



**INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**



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

INTERIM FINANCIAL STATEMENTS FOR THE
FOURTH QUARTER ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 DECEMBER 2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 DECEMBER 2017 RM'000	CURRENT YEAR-TO-DATE 31 DECEMBER 2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 DECEMBER 2017 RM'000
Revenue	B1	18,392	35,518	99,608	122,163
Cost of sales		(15,712)	(31,731)	(85,623)	(100,221)
Gross profit		<u>2,680</u>	<u>3,787</u>	<u>13,985</u>	<u>21,942</u>
Other income		1,331	105	2,566	1,408
Administration expense		(3,667)	(3,923)	(15,241)	(16,726)
Distribution and selling expenses		(923)	(1,387)	(4,060)	(5,817)
Other expenses		(5,568)	(172)	(6,518)	(646)
(Loss)/profit from operations		<u>(6,147)</u>	<u>(1,590)</u>	<u>(9,268)</u>	<u>161</u>
Finance costs, net		(200)	(23)	(474)	(109)
Share of loss of associate		(215)	-	(215)	-
(Loss)/profit before tax	B1	<u>(6,562)</u>	<u>(1,613)</u>	<u>(9,957)</u>	<u>52</u>
Income tax expense	B5	190	104	(311)	(786)
Loss net of tax		<u>(6,372)</u>	<u>(1,509)</u>	<u>(10,268)</u>	<u>(734)</u>
Other comprehensive (expenses)/income:					
Foreign currency translation		(3,503)	(711)	(2,913)	(1,457)
Total comprehensive expenses for the period		<u>(9,875)</u>	<u>(2,220)</u>	<u>(13,181)</u>	<u>(2,191)</u>
Loss attributable to:					
Owners of the Company		(5,921)	(1,292)	(9,527)	(231)
Non-controlling interest		(451)	(217)	(741)	(503)
		<u>(6,372)</u>	<u>(1,509)</u>	<u>(10,268)</u>	<u>(734)</u>
Total comprehensive (expenses)/income attributable to:					
Owners of the Company		(6,776)	(2,004)	(9,805)	(1,678)
Non-controlling interest		(3,099)	(216)	(3,376)	(513)
		<u>(9,875)</u>	<u>(2,220)</u>	<u>(13,181)</u>	<u>(2,191)</u>
Loss per share attributable to owners of the Company (sen)					
- Basic	B10 (i)	<u>(1.80)</u>	<u>(0.40)</u>	<u>(2.90)</u>	<u>(0.23)</u>
- Diluted	B10 (ii)	<u>(1.80)</u>	<u>(0.40)</u>	<u>(2.90)</u>	<u>(0.23)</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

	Note	AS AT 31 DECEMBER 2018 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2017 (AUDITED) RM'000
ASSETS			
Non-current assets			
Plant and equipment		3,315	10,876
Intangible assets	A9	-	741
Other investment		1,080	1,080
Deferred tax assets		374	383
Investment in associate		438	-
		<u>5,207</u>	<u>13,080</u>
Current assets			
Inventories		8,095	19,438
Trade receivables		12,266	33,285
Other receivables		9,732	7,495
Cash and bank balances		11,956	13,789
		<u>42,049</u>	<u>74,007</u>
TOTAL ASSETS		<u><u>47,256</u></u>	<u><u>87,087</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		32,930	32,234
Equity component of irredeemable convertible preference share		10,725	10,864
Warrants reserve		2,034	2,043
Foreign exchange reserve		748	536
Accumulated losses	B11	<u>(13,164)</u>	<u>(5,555)</u>
		33,273	40,122
Non-controlling interests		<u>(2,378)</u>	<u>632</u>
Total equity		<u><u>30,895</u></u>	<u><u>40,754</u></u>
Non-current liabilities			
Borrowings	B7	690	77
Liability component of irredeemable convertible preference share		1,353	1,391
		<u>2,043</u>	<u>1,468</u>
Current liabilities			
Borrowings	B7	136	77
Trade payables		10,425	37,780
Other payables		3,757	6,510
Tax Payable		-	498
		<u>14,318</u>	<u>44,865</u>
Total liabilities		<u><u>16,361</u></u>	<u><u>46,333</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>47,256</u></u>	<u><u>87,087</u></u>
Net Assets Per Share (RM)		<u><u>0.09</u></u>	<u><u>0.13</u></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.)

INTERIM FINANCIAL STATEMENTS FOR THE
FOURTH QUARTER ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent						Total Equity RM'000	
	Share Capital RM'000	ICPS - equity component RM'000	Warrants Reserve RM'000	Foreign Exchange Reserve RM'000	Accumulated Losses RM'000	Total RM'000		
At 1 January 2017	28,683	11,102	3,032	1,993	(5,835)	38,975	503	39,478
Loss for the year	-	-	-	-	(231)	(231)	(503)	(734)
Other comprehensive expenses for the year	-	-	-	(1,447)	-	(1,447)	(10)	(1,457)
Total comprehensive income	-	-	-	(1,447)	(231)	(1,678)	(513)	(2,191)
Transactions with owners of the Company								
Issuance of ordinary shares pursuant to : - conversion of ICPS	1,046	(262)	-	-	-	784	-	784
- exercise of Warrant - A	1,092	-	-	-	-	1,092	-	1,092
- exercise of Warrant - B	1,413	-	(989)	-	989	1,413	-	1,413
Effects on deferred tax asset on conversion of ICPS	-	(7)	-	-	-	(7)	-	(7)
Reclassification from equity component to liability component	-	31	-	-	-	31	-	31
Dividends	-	-	-	-	(478)	(478)	-	(478)
Capital contribution by non-controlling interest	-	-	-	(10)	-	(10)	642	632
Total transactions with owners of the Company	3,551	(238)	(989)	(10)	511	2,825	642	3,467
At 31 December 2017	<u>32,234</u>	<u>10,864</u>	<u>2,043</u>	<u>536</u>	<u>(5,555)</u>	<u>40,122</u>	<u>632</u>	<u>40,754</u>
At 1 January 2018 - MFRS 9	32,234	10,864	2,043	536	(5,555)	40,122	632	40,754
Loss for the year	-	-	-	-	(115)	(115)	-	(115)
Other comprehensive income for the year	-	-	-	-	(9,527)	(9,527)	(741)	(10,268)
Total comprehensive expenses	-	-	-	(278)	-	(278)	(2,635)	(2,913)
Transactions with owners of the Company								
Issuance of ordinary shares pursuant to : - conversion of ICPS	670	(168)	-	-	-	502	-	502
- exercise of Warrant - A	13	-	-	-	-	13	-	13
- exercise of Warrant - B	13	-	(9)	9	-	13	-	13
Effects on deferred tax asset on conversion of ICPS	-	(9)	-	-	-	(9)	-	(9)
Reclassification from equity component to liability component	-	38	-	-	-	38	-	38
Disposal of a subsidiary	-	-	-	3,125	2,024	5,149	-	5,149
Capital contribution by non-controlling interest	-	-	-	(2,635)	-	(2,635)	366	(2,269)
Total transactions with owners of the Company	696	(139)	(9)	490	2,033	3,071	366	3,437
At 31 December 2018	<u>32,930</u>	<u>10,725</u>	<u>2,034</u>	<u>748</u>	<u>(13,164)</u>	<u>33,273</u>	<u>(2,378)</u>	<u>30,895</u>

(The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial statements.)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT YEAR-TO-DATE 31 DECEMBER 2018 RM'000	PRECEDING YEAR CORRESPONDING CUMULATIVE PERIOD 31 DECEMBER 2017 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(9,957)	52
Adjustments for:		
Allowance for impairment loss on trade receivables	629	-
Allowance for impairment loss on other receivables	1,839	-
Amortisation of intangible asset	73	69
Depreciation of plant and equipment	1,692	2,800
Gain on derecognition of subsidiary	(1,002)	-
Loss/(Gain) on disposal of plant and equipment	98	(49)
Loss on foreign exchange- unrealised	467	568
Intangible asset written off	655	-
Interest expenses	316	9
Interest income	(110)	(205)
Reversal of impairment loss on trade receivables	-	(477)
Share of loss in associate	215	-
Plant and equipment written off	2,457	1
Operating (loss)/profit before working capital changes	(2,628)	2,768
Changes in working capital:		
Inventories	11,141	(7,480)
Receivables	14,700	(10,953)
Payables	(28,800)	17,365
Cash (used in)/generated from operations	(5,587)	1,700
Interest paid	(44)	(9)
Tax paid	(809)	(354)
Net cash (used in)/generated from operating activities	(6,440)	1,337
Cash flows from investing activities		
Acquisition of other investment	-	(1,080)
Interest received	110	205
Proceeds from decognition of subsidiary	1,950	-
Proceeds from disposal of plant and equipment	452	65
Purchase of intangible asset	-	(808)
Purchase of plant and equipment	(306)	(3,935)
Net cash generated from/(used in) investing activities	2,206	(5,553)
Cash flows from financing activities		
Non-controlling interest arising from investment in subsidiaries	-	642
Proceeds from issuance of ordinary shares pursuant to conversion of ICPS	671	1,046
Proceeds from issue of shares upon exercise of warrants	26	2,505
Proceeds from finance lease	-	-
Conversion of ICPS expenses	(168)	(261)
Dividend paid	-	(479)
Repayment of finance lease	(614)	(88)
Net cash (used in)/generated from financing activities	(85)	3,365
Net decrease in cash and cash equivalents	(4,319)	(851)
Effects of exchange rate changes	2,487	33
Cash and cash equivalents at beginning of the financial year	13,788	14,607
Cash and cash equivalents at end of the financial year	11,956	13,789
Cash and cash equivalents are represented by		
Cash and at bank balances	11,956	13,789
	<u>11,956</u>	<u>13,789</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 FOURTH QUARTER ENDED
31 DECEMBER 2018

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, except derecognition of subsidiary to associate company. The details are disclosed in Note A13.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH 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 329,304,925 by way of allotment and issuance of:

- 6,705,500 new ordinary shares arising from conversion of irredeemable convertible preference shares (“ICPS”) by surrendering 6,705,500 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 December 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")	781	808
Less: amortisation to date	(73)	(67)
	708	741
Less: written off	(655)	-
Exchange Differences	(53)	-
	-	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 December 2018							
REVENUE							
External sales	200	68,979	17,353	37,301	123,833	(24,225)	99,608

RESULTS

Operating (loss)/profit	(954)	(8,006)	(1,342)	1,034	(9,268)	-	(9,268)
Finance cost, net	(14)	(382)	(57)	(21)	(474)	-	(474)
Share of loss of associate	-	(215)	-	-	(215)	-	(215)
(Loss)/profit before tax	(968)	(8,603)	(1,399)	1,013	(9,957)	-	(9,957)
Taxation	-	-	-	(311)	(311)	-	(311)
(Loss)/profit after tax	(968)	(8,603)	(1,399)	702	(10,268)	-	(10,268)
Minority interest	-	761	-	-	761	(20)	741
Net (loss)/profit attributable to owners of the Company	(968)	(7,842)	(1,399)	702	(9,507)	(20)	(9,527)

ASSETS AND LIABILITIES

Segment assets

Consolidated total assets	37,124	20,049	18,077	8,951	84,201	(36,945)	47,256
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Segment liabilities

Consolidated total liabilities	7,064	16,858	3,922	2,299	30,143	(13,782)	16,361
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OTHER INFORMATION

Depreciation & amortisation	30	1,149	550	36	1,765	-	1,765
Capital expenditure	420	261	895	3	1,579	-	1,579

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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 December 2017							
REVENUE AND EXPENSES							
REVENUE							
External sales	-	99,924	26,790	51,715	178,429	(56,266)	122,163
RESULTS							
Operating (loss)/profit	(2,106)	(554)	1,269	389	(1,002)	1,163	161
Finance cost, net	(1)	(37)	(39)	-	(109)	-	(109)
(Loss)/Profit before tax	(2,107)	(591)	1,230	357	(1,111)	1,163	52
Taxation	-	(350)	-	(436)	(786)	-	(786)
(Loss)/Profit after tax	(2,107)	(941)	1,230	(79)	(1,897)	1,136	(734)
Minority interest	-	503	-	-	503	-	503
Net (loss)/profit attributable to owners of the Company	(2,107)	(438)	1,230	(79)	(1,394)	1,136	(231)
ASSETS AND LIABILITIES							
Segment assets							
Consolidated total assets	37,045	57,213	15,881	15,740	125,879	(38,792)	87,087
Segment liabilities							
Consolidated total liabilities	6,576	44,958	618	9,857	62,009	(15,676)	46,333
OTHER INFORMATION							
Depreciation & amortisation	16	2,104	542	138	2,800	-	2,800
Capital expenditure	5	2,534	1,336	60	3,935	-	3,935

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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 December 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 ended 31 December 2018.

2. The Company wholly-owned subsidiary, Rapid Conn (Shenzhen) Co. Ltd. (“RCC”) had disposed of 31% of the equity interests in Shenzhen Rapid Power Co. Ltd. (“Rapid Power”), representing 2,325,000 ordinary shares of RMB1/- each to existing minority shareholder for a total disposal consideration of RMB2,325,000/- (Ren Min Bi: Two Million Three Hundred and Twenty-Five Thousand) only (“Partial Disposal” or “Transfer of Shares”).

The Transfer of Shares was approved by the State Administration of Industry and Commerce (“SAIC”) of the People’s Republic of China on 8 January 2019 and the notification on the approval was received by RCC on 9 January 2019.

Consequential to the completion of Partial Disposal, Rapid Power will cease as an indirect subsidiary of Connect and in turn becomes an associate company of Connect 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 ended 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	
	31 December 2018	31 December 2017		31 December 2018	31 December 2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	18,392	35,518	-48.2%	99,608	122,163	-18.5%
Operating (loss)/profit	(6,147)	(1,590)	286.6%	(9,268)	161	-5856.5%
(Loss)/profit before tax	(6,562)	(1,613)	306.8%	(9,957)	52	-19248.1%
(Loss) after tax	(6,372)	(1,509)	322.3%	(10,268)	(734)	1298.9%
(Loss) attributable to owners of the company	(5,921)	(1,292)	358.3%	(9,527)	(231)	4024.2%
The following average exchange rates were used in the calculation of currency translation:						
				4.0351	4.3004	
				0.6104	0.6363	

Current Year-To-Date vs Preceding Year Corresponding Period

Overall Review of Group's Financial Performance

For the current financial period ended 31 December 2018 the Group's revenue and loss before tax were RM99.6 million and RM9.96 million, compared to its preceding year's corresponding period's revenue and profit before tax of RM122.2 million and RM0.05 million respectively.

Segmental Analysis

The Group recorded lower sales from all segments due to the lower sales from key customers, general reduction in selling price and unfavourable average exchange rates used in the calculation of currency translation. The Group started its cybersecurity operation in Malaysia in current financial period.

The Group's recorded loss before tax in current financial period due to the reasons mentioned above—and other operating expenses including Impairment on trade and others receivables based on expected credit loss. Despite implementation of further cost saving, the results were also affected by one-off events such as corporate exercise fees and other expenses below:

- Write off of equipment related to certain supplies which reached the final phase of the projects, and certain assets damaged beyond repair.
- Write off assets related to thermoplastic elastomers production which ceased operation because of the loss of customer and stringent environmental requirements imposed,
- Total one-off other expenses amounted to approximately RM5.1 million.

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Segmental Analysis (cont'd)

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

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 RM18.4 million and RM6.5 million respectively, compared to its preceding year's corresponding quarter's revenue of RM35.5 million and marginal loss before tax of RM1.6 million.

Segmental Analysis

The Group recorded lower sales from all segments due to the lower sales from key customers, general reduction in selling price and unfavourable average exchange rates used in the calculation of currency translation.

The Group's recorded loss before tax in current financial period due to the same reasons mentioned above.

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

B2 COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter	Immediate Preceding Quarter	%
	31 December 2018	30 September 2018	
	RM'000	RM'000	
Revenue	18,392	24,194	-24.0%
Operating loss	(6,147)	(800)	668.4%
Loss before tax	(6,562)	(958)	585.0%
Loss after tax	(6,372)	(1,006)	533.4%
Loss attributable to owners of the company	(5,921)	(871)	579.8%

In current quarter, the Group recorded a revenue of RM18.4 million and a loss before tax of RM6.5 million as compared to the revenue and loss before tax at RM24.2 million and RM1.0 million respectively for the preceding quarter ended 31 September 2018.

The reduction in revenue recorded in all segments and the Group recorded loss before tax due to the same reasons mentioned above.

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B3 PROSPECTS FOR THE FINANCIAL YEAR 2019

It will be a challenging year for the Company as we are continuing to expose to external risks in global supply chain such as international trade war tensions. It resulted in certain customers who are pushing back orders due to the risk in tariffs hike. Other risks affected are increase in operating cost in basic pay and rental expenses particularly 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. The Group is also exploring the possibilities to reduce risk in supply chain such as relocation of production plants.

In addition to implementing cost-savings strategies, the Group intends to increase its overall results via vertical integration with Shenzhen Rapid Power Co. Ltd. ("RCP") (high-end cable extrusion) who 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	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Current taxation:				
Domestic	-	-	-	-
Foreign tax	190	(104)	(366)	(836)
	190	(104)	(366)	(836)
Under provision in prior year:				
Domestic	-	-	-	-
Foreign tax	-	-	55	50
	190	(104)	(311)	(786)
Deferred taxation	-	-	-	-
	190	(104)	(311)	(786)

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 proposed utilisation of proceeds was set out in the Circular to shareholders dated 17 May 2016.⁽¹⁾

Upon the completion of Right Issue, the Company raised actual total gross proceeds of RM16,245,540 and the utilisation of which has been revised accordingly.⁽²⁾

As at 28 February 2019, the Company has completed the utilisation of proceeds. The status are as follow:-

Description	Proposed Utilisation ⁽¹⁾ RM'000	Revised Utilisation ⁽²⁾ RM'000	Actual Utilisation as at 28 February 2019 RM'000	Balance RM'000	Intended Timeframe for Utilisation of Proceeds
Capital expenditure	2,500	2,206	2,206	-	Completed
Working capital	6,000	5,294	5,294	-	Completed
Investments in similar business / vertical integration	10,975	8,095	⁽³⁾ 8,095	-	Completed
Estimated expenses in relation to corporate exercise	550	651	651	-	Completed
Total	20,025	16,246	16,246	-	

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B6 STATUS OF CORPORATE PROPOSAL (CONT'D)

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

The Board had also on 28 July 2017 resolved to vary the estimated breakdown of utilisation (“Proposed Variation”), subsequent to the announcement dated 24 July 2017 on the execution of Series A Voting Common Stock Subscription Agreement (“Agreement”) with NetObjex, Inc. (“NOI”), a Delaware Corporation. The Agreement was executed after the announcement dated 19 July 2017 that a Letter of Intent was entered on 17 July 2017 to subscribe (“Proposed Subscription”) 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.

The Proposed Variation was mainly due to the requirement of additional time for stabilisation and expansion of the businesses of the Company.⁽³⁾

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 28 February 2019 RM’000
Cable extrusion machine	1,000	882	882
Auto soldering machine	500	441	441
Auto braiding machine	300	265	265
Auto crimping machine	300	265	265
Auto testing machine	400	353	353
Total	2,500	2,206	2,206
Working Capital	RM’000	RM’000	RM’000
Human resource expenses of the Group, such as salaries and staff welfare	1,500	1,324	1,324
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	661	661
	6,000	5,294	5,294

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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⁽³⁾ RM'000	Actual Utilisation as at 28 February 2019 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 RM'000	Revised Utilisation RM'000	Actual Utilisation as at 28 February 2019 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 31 December 2018 are as follows:-

	Short term (Secured) RM'000	Long term (Secured) RM'000	Total RM'000
Ringgit Malaysia	67	279	346
Singapore Dollar	69	411	480
	<u>136</u>	<u>690</u>	<u>826</u>

**DENOMINATED IN FOREIGN
CURRENCY**

	Short term (Secured) '000	Long term (Secured) '000	Total '000
Ringgit Malaysia	67	279	346
Singapore Dollar	17	99	116

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 (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 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Net loss attributable to shareholders	(5,921)	(1,292)	(9,527)	(231)
Preference share dividend on ICPS	-	-	-	(478)
	(5,921)	(1,292)	(9,527)	(709)
Weighted average number of ordinary shares ('000)	329,305	322,159	328,681	310,046
Basic LPS (sen)	(1.80)	(0.40)	(2.90)	(0.23)

(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 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Net loss attributable to shareholders	(5,921)	(1,292)	(9,527)	(709)
Weighted average number of shares - basic	329,305	322,159	328,681	310,046
Add assuming:				
Conversion of ICPS	*	*	*	*
Effect of dilution of unexercised Warrant-A	*	*	*	*
Effect of dilution of unexercised Warrant-B	*	*	*	*
Weighted average number of shares – diluted	329,305	322,159	328,681	310,046
Diluted LPS (sen)	(1.80)	(0.40)	(2.90)	(0.23)

* 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 December 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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment loss on trade receivables	598	-	629	-
Allowance for impairment loss on other receivables	1,839	-	1,839	-
Amortisation	13	28	73	69
Depreciation	(365)	817	1,692	2,800
Gain on derecognition of subsidiary	(1,002)	-	(1,002)	-
Loss/(Gain) on disposal of plant and equipment	1	(15)	98	(49)
Intangible asset written off	655	-	655	-
Loss on foreign exchange – unrealised	(57)	157	467	568
Interest expense	133	2	316	9
Interest income	(22)	(53)	(110)	(205)
Reversal of impairment loss on trade receivables	-	2	-	(477)
Plant and equipment written off	2,404	-	2,457	1

B12 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issuance on 28 February 2019 by the Board in accordance with a resolution passed by the directors.

By Order of the Board

Ang Chuang Juay
Executive Deputy Chairman

28 February 2019