

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

QUARTERLY REPORT

SUMMARY OF KEY FINANCIAL INFORMATION FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2014

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2014 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2013 RM'000	Current Year To Date Ended 31/03/2014 RM'000	Preceding Year Corresponding Period Ended 31/03/2013 RM'000
1. Revenue	12,923	13,024	12,923	13,024
2. Gross Profit	269	489	269	489
3. Loss before taxation	(2,828)	(3,281)	(2,828)	(3,281)
4. Loss after taxation	(2,828)	(3,281)	(2,828)	(3,281)
5. Loss for the period	(2,828)	(3,281)	(2,828)	(3,281)
6. Loss attributable to owners of the Company	(2,828)	(3,281)	(2,828)	(3,281)
7. Basic Loss per share (sen)	(2.64)	(3.06)	(2.64)	(3.06)
8. Proposed/Declared dividend per share (sen)	-	-	-	-
			As At End Of Current Quarter	As At Preceding Financial Year End
8. Net assets per share attributable to owners of the Company (RM)			0.64	0.66

Additional Information

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2014 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2013 RM'000	Current Year To Date Ended 31/03/2014 RM'000	Preceding Year Corresponding Period Ended 31/03/2013 RM'000
1. Gross income from short term investments	91	90	91	90
2. Gross borrowing costs	(16)	(17)	(16)	(17)

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

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**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2014 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2013 RM'000	Current Year To Date Ended 31/03/2014 RM'000	Preceding Year Corresponding Period Ended 31/03/2013 RM'000
Revenue	12,923	13,024	12,923	13,024
Cost of sales	(12,654)	(12,535)	(12,654)	(12,535)
Gross Profit	269	489	269	489
Other operating income	5	-	5	-
Operating expenses	(2,512)	(2,750)	(2,512)	(2,750)
Loss from operations	(2,238)	(2,261)	(2,238)	(2,261)
Income from short term investments	91	90	91	90
Depreciation & Amortisation	(546)	(941)	(546)	(941)
Borrowing costs	(16)	(17)	(16)	(17)
Share of loss of equity-accounted investees	(119)	(152)	(119)	(152)
Loss before taxation	(2,828)	(3,281)	(2,828)	(3,281)
Taxation	-	-	-	-
Loss for the period	(2,828)	(3,281)	(2,828)	(3,281)
Other comprehensive Loss, net of taxation	-	-	-	-
Total comprehensive Loss for the period	(2,828)	(3,281)	(2,828)	(3,281)
Loss attributable to :				
Owners of the Company	(2,828)	(3,281)	(2,828)	(3,281)
Non-controlling interest	-	-	-	-
Loss for the period	(2,828)	(3,281)	(2,828)	(3,281)
Total comprehensive Loss attributable to:				
Owners of the Company	(2,828)	(3,281)	(2,828)	(3,281)
Non-controlling interest	-	-	-	-
Total comprehensive Loss for the period	(2,828)	(3,281)	(2,828)	(3,281)
Loss per ordinary share (sen)				
Basic	(2.64)	(3.06)	(2.64)	(3.06)
Diluted	-	-	-	-

The unaudited condensed Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2013

THETA EDGE BERHAD (260002-W)
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QUARTERLY REPORT

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2014**

	Unaudited As At 31/03/2014 RM'000	Audited As At 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,556	5,566
Investment in jointly-controlled entity	1,149	1,268
Goodwill on consolidation	657	657
Intangible assets	4,042	4,042
Deferred income tax assets	3,902	3,902
	14,306	15,435
Current assets		
Inventories	17,798	17,624
Receivables	25,823	31,112
Deposits, cash and bank balances	20,367	22,191
	63,988	70,927
Total assets	78,294	86,362
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	107,241	107,241
Reserves	(38,788)	(35,960)
Shareholder's fund / Total equity	68,453	71,281
LIABILITIES		
Current liabilities		
Payables	8,582	12,072
Hire Purchase	91	91
Bank borrowings	984	2,711
	9,657	14,874
Non Current liabilities		
Hire Purchase	184	207
	184	207
Total liabilities	9,841	15,081
Total equity and liabilities	78,294	86,362

The unaudited condensed Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2013.

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QUARTERLY REPORT

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2014**

	<u>Non-distributable</u>		<u>Distributable</u>	
	Share Capital RM'000	Other Reserves RM'000	Reserves Attributable To Revenue RM'000	Total Equity RM'000
<u>3 months ended 31 March 2013</u>				
At 1 January 2013 (audited)	107,241	1,897	(29,840)	79,298
Comprehensive loss for the financial period	-	-	(3,281)	(3,281)
	<u>107,241</u>	<u>1,897</u>	<u>(33,121)</u>	<u>76,017</u>
At 31 March 2013 (Unaudited)				
<u>3 months ended 31 March 2014</u>				
At 1 January 2014 (audited)	107,241	1,897	(37,857)	71,281
Comprehensive loss for the financial period	-	-	(2,828)	(2,828)
	<u>107,241</u>	<u>1,897</u>	<u>(40,685)</u>	<u>68,453</u>
At 31 March 2014 (Unaudited)				

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2013

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QUARTERLY REPORT

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	3 Months Ended	
	Unaudited 31/03/2014 RM'000	Audited 31/12/2013 RM'000
Cash flow used in operating activities		
Net loss before taxation	(2,828)	(8,012)
Adjustments for:		
Depreciation & Amortisation of PPE	546	3,806
Borrowing costs	16	403
Income from Short term investments	(91)	(194)
Allowances and other non cash items	-	226
Share of loss of equity-accounted investees	119	595
	(2,238)	(3,176)
Operating loss before working capital changes		
Movements in working capital		
Inventories	(174)	(1,692)
Receivables	5,289	9,392
Payables	(3,490)	(215)
Cash flow (used in)/from operations	(613)	4,309
Taxation paid	-	(56)
Taxation refund	-	85
Borrowing costs paid	(16)	(403)
Income from Short term investments received	91	194
	(538)	4,129
Net cash flow (used in)/from operating activities		
Cash flow from/(used in) investing activities		
Acquisition of property, plant & equipment	(236)	(1,443)
Proceeds from disposal of property, plant & equipment	700	19
Change in development cost	-	(477)
	464	(1,901)
Cash flow (used in)/from financing activities		
Bank borrowings	(1,727)	2,211
Hire purchase	(23)	(90)
	(1,750)	2,121
Net movement in cash and cash equivalents	(1,824)	4,349
Cash and cash equivalents at beginning of financial period	22,191	17,842
Cash and cash equivalents at end of financial period	20,367	22,191
Cash and cash equivalents consist of:		
Cash & bank balances	4,855	9,238
Deposits	15,512	12,953
	20,367	22,191

Included in the cash and cash equivalents is RM3.4 million which is placed in the short term deposit as security for Bank Guarantees issued.

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2013

THETA EDGE BERHAD (26002-W)
(Incorporated in Malaysia)

QUARTERLY REPORT

(A) Notes to the Condensed Consolidated Interim Financial Statements

A.1 Basis of preparation and significant accounting policies

This interim financial report is based on the unaudited financial statements for the year ended 31 March 2014 and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS134, *Interim Financial Reporting* in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

For the periods up to and including the year ended 31 December 2013, the Group prepared its financial statement in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS")

The adoption of the MFRSs 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

The auditors' report on the financial statement for the financial year ended 31 December 2013 was not qualified.

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 current quarter under review and financial year to date.

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 current quarter under review and financial year to date.

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 current financial year to date.

A.7 Dividends

No dividends have been declared and paid during the current quarter under review and financial year to date.

A.8 Segmental reporting

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

Group Financial year ended 31 March 2014	Information & Communication Technology RM '000	Investment Holding And Others RM '000	Total RM '000
<u>Revenue</u>			
Total Revenue	12,923	-	12,923
<u>Results</u>			
Loss from operations before depreciation, non-cash item & borrowing costs	(1,042)	(1,196)	(2,238)
Depreciation	(545)	(1)	(546)
Loss from operations	<u>(1,587)</u>	<u>(1,197)</u>	<u>(2,784)</u>
Income from short term borrowings, net			75
Share of loss of equity-accounted investees			<u>(119)</u>
Loss before taxation			<u>(2,828)</u>
Taxation			-
Net loss for the period			<u>(2,828)</u>
<u>Other information</u>			
Total asset	72,014	6,280	78,294

Analysis by geographical segments has not been presented as the operations of the Group are 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 previous financial statements ended 31 December 2013.

A.10 Subsequent events

There were no material events subsequent to the end of the current quarter.

A.11 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year ended 31 March 2014.

A.12 Changes in contingent liabilities and contingent assets

(A) There were no contingent assets for the current financial year to date.

(B) The changes in the Group's contingent liabilities since 31 March 2014 are as follows:

- (a) Bank guarantees issued to mainly trade customers increased from RM5,886,136 to RM6,012,560 as at 31 March 2014.

A.13 Material Litigation

(A) Inforntial Sdn Bhd ("ISB") v. Theta Edge Berhad ("THETA") & 4 ors

On 17 May 2012, a Writ of Summons and Statement of Claim was served on Theta by ISB to claim the following:-

- (i) A declaration that the 1st, 2nd, 3rd, 4th and 5th defendants or any of them have together conspired to act fraudulently against ISB to deprive ISB from recovering on its judgment against Lityan Systems Sdn. Bhd. ("LSSB") obtained in Kuala Lumpur High Court Suit No S1-22-1665-2004;
- (ii) A declaration that the 1st, 2nd, 3rd, 4th and 5th defendants or any of them have breached Section 257 of the Companies Act, 1965;
- (iii) Damages in the sum of RM2,105,585.23 outstanding as at 3 May 2012;
- (iv) Aggravated and/or exemplary damages;
- (v) Interest at the rate of 4% per annum on any judgment sum from the date this Writ of Summons is filed until full settlement;
- (vi) Costs;
- (vii) Such further and other relief as the Honourable Court deems fit.

The Court had on 23 January 2013 dismissed the Defendants' Application to strike out the civil suit with cost awarded to the Plaintiff in the sum of RM5,000.00 only. The Court has fixed the trial dates tentatively on 19 August 2013, 20 August 2013 and 29 August 2013. The trial commenced on 19 August 2013 and continued on 29 August 2013. The matter is still ongoing and the Court had fixed 10th and 11th July 2014 continued trial. The solicitors for the

Company is of the opinion that the Writ of Summons has no legal basis and that the Defendant has a strong and credible defense. No losses are expected to arise from the Writ of Summons and it is not expected to have any material financial or operational impact on the Company.

A.14 Capital Commitments

There were no major capital commitments for the Group as at the date of this report.

A.15 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 Mar 2014 RM '000	Balance due from / (to) as at 31 Mar 2014 RM '000
Lembaga Tabung Haji	Sales for Equipment and Services rendered	2,486	823
TH Plantations Berhad	Sales for Equipment and Services rendered	176	176
THP Development Consultancy Sdn Bhd	Sales for Equipment and Services rendered	710	533
TH Heavy Engineering Berhad	Sales for Equipment and Services rendered	158	1,401
TH Properties Sdn Bhd	Leasing of Computer Equipment	87	119

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

B.1 Review of performance

The Group reported a revenue of RM 12.9 million and loss before taxation of RM 2.8 million for the year ended 31 March 2014 as compared to the revenue and loss before taxation for the same period in the previous year of RM 13.0 million and RM 3.3 million respectively.

Whilst the Group's revenue performance and loss from operations was almost consistent with the results in the same period in the preceding year, the improvement of loss before taxation from RM3.3 million to RM2.8 million was mainly due to the reduction in the depreciation for the current period.

B.2 Material changes in quarterly results

The Group's revenue for the current quarter decreased to RM 12.9 million as compared to that of RM 21.5 million for the immediate preceding quarter. The Group reported loss before taxation of RM 2.8 million for the current period as compared to the loss before taxation of RM 0.5 million in the immediate preceding quarter.

The Group's lower revenue for the current quarter of approximately RM8.6 million or 40% was mainly contributed from the completion of some short term projects and increased in supply of IT equipments in the immediate preceding quarter.

B.3 Prospects

The Group sees that the year 2014 will yet be another challenging year despite the pick up in the momentum in the industry as well as projects. The Group expects that the results for the financial year 2014 will be an improvement compared to year 2013.

There are no changes to the Group's strategies and action plans but it will be strongly focusing and emphasizing on execution and productivity to realize the action plans for the current financial year. The Group will also continue to leverage on the support of its major shareholder and its Group of companies.

While the Group's continued action plans are to improve its profitability and increasing its customer base of its current businesses, its medium to long term plans includes building new businesses and developing new intellectual properties for sustainable income within the dynamic evolving ICT landscape. Some of the initiatives will bear results in the medium to long term.

The Group also identified the provision of specialized engineering services, managed services and provision of satellite communication in the telecommunication segment as an area of focus to increase its revenues and profitability in view of the growth and expansion of the domestic telecommunication industry.

The Group continuously to vigilantly review strategic and viable mergers and acquisitions opportunities as well as synergistic partnership prospects to expand the Group's revenue base and for immediate growth which would provide it with a more level playing field in the current competitive industry landscape.

The ICT spending in Malaysia is expected to be cross the RM30 billion mark in year 2014 according to IDC. This will also see the Government playing an active role in the ICT ecosystem driving the various initiatives such as the communications and content infrastructure focus under the Economic Transformation Programs as well as the Digital Malaysia initiatives to drive digital adoption and solidify an innovative Digital Economy. However, the ICT business environment remains a challenge for the Industry as a whole and the Theta Group with the increased number of players, diminishing margins and evolving landscape.

The growth of the telecommunication and communication industry on the other hand is expected to remain strong with the roll-out of the long term evolution network (LTE) which will increase not only the internet speed, but also the data traffic, accessibility and mobility of internet to more users and businesses in tandem with the expected increase of smartphone and tablet adoptions.

The business and society landscape are being revolutionized by emerging technologies from the converging forces of social, mobility, cloud and data which will form the basis of the future technology platform.

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 Loss before Tax

The following amounts have been included in arriving at loss before tax:

	Current Quarter Ended 31/03/2014 RM'000	Current Year To Date Ended 31/03/2013 RM'000
Depreciation	546	941
Income from short term investments	91	90
Borrowing costs	16	17

B.6 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	Ended	Quarter Ended	Ended	Period Ended
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM '000	RM '000	RM '000	RM '000
Corporate Income Tax				
Current Year	-	-	-	-
Under/(over) provision for previous period	-	-	-	-
	-	-	-	-

B.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.

B.8 Quoted securities

There were no quoted securities held by the Group.

B.9 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 15 May 2014 the latest practicable date which shall not be earlier than seven (7) days from the date of issue of this quarterly report.

(a) Employee Share Option Scheme ("ESOS")

At an Extraordinary General Meeting on 11 May 2011, the Company's shareholders approved the establishment of a five (5) year ESOS of up to ten percent (10%) of the issued and paid-up capital of the Company, commencing from the effective date of 12 May 2011.

Set out below are the details of options over the ordinary shares of the Company under the ESOS:

Option Date	Option Expiry Date	Exercise Price	Number Of Options Over Ordinary Shares of RM1.00			
			Granted as at 14/6/2011	Exercised	Lapsed/ Cancelled	As at 31/03/2014
1/6/2011	31/5/2016	RM1.05	5,909,000	-	(2,795,000)	3,114,000

B.10 Group borrowings

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

Short Term Borrowings

Unsecured	31/03/2014 RM '000	31/03/2013 RM '000
Trust Receipts	984	-
Total	984	-

Hire Purchase

	31/03/2014 RM '000	31/03/2013 RM '000
Repayable within 12 months	91	91
Payable more than 12 months	184	274
Total	275	365

All the borrowings are denominated in Ringgit Malaysia.

B.11 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at 15 May 2014, the latest practicable date which shall not be earlier than seven (7) days from the date of issue of this quarterly report.

B.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.

B.13 Changes in material litigations

Other than those indicated in Note A13 to the Interim Financial Statements MFRS134, there were no changes in material litigations as at 15 May 2014, the latest practicable date which shall not be earlier than seven (7) days from the date of issue of this quarterly report.

B.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.

B.15 Profit/(Loss) per share

The basic profit/(loss) per share for the quarter and year to date ended 31 March 2014 are computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31/03/2014	Preceding Year Corresponding Quarter 31/03/2013	Current Year To Date 31/03/2014	Preceding Year Corresponding Period 31/03/2013
Net profit/(loss) (RM'000)	(2,828)	(3,281)	(2,828)	(3,281)
Weighted average number of ordinary shares in issue ('000)	107,241	107,241	107,241	107,241
Basic LPS (sen)	(2.64)	(3.06)	(2.64)	(3.06)
Diluted LPS (sen)	-	-	-	-

Diluted LPS is not computed due to the anti-dilutive effect.

B.16 Realised and Unrealised Retained Profits

In relation to the Directive by BMSB on 25 March 2010, the determination of realized and unrealized profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to BMSB Listing Requirements, issued by the Malaysian Institute Of Accountants on 20 December 2010.

	31/03/2014 RM'000	31/03/2013 RM'000
Breakdown of accumulated losses of the Group		
- Realised	(24,328)	(22,555)
- Unrealised*	3,902	3,902
Less: Consolidation adjustments	(20,259)	(14,468)
Total Group Retained Losses	(40,685)	(33,121)

*Unrealised retained profits/accumulated losses comprise mainly of the recognised deferred tax asset of which probable tax profit will be available against which the deductible temporary differences can be utilized.

B.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 20 May 2014.