

THETA EDGE BERHAD (260002-W)
(Formerly known as Lityan Holdings Berhad)
(Incorporated in Malaysia)

QUARTERLY REPORT

(A) Notes Pursuant to The Financial Reporting Standard (FRS 134)
Interim Financial Reporting

1. Basis of preparation and accounting policies

This interim report is prepared in accordance with Financial Reporting Standards ('FRS') 134 "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ('BMSB'), and should be read in conjunction with the annual financial report for the financial year ended 31 December 2009.

The accounting policies and presentation applied for the interim financial statements are consistent with those applied for the annual financial statements for the financial year ended 31 December, 2009.

2. Audit Report

With reference to the audited accounts for financial year ended 31 December 2009, the auditors reported the following:-

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31st December, 2009 and of their financial performance and cash flows for the year then ended.

Emphasis Of Matter

Without qualifying our opinion, we draw attention to Note 31 to the financial statements where there are outstanding material litigations within the Group. We are unable to determine and to quantify the net exposure of the outcome of these litigations, as at the date of this report. However, the directors, based on legal opinions received, are of the view that the Group have reasonable good defense on these claims and that no material losses are expected to arise.

Report On Other Legal And Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) The name of the subsidiary of which we have not acted as auditors are indicated in Note 5 to the financial statements. We have considered the financial statements of this subsidiary and the auditors' report thereon.
- (c) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

3 Seasonality and cyclicity of operations

The Group's business operations were not materially affected by any seasonal or cyclical factors.

4 Unusual items

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the quarter under review except for the exceptional loss of RM5.4 million arising due to the deconsolidation of fifteen (15) subsidiaries due to the corporate streamlining activities.

5 Changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the quarter under review.

6 Debt and equity securities

The Group was not involved in any issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

7 Dividends

No dividends have been declared and paid during the quarter under review.

8 Segmental reporting

Segmental reporting for the financial year to date is as follows:

Primary reporting format - business segments

Group Financial year ended 30 June, 2010	Telecommunication Equipment & Services RM '000	Information Technology RM '000	Investment Holding And Others RM '000	Total RM '000
Revenue				
Revenue	1,364	50,060	-	51,424
Total Revenue	<u>1,364</u>	<u>50,060</u>	<u>-</u>	<u>51,424</u>
Results				
Profit/(loss) from operations before depreciation, amortization and other expenses	(672)	7,443	(4,072)	2,699
Depreciation	(116)	(282)	(34)	(432)
Other expenses				
Allowances	(133)	-	-	(133)
Profit / (loss) from operations	<u>(921)</u>	<u>7,161</u>	<u>(4,106)</u>	<u>2,134</u>
Borrowing costs , net				<u>(795)</u>
Profit before taxation				1,339
Taxation				<u>(11)</u>
Profit after income tax and before exceptional items				1,328
Exceptional items				(5,362)
Loss after income tax and exceptional items				(4,034)
Net loss attributable to equity holders for the financial periods				<u>(4,034)</u>

9 Valuation of property, plant and equipment

The valuations of all property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2009.

10 Subsequent events

There were no material events subsequent to the end of the period under review that have not been reflected in the interim financial statement for the said period.

11 Changes in the composition of the Group

There were no material changes in the composition of the Group for the current quarter ended 30 June 2010 except for the following :

(a) On 21 July 2010, the Group announced that the following subsidiary companies are to be wound-up voluntarily as part of its corporate streamlining activities:

- (a) Imagebase Sdn Bhd;
- (b) Imageword (M) Sdn Bhd;
- (c) Lityan Overseas Sdn Bhd;
- (d) Lityan Marketing Sdn Bhd;
- (e) Lityan Foreign Equities Sdn Bhd;
- (f) Integrated Telecommunication Technology Sdn Bhd;
- (g) Slam Atomised Metal Sdn Bhd;
- (h) Digital Transmission Systems Sdn Bhd;
- (i) Teem Business Solutions Sdn Bhd;
- (j) KJ Mobidata Sdn Bhd;
- (k) Lityan (L) Incorporated.
- (l) Lityan Systems Sdn Bhd;
- (m) Lityan Management Sdn Bhd;
- (n) Kirium Solutions Sdn Bhd; and
- (o) KJ Telecommunications Sdn Bhd.

The Group has also approved the appointment of Mr. Wong Soon Fong as liquidator of the Subsidiaries. There will not be a material impact to the net assets of the Group for the financial year ending 31 December 2010. However, the liquidation of the subsidiaries will give rise to a one time exceptional loss of approximately RM5.362 million due to the effects of deconsolidation which will have a material impact on the earnings of the Group for the financial year ending 31 December 2010. The companies to be liquidated are not major subsidiaries and the liquidation exercise will not have any effects to the current business and operations of the Group.

12 Changes in contingent liabilities and contingent assets

(A) There were no contingent assets for the quarter under review.

(B) The changes in the Group's contingent liabilities since 30 June 2010 are as follows:

- (a) Bank guarantees issued to mainly trade customers increased from RM 7,398,238 to RM 9,169,646 as at 30 June 2010.
- (b) MSC Trustgate.Com Sdn Bhd (formerly known as MSC Cybersign International Sdn Bhd) ("MSCT") initiated legal action claiming damages amounting to RM23,074,000 or alternatively USD2 million (approximately RM7.6 million) against the Company arising from an alleged breach of condition precedent contained in a Subscription and Shareholders Agreement. The Company filed for defence on 18 January 2002 and the reply to defence by the MSCT was filed on 6 February 2002. The Company's application to strike out the case was dismissed by the Deputy Registrar of the Shah Alam High Court. The Company filed an appeal against the decision but this was dismissed on 14 August 2004. The Company filed an amended defense on 29 April

2010 and the Court has directed the parties to file the Bundle of Pleadings, Common Bundle of Documents, Agreed Facts, issues to be Tried and Summary of the Case. At a case management date on 20 July 2010, the Senior Assistant Registrar has fixed 26 August 2010 as the last case management date before setting the case for trial.

The Directors, based on the legal opinion received, are of the view that the Company has reasonably good defense on the claims and that no material losses are expected to arise.

13 Material Litigation

- (a) Infornential Sdn Bhd ("ISB") had initiated legal action against Lityan Systems Sdn Bhd ("LSSB") claiming for compensation of RM1,354,768 arising from an early termination of a consultancy contract. A letter of demand was issued on 23 December 2003 to LSSB, followed by a notice pursuant to Section 218(2)(a) of the Companies Act, 1965 dated 31 December 2003 but the notice was void through irregular service. Both parties have reached a consensus to refer the case for arbitration and have executed the arbitration agreement on 23 July 2004. Under the agreement, the parties agree that each party's claim is limited to a maximum of RM1,000,000 only. ISB decided to terminate the Arbitration Agreement on 27 September 2004 and proceeded with a civil suit. On 16 December 2004, LSSB was served a writ of summon and statement of claim, both dated 13 October 2004. Subsequent to the dismissal of LSSB's application for a stay of proceeding on 22 January 2007, ISB's application for Summary Judgment under Order 14 had been dismissed by the Court on 17 May 2007. ISB filed an appeal to the Judge in Chambers and the Court has fixed that both parties to file in Submissions by 10 November 2007. The matter was adjourned to 19 February 2010 where the Courts delivered its decision which is not favorable to LSSB as the Court decided that there were no triable issue. Following the hearing at the Court of Appeal held on 4 May 2010, the Panel was unanimous that the appeal be allowed. The Summary Judgment which was obtained in the High Court by ISB was set aside. The matter is now back at the High Court and LSSB's solicitors have filed a defense on 2 June 2010 and ISB has issued a reply thereto.

ISB's solicitors has issued a notice for case management on 22 July 2010 and the matter is now pending the Court setting a date for case management.

- (b) On 31 December 1999, Lityan Application Sdn Bhd ("LASB") entered into an Agreement with Pertubuhan Keselamatan Sosial ("PERKESO") for RM15,393,348.00 for the provision of the Proposed Development of the Registration, Contributions and Benefit Payment System. In July 2004, a dispute arose regarding the non-compliance of the application software system development under the Agreement. PERKESO had on 9 August 2004 terminated the Agreement on the basis that LASB had failed to fulfill its obligations under the Agreement and PERKESO had imposed Liquidated Damages against LASB. LASB had on 23 August 2004 disputed the termination and made a claim for the remaining amounts due under the said contract. PERKESO had on 3 November 2004 made a further claim against LASB for all the monies paid to develop the application. LASB has on 7 December 2004 made a counter claim for RM9,190,874.80 against PERKESO for total cost of development. The matter was referred to Arbitration proceedings on 1 June 2006 when both parties were unable to settle the matter amicably. Following a lengthy process for the sourcing and selection of Arbitrators in view of the nature of dispute, the Company has on 15 March 2010, been informed by its Solicitors that the Arbitration proceedings have commenced with the appointment of an Arbitrator, agreed by both Parties.

The hearing for the case is fixed on 28 February 2011.

14 Related Party Transactions

The related party transactions of the Group had been entered into in the ordinary course of business. Below are the significant transactions and balances with related parties of the Group during the current financial period.

Related Parties	Transactions	Transactions for the period ended 30 June 2010 RM '000	Balance due from / (to) as at 30 June 2010 RM '000
Lembaga Tabung Haji	Services rendered	1,546	519
	Rental & Utility expenses	521	(228)
TH Plantations Berhad	Services rendered	813	264
TH Global Services Sdn Bhd	Sales of product	45	35
TH Computers Sdn Bhd	Purchases of computer	3,802	(2,729)

(B) Notes to the Interim Financial Statements (revised BMSB Listing Requirements)

1. Review of performance

The Group reported a revenue of RM20.8 million and loss before taxation and exceptional items of RM1.5 million for the current quarter as compared to the revenue and profit before taxation for the same quarter in the previous year of RM16.8 million and RM0.6 million respectively. The revenue for the current quarter has increased by RM4.0 million as compared to the revenue for the same quarter in previous year.

2. Material changes in quarterly results

The Group's revenue decreased by RM9.8 million in the current quarter as compared to that of RM30.6 million revenue for the immediate preceding quarter. The Group reported a loss before taxation and exceptional items of RM1.5 million for the current period as compared to the profit before taxation of RM2.9 million in the immediate preceding quarter. The Exceptional Item of RM5.4 million was due to the net effects of the deconsolidation of fifteen (15) dormant subsidiaries of the Group. The companies to be liquidated are not major subsidiaries of the Group and the liquidation exercise will not have any effects to the current business and operations of the Group as it is a non-cash impact.

3. Prospects

The competitive environment in the current ICT industry and the slowing down of new projects awards due to the end of the 9th Malaysia Plan, continues to affect the performance of the Group in securing new contracts.

Though the Group views positively on the various initiatives highlighted in the government's ICT budget for 2010 and the allocation under the new 10th Malaysia Plan, any benefits and positive growth it expects would only be realized from year 2011 onwards.

Nevertheless, the Board of Directors ("Board") is still focused on honing the group's competitive edge via service innovations and serving new market segments as well as leveraging on strategic partnerships including realigning business directions to achieve the targeted growth in revenues and earnings as well as preparing its platform to meet the future expectations.

The Group continues to leverage on projects from its existing business as well as those from its parent, Lembaga Tabung Haji (LTH) for the financial year ended 31 December 2010.

4. Statement of the Board of Directors' opinion on profit forecast and profit guarantee

Based on the foregoing as above, the Board is of the opinion that it would not achieve its profit forecast as disclosed in the Company's circular to the shareholders dated 9 September 2009.

5. Variance on profit forecast and profit guarantee

This note is not applicable.

6. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/06/2010 RM '000	Preceding Year Corresponding Quarter Ended 30/06/2009 RM '000	Current Year To Date Ended 30/06/2010 RM '000	Preceding Year Corresponding Period Ended 30/06/2009 RM '000
Corporate Income Tax				
Current Year	11	5	11	10
	<u>11</u>	<u>5</u>	<u>11</u>	<u>10</u>

Amount of tax was provided for the current quarter based on ordinary activities of the Group.

7. Sale of unquoted investments and/or properties

The Group was not involved in any sale of unquoted investments and/or properties during the quarter under review.

8. Quoted securities

There were no quoted securities held by the Group.

9. Status of Corporate Proposals

There no corporate proposals announced but not completed as at 17 August 2010 the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report except for:

On 31 May 2010, the Company has entered into a conditional subscription of shares agreement with Mems Technology Berhad ("Memstech") in relation to the Proposed Subscription ("Subscription Agreement") which forms part of the "Proposed Restructuring Scheme" of Memstech announced on 31 May 2010. The Proposed Restructuring Scheme of Memstech entails the following :-

(a) proposed capital reduction involving the cancellation of RM0.09 of the par value of the existing ordinary share of RM0.10 each in Memstech and thereafter, the consolidation of ten (10) ordinary shares of RM0.01 sen each into one (1) Memstech Share ("Proposed Capital Reduction and Consolidation") and the proposed reduction of the entire share premium account of Memstech ("Proposed Share Premium Reduction") (collectively to be referred to as "Proposed Capital Reconstruction");

(b) proposed special issue of 200,000,000 new Memstech Shares to Theta Edge at an issue price of RM0.10 per Memstech Share after the Proposed Capital Reconstruction and Proposed Debt Restructuring ("Proposed Special Issue"); and

(c) proposed restructuring of debts owing to :-

(i) the secured, unsecured and preferential creditors of the Memstech group of companies' ("Memstech Group's") Malaysia incorporated subsidiaries ("Malaysia SOA"); and

(ii) the unsecured and preferential creditors of Sensfab Pte Ltd ("Sensfab"), a wholly-owned subsidiary of the Company incorporated in Singapore ("Singapore SOA"). (all the secured, unsecured and/or preferential creditors included in the Malaysia SOA and Singapore SOA are to be collectively referred to as "Scheme Creditors")

(items (i) and (ii) are to be collectively referred to as the "Proposed Debt Restructuring")

The Proposals by Memstech is pending the submission and approval by the Bursa Malaysia Securities Berhad.

10. Group borrowings

Details of the Group's borrowings as at the end of the reporting period are as follows:

B.10.1 Short Term Borrowings

A) Secured

	30-Jun-10 RM '000	31-Dec-09 RM '000
Bank Overdrafts	2,977	-
Bills Payable	22,143	-
Hire Purchase Payables	-	5
Total	25,120	5

B) Unsecured

	30-Jun-10 RM '000	31-Dec-09 RM '000
Bank Overdrafts	196	191
Total	196	191

11. Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at 17 August 2010, the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report.

12. Changes in fair value of financial instruments

The carrying amounts of the financial instruments of the Group as at the balance sheet date approximate their fair values due to relatively short term maturity of these financial instruments.

13. Changes in material litigations

Other than those indicated in Note 12 and 13 to the Interim Financial Statements FRS134, there were no changes in material litigations as at 17 August 2010, the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report.

14. Dividends

No dividends have been paid, declared or proposed since the end of the Company's previous financial year. The Directors do not recommend any interim dividend for the period under review.

15. Earnings /(Loss) per share

The basic earnings / (loss) per share for the quarter and year to date are computed as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR TO	YEAR
	QUARTER	CORRESPONDING	DATE	CORRESPONDING
	30/6/2010	30/6/2009	30/6/2010	30/6/2009
Net profit/(loss) (RM'000)	(6,913)	594	(4,034)	(402)
Weighted average number of ordinary shares in issue ('000)	63,104	102,806	63,104	102,806
Basic EPS (sen)	(10.95)	0.58	(6.39)	(0.38)

**The Group has no potential ordinary shares in issue, therefore diluted earnings per share has not been presented*

16. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 August 2010.