YEAR CORRESPONDING CUMULATIVE PERIOD 30 JUNE 2017 RM'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before tax	(2,437)	1,122
Adjustments for:		
Amortisation of intangible asset	40	28
Depreciation of plant and equipment	1,378	1,280
Loss/(Gain) on disposal of plant and equipment	96	(25)
Loss on foreign exchange- unrealised	335	295
Interest expenses	41	5
Interest income	(62)	(105)
Reversal of impairment loss on trade receivables	-	(479)
Plant and equipment written off	51	-
Operating (loss)/profit before working capital changes	(558)	2,121
Changes in working capital:		
Inventories	4,206	(3,301)
Receivables	(1,257)	1,350
Payables	(8,058)	1,162
Cash (used in)/generated from operations	(5,667)	1,332
Interest paid	(41)	(5)
Tax paid	(937)	(705)
<b>Net cash (used in)/generated from operating activities</b>	<b>(6,645)</b>	<b>622</b>
<b>Cash flows from investing activities</b>		
Interest received	61	105
Proceeds from disposal of plant and equipment	454	274
Purchase of intangible asset	-	(760)
Purchase of plant and equipment	(201)	(3,132)
<b>Net cash generated from/(used in) investing activities</b>	<b>314</b>	<b>(3,513)</b>
<b>Cash flows from financing activities</b>		
Non-controlling interest arising from investment in subsidiaries	-	483
Proceeds from issuance of ordinary shares pursuant to conversion of ICP:	633	654
Proceeds from issue of shares upon exercise of warrants	26	2,304
Proceeds from finance lease	1,831	-
Conversion of ICPS expenses	(158)	(218)
Repayment of finance lease	(729)	(38)
<b>Net cash generated from financing activities</b>	<b>1,603</b>	<b>3,186</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,728)</b>	<b>294</b>
<b>Effects of exchange rate changes</b>	<b>673</b>	<b>130</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>13,789</b>	<b>14,607</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>9,734</b>	<b>15,031</b>
<b>Cash and cash equivalents are represented by</b>		
Cash and at bank balances	9,734	15,031
	<u>9,734</u>	<u>15,031</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 SECOND QUARTER ENDED**  
**30 JUNE 2018**

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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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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED**  
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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 329,140,725 by way of allotment and issuance of:

- 6,541,300 new ordinary shares arising from conversion of irredeemable convertible preference shares ("ICPS") by surrendering 6,541,300 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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**CONNECTCOUNTY HOLDINGS BERHAD ("CONNECT" or the "Company")**  
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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**

	<b>As at 30 June 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
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")	794	808
Less: amortisation to date	(106)	(67)
	<b>688</b>	<b>741</b>

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
<b>30 June 2018</b>							
<b>REVENUE AND EXPENSES</b>							
REVENUE							
External sales	100	41,202	9,446	23,200	73,948	(16,926)	57,022
<b>RESULTS</b>							
Operating (loss)/profit	(629)	(3,197)	(83)	1,588	(2,321)	-	(2,321)
Finance cost, net	(1)	(74)	(31)	(10)	(116)	-	(116)
(Loss)/profit before tax	(630)	(3,271)	(114)	1,578	(2,437)	-	(2,437)
Taxation	-	-	-	(453)	(453)	-	(453)
(Loss)/profit after tax	(630)	(3,271)	(114)	1,125	(2,890)	-	(2,890)
Minority interest	-	155	-	-	155	-	155
Net (loss)/profit attributable to owners of the Company	(630)	(3,116)	(114)	1,125	(2,735)	-	(2,735)
<b>ASSETS AND LIABILITIES</b>							
<b>Segment assets</b>							
Consolidated total assets	37,330	49,532	18,393	12,495	117,750	(39,599)	78,151
<b>Segment liabilities</b>							
Consolidated total liabilities	6,976	40,532	3,269	5,353	56,130	(16,542)	39,588
<b>OTHER INFORMATION</b>							
Depreciation & amortisation	8	1,118	275	17	1,418	-	1,418
Capital expenditure	420	158	875	1	1,454	-	1,454

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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
<b>30 June 2017</b>							
<b>REVENUE AND EXPENSES</b>							
<b>REVENUE</b>							
External sales	-	41,814	14,653	27,296	83,763	(29,147)	54,616
<b>RESULTS</b>							
Operating (loss)/profit	(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
<b>ASSETS AND LIABILITIES</b>							
<b>Segment assets</b>							
Consolidated total assets	38,787	43,786	16,246	16,141	114,960	(40,245)	74,715
<b>Segment liabilities</b>							
Consolidated total liabilities	6,761	30,990	735	9,554	48,040	(16,273)	31,767
<b>OTHER INFORMATION</b>							
Depreciation & amortisation	7	1,041	238	22	1,308	-	1,308
Capital expenditure	1	1,972	1,141	18	3,132	-	3,132

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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 30 June 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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**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	
	30 June 2018	30 June 2017		30 June 2018	30 June 2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	27,090	26,953	0.5%	57,022	54,616	4.4%
Operating (loss)/profit	(1,149)	374	-407.2%	(2,321)	1,174	-297.7%
(Loss)/profit before tax	(1,221)	343	-456.0%	(2,437)	1,122	-317.2%
(Loss)/profit after tax	(1,416)	87	-1,727.6%	(2,890)	481	-700.8%
(Loss)/profit attributable to owners of the company	(1,345)	223	-703.1%	(2,735)	748	-465.6%
The following average exchange rates were used in the calculation of currency translation:						
USD:RM				3.9377	4.3897	
RMB:RM				0.6184	0.6385	

**Current Year-To-Date vs Preceding Year Corresponding Period**

**Overall Review of Group's Financial Performance**

For the current financial period ended 30 June 2018 the Group's revenue and loss before tax were RM57 million and RM2.4 million, compared to its preceding year's corresponding period's revenue and profit before tax of RM54.6 million and RM1.1 million respectively.

**Segmental Analysis**

The Group recorded higher sales from China segment in local market mainly by subsidiaries. However, revenue was offset by Singapore and USA segment due to the lower sales from key customers and unfavourable average exchange rates used in the calculation of currency translation. The Group started its cybersecurity operation and generated sales in current quarter.

The Group's recorded loss before tax in current financial period due to the reasons mentioned above and general reduction in selling price. In order to improve the performance, we started to implement further cost saving activities.

Other income mainly consists of interest income, rental income and the recovery of bad debts and stock loss.

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

**Current Quarter vs Preceding Year Corresponding Quarter**

Overall Review of Group’s Financial Performance

In the current quarter under review, the Group’s revenue and loss before tax were RM27.1 million and RM1.2 million respectively, compared to its preceding year’s corresponding quarter’s revenue of RM27.0 million and marginal profit before tax of RM0.3 million.

Segmental Analysis

The Group recorded higher sales from China segment. However, Singapore and USA segment sales reduced mainly due to lower sales from key customers and unfavourable average exchange rates used in the calculation of currency translation, except from cybersecurity operation in Malaysia which it started operation in current quarter.

The Group’s recorded loss before tax in current financial period due to the reasons mentioned above and general reduction in selling price.

Other income mainly consists of interest income, rental income and the recovery of bad debts and stock loss.

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

	<b>Current Quarter 30 June 2018</b>	<b>Immediate Preceding Quarter 31 Mar 2018</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>	
Revenue	27,090	29,932	-9.5%
Operating loss	(1,149)	(1,172)	-2.0%
Loss before tax	(1,221)	(1,216)	0.4%
Loss after tax	(1,416)	(1,474)	-3.9%
Loss attributable to owners of the company	(1,345)	(1,390)	-3.2%

In current quarter, the Group recorded a revenue of RM27.1 million and a loss before tax of RM1.2 million as compared to the revenue and loss before tax at RM29.9 million and RM1.2 million respectively for the preceding quarter ended 31 March 2018.

The reduction in revenue was recorded from all segments especially from China.

The Group recorded loss before tax mainly due to the reduction in sales and general reduction in selling price.

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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)**

**B3 PROSPECTS FOR THE FINANCIAL YEAR 2018**

It will be a challenging year for the Company as we are exposing to external risks in global supply chain particularly due to the recent international trade war tensions between the world's two largest economies. It resulted in certain customers who are pushing back orders due to increase in tariffs couple with increase in basic pay and rental in China.

Nevertheless, 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.

**B5 TAXATION**

	Quarter Ended		Year to Date	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Current taxation:				
Domestic	-	-	-	-
Foreign tax	(249)	(306)	(507)	(691)
	(249)	(306)	(507)	(691)
Under provision in prior year:				
Domestic	-	-	-	-
Foreign tax	54	50	54	50
	(195)	(256)	(453)	(641)
Deferred taxation	-	-	-	-
	<b>(195)</b>	<b>(256)</b>	<b>(453)</b>	<b>(641)</b>

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

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**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.

As at 27 August 2018, the status of utilisation of proceeds is as follow:

Description	Proposed Utilisation RM'000	Revised Utilisation RM'000	Actual Utilisation as at 27 August 2018 RM'000	Balance RM'000	Intended Timeframe for Utilisation of Proceeds
Capital expenditure	2,500	2,206	815	1,391	<sup>1)</sup> Within 24 months
Working capital	6,000	5,294	4,118	1,176	<sup>1)</sup> Within 24 months
Investments in similar business / vertical integration	10,975	8,095	<sup>2)</sup> 8,095	-	Within 36 months
Estimated expenses in relation to corporate exercise	550	651	651	-	Completed
<b>Total</b>	<b>20,025</b>	<b>16,246</b>	<b>13,679</b>	<b>2,567</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)**

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)**

<b>Capital Expenditure</b>	<b>Proposed Utilisation</b>	<b>Revised Utilisation</b>	<b>Actual Utilisation as at 27 August 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
<b>Total</b>	<b>2,500</b>	<b>2,206</b>	<b>815</b>
<b>Working Capital</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	-
	<b>6,000</b>	<b>5,294</b>	<b>4,118</b>

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

<b>Investments in Similar Business / Vertical Integration</b>	<b>Proposed Utilisation RM'000</b>	<b>Revised Utilisation RM'000</b>	<b>Relocation/ Variation RM'000</b>	<b>Actual Utilisation as at 27 August 2018 RM'000</b>
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
	<b>10,975</b>	<b>8,095</b>	<b>-</b>	<b>8,095</b>

<b>Estimated Expenses Relating to the Corporate Exercise</b>	<b>Proposed Utilisation RM'000</b>	<b>Revised Utilisation RM'000</b>	<b>Actual Utilisation as at 27 August 2018 RM'000</b>
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>

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**B7 GROUP BORROWINGS**

The Group's borrowings as at 30 June 2018 are as follows:-

	<b>Short term (Secured) RM'000</b>	<b>Long term (Secured) RM'000</b>	<b>Total RM'000</b>
China Renminbi	1,239	678	1,917
Ringgit Malaysia	65	313	378
Singapore Dollar	67	451	518
	<b>1,371</b>	<b>1,442</b>	<b>2,813</b>

**DENOMINATED IN FOREIGN CURRENCY**

	<b>Short term (Secured) '000</b>	<b>Long term (Secured) '000</b>	<b>Total '000</b>
China Renminbi	2,030	1,110	3,140
Ringgit Malaysia	65	313	378
Singapore Dollar	16	112	128

**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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**CONNECTCOUNTRY HOLDINGS BERHAD ("CONNECT" or the "Company")**  
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**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	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Net (loss)/profit attributable to shareholders	(1,345)	223	(2,735)	748
Weighted average number of ordinary shares ('000)	328,934	306,400	328,120	297,958
<b>Basic (LPS) / EPS (sen)</b>	<b>(0.41)</b>	<b>0.07</b>	<b>(0.83)</b>	<b>0.25</b>

**(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 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Net (loss)/profit attributable to shareholders	(1,345)	223	(2,735)	748
Weighted average number of shares - basic	328,934	306,400	328,120	297,958
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	328,934	477,068	328,120	469,371
<b>Diluted (LPS) / EPS (sen)</b>	<b>(0.41)</b>	<b>0.05</b>	<b>(0.83)</b>	<b>0.16</b>

\* 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 2018 as it has an anti-dilution effect.

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**B11 NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME**

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

	Quarter Ended		Year to Date	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Amortisation	20	21	40	28
Depreciation	692	658	1,378	1,280
(Gain)/Loss on disposal of plant and equipment	-	(25)	96	(25)
Loss on foreign exchange – unrealised	174	147	335	295
Interest expense	30	3	41	5
Interest income	(31)	(41)	(62)	(105)
Reversal of impairment loss on trade receivables	-	(298)	-	(479)
Plant and equipment written off	-	-	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 27 August 2018.

By Order of the Board

Ang Chuang Juay  
 Executive Deputy Chairman

27 August 2018