



**INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 JUNE 2019**



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

**INTERIM FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED 30 JUNE 2019**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30 JUNE 2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUNE 2018 RM'000	CURRENT YEAR- TO-DATE 30 JUNE 2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUNE 2018 RM'000
Revenue	B1	12,149	27,090	25,810	57,022
Cost of sales		(10,274)	(23,373)	(21,397)	(49,534)
Gross profit		<u>1,875</u>	<u>3,717</u>	<u>4,413</u>	<u>7,488</u>
Other income		287	521	740	893
Administration expense		(3,721)	(4,163)	(6,342)	(7,935)
Distribution and selling expenses		(798)	(1,025)	(1,689)	(2,218)
Other expenses		(153)	(199)	(169)	(549)
Loss from operations		<u>(2,510)</u>	<u>(1,149)</u>	<u>(3,047)</u>	<u>(2,321)</u>
Finance costs, net		(150)	(72)	(324)	(116)
Share of loss of associate		(173)	-	(307)	-
Loss before tax	B1	<u>(2,833)</u>	<u>(1,221)</u>	<u>(3,678)</u>	<u>(2,437)</u>
Income tax expense	B5	(2)	(195)	(3)	(453)
Loss net of tax		<u>(2,835)</u>	<u>(1,416)</u>	<u>(3,681)</u>	<u>(2,890)</u>
Other comprehensive expenses:					
Foreign currency translation		190	753	37	179
Total comprehensive expenses for the period		<u>(2,645)</u>	<u>(663)</u>	<u>(3,644)</u>	<u>(2,711)</u>
Loss attributable to:					
Owners of the Company		(2,827)	(1,345)	(3,650)	(2,735)
Non-controlling interest		(8)	(71)	(31)	(155)
		<u>(2,835)</u>	<u>(1,416)</u>	<u>(3,681)</u>	<u>(2,890)</u>
Total comprehensive expenses attributable to:					
Owners of the Company		(2,642)	(596)	(3,613)	(2,562)
Non-controlling interest		(3)	(67)	(31)	(149)
		<u>(2,645)</u>	<u>(663)</u>	<u>(3,644)</u>	<u>(2,711)</u>
Loss per share attributable to owners of the Company (sen)					
- Basic	B10 (i)	<u>(0.86)</u>	<u>(0.41)</u>	<u>(1.11)</u>	<u>(0.83)</u>
- Diluted	B10 (ii)	<u>(0.86)</u>	<u>(0.41)</u>	<u>(1.11)</u>	<u>(0.83)</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 2018 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 FINANCIAL POSITION

	AS AT 30 JUNE 2019 (UNAUDITED) RM'000	AS AT 31 DECEMBER 2018 (AUDITED) RM'000
Note		
ASSETS		
Non-current assets		
Plant and equipment	3,199	3,315
Right-of-use assets	7,436	-
Other investment	1,080	1,080
Deferred tax assets	374	374
Investment in associate	-	1,701
	<u>12,089</u>	<u>6,470</u>
Current assets		
Inventories	8,166	8,095
Trade receivables	7,116	12,223
Other receivables	8,577	9,739
Cash and bank balances	11,930	11,956
	<u>35,789</u>	<u>42,013</u>
TOTAL ASSETS	<u>47,878</u>	<u>48,483</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	32,930	32,930
Equity component of irredeemable convertible preference share	10,725	10,725
Warrants reserve	2,034	2,034
Foreign exchange reserve	801	764
Accumulated losses	(17,032)	(13,382)
	<u>29,458</u>	<u>33,071</u>
Non-controlling interests	(2,409)	(2,378)
Total equity	<u>27,049</u>	<u>30,693</u>
Non-current liabilities		
Borrowings	265	690
Lease liabilities	4,508	-
Liability component of irredeemable convertible preference share	1,353	1,353
	<u>6,126</u>	<u>2,043</u>
Current liabilities		
Borrowings	41	136
Lease liabilities	3,170	-
Trade payables	7,794	9,554
Other payables	3,698	5,984
Tax Payable	-	73
	<u>14,703</u>	<u>15,747</u>
Total liabilities	<u>20,829</u>	<u>17,790</u>
TOTAL EQUITY AND LIABILITIES	<u>47,878</u>	<u>48,483</u>
Net Assets Per Share (RM)	<u>0.08</u>	<u>0.09</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 2018 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 2019**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to Equity Holders of the Parent Non-Distributable →						Non-controlling Interest RM'000	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 2018	32,234	10,864	2,043	535	(5,555)	40,121	632	40,753
Loss for the period	-	-	-	-	(2,735)	(2,735)	(155)	(2,890)
Other comprehensive income for the period	-	-	-	173	-	173	6	179
Total comprehensive income/(expenses)	-	-	-	173	(2,735)	(2,562)	(149)	(2,711)
Transactions with owners of the Company								
Issuance of ordinary shares pursuant to :								
- conversion of ICPS	633	(158)	-	-	-	475	-	475
- 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	-	(4)	-	-	-	(4)	-	(4)
Reclassification from equity component to liability component	-	18	-	-	-	18	-	18
Capital contribution by non-controlling interest	-	-	-	6	-	6	-	6
Total transactions with owners of the Company	659	(144)	(9)	6	9	521	-	521
At 30 June 2018	<u>32,893</u>	<u>10,720</u>	<u>2,034</u>	<u>714</u>	<u>(8,281)</u>	<u>38,080</u>	<u>483</u>	<u>38,563</u>
At 1 January 2019	32,930	10,725	2,034	764	(13,382)	33,071	(2,378)	30,693
Loss for the period	-	-	-	-	(3,650)	(3,650)	(31)	(3,681)
Other comprehensive income for the period	-	-	-	37	-	37	-	37
Total comprehensive income/(expenses)	-	-	-	37	(3,650)	(3,613)	(31)	(3,644)
At 30 June 2019	<u>32,930</u>	<u>10,725</u>	<u>2,034</u>	<u>801</u>	<u>(17,032)</u>	<u>29,458</u>	<u>(2,409)</u>	<u>27,049</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 2018 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 30 JUNE 2019 RM'000	PRECEDING YEAR CORRESPONDING CUMULATIVE PERIOD 30 JUNE 2018 RM'000
Cash flows from operating activities		
Loss before tax	(3,678)	(2,437)
Adjustments for:		
Allowance for impairment loss on		
- trade receivables	159	-
Amortisation of intangible asset	-	40
Depreciation of plant and equipment	421	1,378
Depreciation of right-of-use asset	1,622	-
Loss on disposal of plant and equipment	-	96
(Gain)/Loss on foreign exchange- unrealised	(1)	335
Interest expenses	297	41
Interest income	(44)	(62)
Plant and equipment written off	-	51
Share of loss in associate	307	-
Operating loss before working capital changes	(917)	(558)
Changes in working capital:		
Inventories	(65)	4,206
Receivables	6,131	(1,257)
Payables	(4,077)	(8,058)
Cash generated from/(used in) operations	1,072	(5,667)
Interest paid	(297)	(41)
Tax paid	(76)	(937)
Net cash generated from/(used in) operating activities	699	(6,645)
Cash flows from investing activities		
Interest received	44	62
Proceeds from disposal of plant and equipment	-	454
Purchase of plant and equipment	(299)	(201)
Net cash (used in)/generated from investing activities	(255)	315
Cash flows from financing activities		
Proceeds from issuance of ordinary shares pursuant to conversion of ICPS	-	633
Proceeds from issue of shares upon exercise of warrants	-	26
Proceeds from finance lease	-	1,831
Conversion of ICPS expenses	-	(158)
Repayment of hire purchase	(520)	-
Repayment of lease liability	(1,373)	(729)
Net cash (used in)/generated from financing activities	(1,893)	1,603
Net decrease in cash and cash equivalents	(1,449)	(4,727)
Effects of exchange rate changes	1,423	672
Cash and cash equivalents at beginning of the financial period	11,956	13,789
Cash and cash equivalents at end of the financial period	11,930	9,734
Cash and cash equivalents are represented by		
Deposits with licensed bank	1,312	3,321
Cash on hand and at banks	10,618	6,413
	11,930	9,734

(The unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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
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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 2018.

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 except for MFRS 16 Leases as disclosed below:

MFRS 16: Leases

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019, comparative are not restated. The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets

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

A2 SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

The following table presents the impact of changes to the consolidated statement of financial position as at 1 January 2019:

Group	As at 31 December 2018 RM'000	Changes RM'000	As at 1 January 2019 RM'000
Non-current assets			
Right-of-use asset	-	8,483	8,483
Non-current liabilities			
Lease liability	-	5,660	5,660
Current liabilities			
Lease liability	-	2,823	2,823

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 2018.

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.

A6 MATERIAL CHANGES IN ESTIMATES

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

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

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

There were no issuances or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period under review.

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.

A9 DIVIDENDS

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

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM REPORTING PERIOD

Save as disclosed in Notes A14 and B6, there were no other material events subsequent to the current quarter ended 31 December 2018 up to the date of this report.

A11 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

A12 CAPITAL COMMITMENTS

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

A13 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)

A13 SEGMENTAL INFORMATION (CONT’D)

(ii) Geographical Segments

	Malaysia RM’000	China RM’000	Singapore RM’000	USA RM’000	Total RM’000	Elimination RM’000	Consolidated RM’000
30 June 2019							
REVENUE AND EXPENSES							
REVENUE							
External sales	-	11,367	3,693	15,492	30,552	(4,742)	25,810
RESULTS							
Operating loss	(807)	(1,763)	(100)	(377)	(3,047)	-	(3,047)
Finance cost, net	(14)	(143)	(33)	(134)	(324)	-	(324)
Share of loss of associate	-	(307)	-	-	(307)	-	(307)
Loss before tax	(821)	(2,213)	(133)	(511)	(3,678)	-	(3,678)
Taxation	-	-	-	(3)	(3)	-	(3)
Loss after tax	(821)	(2,213)	(133)	(514)	(3,681)	-	(3,681)
Minority interest	-	4	-	-	4	27	31
Net loss attributable to owners of the Company	(821)	(2,209)	(133)	(514)	(3,677)	27	(3,650)
ASSETS AND LIABILITIES							
Segment assets							
Consolidated total assets	29,786	20,650	16,930	15,769	83,135	(35,257)	47,878
Segment liabilities							
Consolidated total liabilities	7,081	19,838	2,911	9,634	39,464	(18,635)	20,829
OTHER INFORMATION							
Depreciation	22	330	54	15	421	-	421
Capital expenditure	-	291	-	8	299	-	299

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A13 SEGMENTAL INFORMATION (CONT’D)

(ii) Geographical Segments

	Malaysia RM’000	China RM’000	Singapore RM’000	USA RM’000	Total RM’000	Elimination RM’000	Consolidated RM’000
30 June 2018							
REVENUE AND EXPENSES							
REVENUE							
External sales	100	41,202	9,446	23,200	73,948	(16,926)	57,022
RESULTS							
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)
ASSETS AND LIABILITIES							
Segment assets							
Consolidated total assets	37,330	49,532	18,393	12,495	117,750	(39,599)	78,151
Segment liabilities							
Consolidated total liabilities	6,976	40,532	3,269	5,353	56,130	(16,542)	39,588
OTHER INFORMATION							
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)

A14 CHANGES IN THE COMPOSITION OF THE GROUP

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

1. On 28 November 2018, the Company’s wholly-owned subsidiary, Rapid Conn (Shenzhen) Co. Ltd. (“RCC”) had entered into a Share Sales Agreement to dispose 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 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.

2. On 22 March 2019, the Company incorporated a wholly-owned subsidiary, IBEX Entertainment Sdn. Bhd. (“IBEX”) with a total paid-up share capital of RM1 comprising of 1 ordinary share. The principal activities of IBEX are to develop, finance and produce screenplay, film, soundtrack and other media, talent management and business of merchandising in relation to film and music.

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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 2019	30 June 2018		30 June 2019	30 June 2018	
	RM'000	RM'000		RM'000	RM'000	
Revenue	12,149	27,090	-55.2%	25,810	57,022	-54.7%
Operating loss	(2,510)	(1,149)	118.5%	(3,047)	(2,321)	31.3%
Loss before tax	(2,833)	(1,221)	132.0%	(3,678)	(2,437)	50.9%
Loss after tax	(2,835)	(1,416)	100.2%	(3,681)	(2,890)	27.4%
Loss attributable to owners of the company	(2,827)	(1,345)	110.2%	(3,650)	(2,735)	33.5%
The following average exchange rates were used in the calculation of currency translation: USD:RM RMB:RM				4.1196 0.6072	3.9377 0.6184	

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 RM25.8 million and RM3.7 million, compared to its preceding year's corresponding period's revenue and loss before tax of RM57.0 million and RM2.4 million respectively.

Segmental Analysis

The Group's sales dropped in all segments. It was mainly due to lower sales from key customers amid unfavourable market conditions. The de-recognition of a subsidiary in China has also resulted lower sales in current year.

The Group's recorded further loss before tax in current financial period due to the lower sales mentioned above and impairment loss on receivable and inventories. However, it was offset by reversal of forex loss from preceding year's corresponding period.

Nevertheless, the Company continued to implement cost saving initiative to reduce cost.

Other income mainly consists of interest income, rental income, government grant, forex exchange gain and the recovery of stock losses.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND 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)

B1 REVIEW OF PERFORMANCE (CONT'D)

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 RM12.1 million and RM2.8 million respectively, compared to its preceding year's corresponding quarter's revenue of RM27.1 million and marginal loss before tax of RM1.2 million.

Segmental Analysis

The Group's sales dropped in all segments. It was mainly due to lower sales from key customers amid international trade dispute and de-recognition of a subsidiary in China.

The Group's recorded further loss before tax in current quarter due to the lower sales mentioned above and impairment loss on receivable and inventories.

Other income mainly consists of interest income, rental income, government grant, forex exchange gain and the recovery of stock losses.

B2 COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 30 June 2019	Immediate Preceding Quarter 31 March 2019	%
	RM'000	RM'000	
Revenue	12,149	13,661	-11.1%
Operating loss	(2,510)	(537)	367.4%
Loss before tax	(2,833)	(845)	235.3%
Loss after tax	(2,835)	(846)	235.1%
Loss attributable to owners of the company	(2,827)	(823)	243.5%

In current quarter, the Group recorded a revenue of RM12.1 million and a loss before tax of RM2.8 million as compared to the revenue and loss before tax at RM13.7 million and RM0.8 million respectively for the preceding quarter ended 31 March 2019.

The reduction in revenue recorded in all segments. The Group has a further loss before tax in tandem with lower sales, product margin mix as well as reversal of forex gain and impairment loss on receivable and inventories in current quarter.

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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 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.

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 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Current taxation:				
Domestic	-	-	-	-
Foreign tax	(2)	(249)	(3)	(507)
	(2)	(249)	(3)	(507)
Under provision in prior year:				
Domestic	-	-	-	-
Foreign tax	-	54	-	54
	(2)	(195)	(3)	(453)
Deferred taxation	-	-	-	-
	(2)	(195)	(3)	(453)

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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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

There are no corporate proposals announced but not completed as at to-date.

B7 GROUP BORROWINGS

The Group's borrowings as at 30 June 2019 are as follows:-

	Short term (Secured) RM'000	Long term (Secured) RM'000	Total RM'000
Ringgit Malaysia	41	265	306
	<hr/>	<hr/>	<hr/>
	41	265	306

Denominated in each currency

	Short term (Secured) '000	Long term (Secured) '000	Total '000
Ringgit Malaysia	41	265	306

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	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Net loss attributable to shareholders	(2,827)	(1,345)	(3,650)	(2,735)
Weighted average number of ordinary shares ('000)	329,305	328,934	329,305	328,120
Basic LPS (sen)	(0.86)	(0.41)	(1.11)	(0.83)

(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 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Net loss attributable to shareholders	(2,827)	(1,345)	(3,650)	(2,735)
Weighted average number of shares - basic	329,305	328,934	329,305	328,120
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	328,934	329,305	328,120
Diluted LPS (sen)	(0.86)	(0.41)	(1.11)	(0.83)

* 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 2019 as it has an anti-dilution effect.

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B11 NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME

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

	Quarter Ended		Year to Date	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment loss on trade receivables	159	-	159	-
Amortisation of intangible asset	-	20	-	40
Depreciation of plant and equipment	214	692	421	1,378
Depreciation of right-of-use asset	842	-	1,622	-
Loss on disposal of plant and equipment	-	-	-	96
(Gain)/Loss on foreign exchange – unrealised	132	174	(1)	335
Interest expense	139	30	297	41
Interest income	(21)	(31)	(44)	(62)
Plant and equipment written off	-	-	-	51
Provision for/write off of inventories	301	-	301	-
Share of loss in associate	173	-	307	-

B12 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issuance on 29 August 2019 by the Board in accordance with a resolution passed by the directors.

By Order of the Board

Ang Chuang Juay
 Executive Deputy Chairman

29 August 2019