

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 except for the adoption of the following new and revised FRSs, Issues Committee ("IC") Interpretations and amendments to FRSs and IC Interpretations which are relevant to the Group's operations with effect from 1 January 2010:-

FRS 2	Share based payment
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instrument : Presentation
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – group and Treasury Share Transactions
IC Interpretation 11	Service Concession Arrangements
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS119- The Limit on A Defined benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of the above did not have any material effects on the interim financial report upon their initial application.

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 pursuant 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 31 December, 2010	Telecommunication	Information Technology	Investment Holding And Others	Total
	RM '000	RM '000	RM '000	RM '000
<u>Revenue</u>				
Revenue	3,235	82,932	-	86,167
Total Revenue	<u>3,235</u>	<u>82,932</u>	<u>-</u>	<u>86,167</u>
Results				
Profit/(loss) from operations before depreciation, allowances & borrowing costs	(485)	9,526	(3,513)	5,528
Depreciation	(230)	(1,500)	(65)	(1,795)
Allowances	(1,526)	(32)	-	(1,558)
	<u>(2,241)</u>	<u>7,994</u>	<u>(3,579)</u>	<u>2,174</u>
Borrowing costs , net				<u>(1,088)</u>
Profit before taxation				1,087
Taxation				<u>13</u>
Profit after income tax and before exceptional items				1,100
Exceptional items				(5,426)
Net loss for the period				<u>(4,326)</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 31 December 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 which is a non cash item 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.

The Company has announced on 18 February 2011 that the following dormant/inactive subsidiaries have been dissolved pursuant to Section 272(5) of the Companies Act, 1965:-

- a) Kirium Solutions Sdn Bhd
- b) KJ Telecommunications Sdn Bhd
- c) Digital Transmission Systems Sdn Bhd

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 31 December 2010 are as follows:

- (a) Bank guarantees issued to mainly trade customers decreased from RM 9,169,646 to RM 7,411,952 as at 31 December 2010.
- (b) A third party 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 third party 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. An appeal against such decision has been filed but was dismissed on 14 August 2004. Based on the Case Management held on 29 April 2010, the Learned Judge had 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 26 August 2010, the Senior Assistant Registrar had fixed 5,6 & 7 January 2011 as the trial dates.

After the trial, the High Court has, in its decision delivered on 28 January 11, dismissed the suit by the third party against the company with costs. Therefore the solicitors are of the opinion that the matter has come to an end provided that there is no appeal by the third party to the Court of Appeal before 28 February 2011. The decision does not have a material financial and operational impact on the Company.

13 Material Litigation

- (a) A third party initiated legal action against a subsidiary claiming for compensation of RM1,354,768. This claim was for early termination of a consultancy contract. This was preceded by the third party issuing a letter of demand to the subsidiary on 23 December 2003. This was followed by a notice pursuant to Section 218(2)(a) of the Companies Act, 1965 dated 31 December 2003 but the notice was void due to irregular service. Both parties then reached a consensus to refer the case for arbitration and signed an arbitration agreement on 23 July 2004. Under the said agreement, the parties agreed that their respective claim is limited to a maximum of RM1,000,000 only. The third party decided to terminate the arbitration agreement on 27 September 2004 and proceeded with a civil suit. The subsidiary was served with a writ of summons and statement of claim, both dated 13 October 2004 on 16 December 2004.

The subsidiary then applied for a stay of proceedings pending the matter being referred to the arbitrator. Subsequent to the dismissal of the subsidiary's application for a stay of proceeding on 22 January 2007, the third party's application for Summary Judgment under Order 14 was dismissed by the Court on 17 May 2007.

The third party then filed an appeal to the Judge in Chambers and the Court fixed for both parties to file in submissions by 10 November 2007. The matter was adjourned to 19 February 2010 where the Court delivered its decision which is not favorable to the subsidiary as the Court held that there was no triable issue. The subsidiary then filed an appeal the Court of Appeal against the High Court's decision on 19 February 2010. The Court of Appeal unanimously held on 4 May 2010 for the appeal to be allowed. The Summary Judgment obtained by the third party in the High Court was therefore set aside.

With the case now back at the High Court, the subsidiary's solicitors filed a defense on 2 June 2010 and the third party's solicitors have issued a reply thereto. The subsidiary was then wound up by way of a creditor's special resolution passed on 18 August 2010. The subsidiary's solicitors have duly informed the Court of the winding-up when the matter was brought up for case management on 21 October 2010 and further informed the Court that they will no longer act on behalf of the subsidiary as its administration is now in the hands of the liquidator.

The subsidiary will be dissolved on 5 April 2011 pursuant to Section 272(5) of the Companies Act 1965, being 3 months after lodgment of Form 69 by the liquidator.

- (b) On 31 December 1999, Lityan Application Sdn Bhd (LASB) entered into an Agreement with 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.

Arbitration on the matter is set to start on 28 February and will break on 2 March before continuing from 6 to 14 June, all in 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 31/12/2010 RM '000	Balance due from / (to) as at 31/12/2010 RM '000
Lembaga Tabung Haji	Sales for Equipment and Services rendered	12,769	2,800
	Rental & Utility expenses	1,431	(468)
TH Plantations Berhad	Sales for Equipment and Services rendered	1,098	199
TH Global Services Sdn Bhd	Sales of computer equipments	45	-
Ramunia Fabricators Sdn Bhd	Sales for Equipment and Services rendered	121	-
Ramunia Holdings Berhad	Sales for Equipment and Services rendered	47	-
TH Computers Sdn Bhd	Purchases of computer equipments	17,601	(6,866)

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

1. Review of performance

The Group reported a revenue of RM12.3 million and profit before taxation and exceptional items of RM 0.7 million for the current quarter as compared to the revenue and profit before taxation for the same quarter in the previous year of RM32.6 million and RM8.0 million respectively. The revenue for the current quarter has decreased by RM20.3 million or 62% as compared to the revenue for the same quarter in previous year.

2. Material changes in quarterly results

The Group's revenue decreased by RM10.2 million or 45% in the current quarter as compared to that of RM22.5 million revenue for the immediate preceding quarter. The Group reported a profit before taxation and exceptional items of RM0.7 million for the current period as compared to the loss before taxation of RM1.0 million in the immediate preceding quarter.

3. Prospects

The Board of Directors ("Board") is 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 Proposed Rights Issue which was announced on 16 February 2011 will provide the Group with a stronger balance sheet and healthier cashflow. The proceeds raised will finance the development of new and existing business which is expected to contribute positively to the future earnings of the Group. This will allow the Group to better position itself against its peers in the ICT sector and to increase its growth prospects and competitiveness in the market.

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

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, as further explained in Note 5 below.

5. Variance on profit forecast

There are variances based on the reported loss for the period of RM4.3m against the earnings forecast of RM15.7 million as disclosed in the Company's circular to the shareholders dated 9 September 2009.

The variances are mainly due to:

- (i) expected contracts not being secured
- (ii) the one time exceptional loss effects of deconsolidation of RM5.4 million arising due to the liquidation of fifteen (15) dormant subsidiaries pursuant to a corporate streamlining exercise.

6. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/12/2010 RM '000	Preceding Year Corresponding Quarter Ended 31/12/2009 RM '000	Current Year To Date Ended 31/12/2010 RM '000	Preceding Year Corresponding Period Ended 31/12/2009 RM '000
Corporate Income Tax				
Current Year	(28)	12	(13)	29
	(28)	12	(13)	29

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

Save as disclosed below, there were no corporate proposals announced but not completed as at 17 February 2011 the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly.

- (a) Further to the announcement on 31 May 2010, pursuant to the Proposed Subscription of 200,000,000 new ordinary shares of RM0.10 each in Mems Technology Berhad ("Memstech") at a subscription price of RM0.10 per Memstech shares, the Company had on 29 October 2010 entered into a mutual agreement with Memstech for the release and discharge of their respective rights and obligation under the Subscription Agreement.
- (b) The Company had on 16 February 2011, announced to undertake the:
 - (i) Proposed renounceable rights issue of up to 31,551,967 Rights Shares and up to 31,551,967 free Warrants at an indicative issue price of RM1.00 per Rights Share on the basis of one (1) Rights Share and one (1) free detachable Warrant for every two

(2) existing Shares held in Theta Edge at an entitlement date to be determined by the Board and announced later by the Company; and

- (ii) Proposed establishment of an employees' share option scheme ("ESOS") of up to ten percent (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company at any point in time for the eligible employees and Executive Directors of Theta Edge and its subsidiaries (which are not dormant).
- (c) The Company had on 24 February 2011, announced to undertake the conditional take-over offer to acquire all 27,300,000 ordinary shares of RM1.00 each in TH Computers Sdn Bhd ("THC") for a total consideration of RM13,650,000 or RM0.50 for each THC Share ("Offer Price"). The Company will pay the Offer Price to the Holders who accept the Proposed Offer via the issuance of up to 13,650,000 new ordinary shares of RM1.00 each in Theta ("Theta Edge Shares") at an issue price of RM1.00 each ("Issue Price") ("Consideration Shares"), where the Holders will receive one (1) Consideration Share for every two (2) THC Shares transferred, with fractions to be settled in cash (if any).

10. Group borrowings

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

Short Term Borrowings

	31/12/2010 RM '000	31/12/2009 RM '000
A) Secured		
Bills Payable	7,837	-
Hire Purchase Payables	-	5
Total	7,837	5
B) Unsecured		
Bank Overdrafts	195	191
Total	195	191
	8,032	196

Long Term Borrowings

	31/12/2010 RM '000	31/12/2009 RM '000
Secured		
Hire Purchase Payables	-	20
Total	-	20

11. Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at 17 February 2011, 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 February 2011, 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 Quarter 31/12/2010	Preceding Year Corresponding Quarter 31/12/2009	Current Year To Date 31/12/2010	Preceding Year Corresponding Period 31/12/2009
Net profit/(loss) (RM'000)	688	104,319	(4,326)	104,528
Weighted average number of ordinary shares in issue ('000)	63,104	63,104	63,104	63,104
Basic EPS (sen)	1.09	289.54	(6.86)	290.14

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

16. Realised and Unrealised Retained Profits

	Accumulated Quarter Ended	
	31/12/2010 RM'000	30/09/2010 RM'000
Retained Profits / (Loss)		
-Unrealised	3,902	3,902
-Realised	5,166	4,479
Less: Consolidation adjustments	(19,141)	(19,141)
Total Group Retained Loss	(10,073)	(10,760)

17. 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 24 February 2011.