

THETA EDGE BERHAD (260002-W)
(Incorporated in Malaysia)

QUARTERLY REPORT

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

A.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 2010.

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, 2010 except for the adoption of the following new and revised FRSs and amendments to FRSs and IC Interpretations which are relevant to the Group's operations:-

		Effective Date
FRS 1	First-time Adoption of Financial Reporting Standards	
Amendments to FRS 1	- Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1.1.2011
	- Additional Exemption for First-time Adopters	1.1.2011
FRS 2	Share-based Payment	
Amendments to FRS 2	- Group Cash settled Share Based Payment	1.1.2011
FRS 7	Financial Instruments: Disclosures	
Amendments to FRS 7	- Improving Disclosures about Financial Instruments	1.1.2011

The adoption of the above FRSs and Amendments do not have any material impact on the financial statements of the Group and of the Company.

A.2 Report On The Financial Statements

We have audited the financial statements of Theta Edge Berhad (formerly known as Lityan Holdings Berhad), which comprise the statements of financial position as at 31 December, 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 51.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 entity's preparation of the financial statements that give a true and fair view 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 entity'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the provisions of 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 31 December, 2010 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 29 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 defence 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 have been properly kept in accordance with the provisions of the Act.

- (b) We are satisfied that the accounts of the subsidiaries 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

The supplementary information on Note 33 on page 51 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A.3 Seasonality and cyclicity of operations

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

A.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.

A.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.

A.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.

A.7 Dividends

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

A.8 Segmental reporting

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

Primary reporting format - business segments

Group Financial year ended 31 March, 2011	Information & Communication Technology	Investment Holding And Others	Total
	RM '000	RM '000	RM '000
<u>Revenue</u>			
Revenue	21,235	-	21,235
Total Revenue	<u>21,235</u>	<u>-</u>	<u>21,235</u>
Results			
Profit/(loss) from operations before depreciation & borrowing costs	3,492	(1,932)	1,560
Depreciation	(587)	(27)	(614)
	<u>2,905</u>	<u>(1,959)</u>	<u>946</u>
Borrowing costs , net			<u>(142)</u>
Profit before taxation			804
Taxation			-
Net profit for the period			<u>804</u>

Analysis by geographical segments have not been presented as the operation of the Group is mainly in Malaysia.

A.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 2010.

A.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.

A.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 March 2011 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. The Company has announced on 18 February 2011 and 13 April 2011 that the dormant/inactive subsidiaries have been dissolved pursuant to Section 272(5) of the Companies Act, 1965s.
 - (a) Imagebase Sdn Bhd;
 - (b) Imageword (M) Sdn Bhd ;
 - (c) Lityan Overseas Sdn Bhd ;
 - (d) Lityan Foreign Equities Sdn Bhd;
 - (e) Integrated Telecommunication Technology Sdn Bhd;
 - (f) Slam Atomised Metal Sdn Bhd;
 - (g) Digital Transmission Systems Sdn Bhd;
 - (h) Teem Business Solutions Sdn Bhd;
 - (i) KJ Mobidata Sdn Bhd;
 - (j) Lityan Systems Sdn Bhd;
 - (k) KJ Telecommunications Sdn Bhd;
 - (l) Kirium Solutions Sdn Bhd; and
 - (m) Lityan (L) Incorporated.

The following dormant/inactive subsidiaries is pending liquidation.

- (a) Lityan Marketing Sdn Bhd; and
- (b) Lityan Management Sdn Bhd.

A.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 March 2011 are as follows:

- (a) Bank guarantees issued to mainly trade customers increased from RM 7,411,952 to RM 7,831,585 as at 31 March 2011.
- (b) On 21 November 2001, a third party initiated legal proceedings against the Company claiming damages for loss of expected profits amounting to RM23,074,000.00 or in alternative, the sum of RM7,600,000.00 (approximately USD2,000,000.00) against the Company for an alleged breach of condition precedent pursuant to a subscription and shareholders agreement entered with the Company. The Company's application to strike out the case was dismissed by the Deputy Registrar of the Shah Alam High Court. An appeal against the decision of the Deputy Registrar of the Shah Alam High Court was filed but was dismissed by the Judge in chambers on 16 August 2004. The Judicial Commissioner proceeded to give directions to both parties in preparation for the trial. Full trial was conducted on 5, 6 and 7 January 2011. On 28 January 2011, the High Court gave its decision in favour of the Company and dismissed the claim by the third party with costs.

The third party then filed a notice of appeal to the Court of Appeal on 28 February 2011 against the decision by the Shah Alam High Court. The Company's solicitor had on 18 May 2011 filed a motion to strike out the said appeal.

A.13 Material Litigation

- (a) A third party initiated legal action against a wholly owned subsidiary of the Company claiming for compensation of RM1,354,768.00 arising from an early termination of a consultancy contract. A letter of demand was issued on 23 December 2003 to the subsidiary, 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 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 each party's 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. On 16 December 2004, the subsidiary was served with a writ of summons and statement of claim, both dated 13 October 2004. 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. The matter is 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.

On 21 October 2010, the subsidiary's solicitors informed the Court that the subsidiary was wound-up by a member's special resolution passed on 18 August 2010 and that they will no longer act for the subsidiary in the matter.

The subsidiary was 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 the provision of the Proposed Development of the Registration, Contributions and Benefit Payment System for a contract amount of RM15,393,348.00. In July 2004, a dispute arose regarding the non-compliance of the application software system development under the Agreement. PERKESO terminated the Agreement on 9 August 2004 on the basis that LASB had failed to fulfill its obligations under the Agreement and PERKESO imposed Liquidated Damages against LASB. LASB disputed the termination and made a claim on 23 August 2004 for the remaining amounts due under the said contract. PERKESO made a further claim against LASB on 3 November 2004 for all the monies paid to develop the application.

LASB made a counter claim on 7 December 2004 against PERKESO for RM9,190,874.80 being the 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, an Arbitrator was finally appointed on 15 March 2010.

Arbitration on the matter is set to start on 1 June 2011.

The Company, based on legal opinion received, are of the view that LASB has good grounds to succeed in the arbitration against PERKESO.

A.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 March 2011 RM '000	Balance due from / (to) as at 31 March 2011 RM '000
Lembaga Tabung Haji	Sales for Equipment and Services rendered Rental & Utility expenses	3,170 364	519 (244)
TH Plantations Berhad	Sales for Equipment and Services rendered	564	575
Ramunia Holdings Berhad	Sales for Equipment and Services rendered	40	-
TH Computers Sdn Bhd	Purchases of computer equipments	2,283	(7,630)

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

B.1 Review of performance

The Group reported a revenue of RM21.2 million and profit before taxation of RM 0.8 million for the current quarter as compared to the revenue and profit before taxation for the same quarter in the previous year of RM30.6 million and RM2.9 million respectively. The revenue for the current quarter has decreased by RM9.4 million or 31% as compared to the revenue for the same quarter in previous year.

B.2 Material changes in quarterly results

The Group's revenue increased by RM8.9 million or 73% in the current quarter as compared to that of RM12.3 million revenue for the immediate preceding quarter. The Group reported a profit before taxation and of RM0.8 million for the current period as compared to the profit before taxation of RM0.7 million in the immediate preceding quarter.

B.3 Prospects

The Proposed Rights Issue had been approved by the Shareholders on 11 May 2011. Upon completion expected end of June 2011, the Group will have a stronger balance sheet and healthier cashflow. The proceeds raised will finance the development of new and existing business which will create differentiation, branding and long term sustainable recurring income 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.

The Group is also considering several mergers and acquisitions as well as smart partnership opportunities to expand the Group's revenue base.

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

Not applicable as the Group did not publish any profit forecast or profit guarantee.

B.5 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM '000	RM '000	RM '000	RM '000
Corporate Income Tax				
Current Year	Nil	Nil	Nil	Nil
	Nil	Nil	Nil	Nil

B.6 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.

B.7 Quoted securities

There were no quoted securities held by the Group.

B.8 Status of Corporate Proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at 19 May 2011 the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly.

With reference to the Company's announcement on 16 February 2011 and 24 February 2011, the Shareholders of the Company had on 11 May 2011 approved the following proposals:

- (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.

The Board had further announced on 18 May 2011 the issue price of the Rights Shares has been fixed at RM1.00 per Rights Share ("**Issue Price**"). Lembaga Tabung Haji ("**TH**"), being the major shareholder of The Company has, vide its letter dated 18 May 2011, provided irrevocable undertaking to subscribe in full or procure the subscription in full for its entitlements of Rights Shares under the Rights Issue ("**Undertaking**"). The total Rights Shares which are subject to the Undertaking is 20,101,950 Rights Shares or approximately 63.71% of the total number of Rights Shares to be issued pursuant to the Rights Issue.

The exercise price of the Warrants has been fixed at RM1.199 ("**Exercise Price**"). The Company also executed the deed poll constituting the Warrants.

- (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) ("**Theta Edge Group**" or "**Group**").

The Effective Implementation Date of the ESOS is 12 May 2011.

- (iii) The Proposed Conditional take-over offer to acquire all 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.

B.9 Group borrowings

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

Short Term Borrowings

A) Secured	31-Mar-11 RM '000	31-Mar-10 RM '000
Bills Payable	-	14,613
Bank Overdrafts	-	336
Total	-	14,949

B) Unsecured	31-Mar-11 RM '000	31-Mar-10 RM '000
Bank Overdrafts	195	193
Total	195	193
Total	195	15,142

B.10 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at 19 May 2011, the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report.

B.11 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.

B.12 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 19 May 2011, the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report.

B.13 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.

B.14 Earnings per share

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

	Individual Quarter		CUMULATIVE QUARTER	
	Current Quarter 31/3/2011	Preceding Year Corresponding Quarter 31/3/2010	Current Year To Date 31/3/2011	Preceding Year Corresponding Period 31/3/2010
Net profit (RM'000)	804	2,879	804	2,879
Weighted average number of ordinary shares in issue ('000)	63,104	63,104	63,104	63,104
Basic EPS (sen)	1.27	4.56	1.27	4.56

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

B.15 Realised and Unrealised Retained Profits

	Accumulated Quarter Ended	
	31/3/2011 RM'000	31/12/2010 RM'000
Retained Profits / (Loss)		
-Realised	(13,171)	(13,975)
-Unrealised	3,902	3,902
Total Group Retained Loss	(9,269)	(10,073)

B.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 25 May 2011.