

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

QUARTERLY REPORT

SUMMARY OF KEY UNAUDITED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/09/16 RM'000	Preceding Year Corresponding Quarter Ended 30/09/15 RM'000	Current Year To Date Ended 30/09/16 RM'000	Preceding Year Corresponding Period Ended 30/09/15 RM'000
1. Revenue	30,434	21,048	110,375	84,704
2. Gross Profit	6,469	3,809	23,989	6,480
3. Profit / (Loss) before taxation	(122)	(879)	1,051	(6,616)
4. Profit / (Loss) after taxation	(122)	(909)	1,051	(6,646)
5. Profit / (Loss) for the period	(122)	(909)	1,051	(6,646)
6. Profit / (Loss) attributable to owners of the Company	(122)	(909)	1,051	(6,646)
7. Basic Earnings/ (Loss) per share (sen)	(0.11)	(0.85)	0.98	(6.20)
8. Proposed/Declared dividend per share (sen)	-	-	-	-
			As At End Of Current Financial Year End	As At Preceding Financial Year End
8. Net assets per share attributable to owners of the Company (RM)			0.63	0.62

Additional Information

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/09/16 RM'000	Preceding Year Corresponding Quarter Ended 30/09/15 RM'000	Current Year To Date Ended 30/09/16 RM'000	Preceding Year Corresponding Period Ended 30/09/15 RM'000
1. Gross Finance income	181	62	299	228
2. Gross Finance costs	(77)	(132)	(1,294)	(275)

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

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**UNAUDITED CONDENSED STATEMENTS OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/09/16 RM'000	Preceding Year Corresponding Quarter Ended 30/09/15 RM'000	Current Year Period Ended 30/09/16 RM'000	Preceding Year Corresponding Period Ended 30/09/15 RM'000
Revenue	30,434	21,048	110,375	84,704
Cost of sales	(23,965)	(17,239)	(86,386)	(78,224)
Gross Profit	<u>6,469</u>	<u>3,809</u>	<u>23,989</u>	<u>6,480</u>
Other operating income	-	1,066	12	1,072
Operating expenses	(4,105)	(3,119)	(11,675)	(9,127)
Profit / (Loss) from operations	<u>2,364</u>	<u>1,756</u>	<u>12,326</u>	<u>(1,575)</u>
Finance income	181	62	299	228
Depreciation	(2,363)	(1,510)	(5,439)	(3,617)
Allowances and non cash expenses	(226)	(940)	(4,733)	(940)
Finance costs	(77)	(132)	(1,294)	(275)
Share of losses of equity-accounted joint venture, net of tax	(1)	(115)	(108)	(437)
Profit / (Loss) before taxation	<u>(122)</u>	<u>(879)</u>	<u>1,051</u>	<u>(6,616)</u>
Taxation	-	(30)	-	(30)
Profit / (Loss) for the period	<u>(122)</u>	<u>(909)</u>	<u>1,051</u>	<u>(6,646)</u>
Other comprehensive Profit/(Loss), net of taxation	-	-	-	-
Total comprehensive Profit/ (Loss) for the period	<u>(122)</u>	<u>(909)</u>	<u>1,051</u>	<u>(6,646)</u>
Profit / (Loss) attributable to :				
Owners of the Company	(122)	(909)	1,051	(6,646)
Non-controlling interest	-	-	-	-
Profit / (Loss) for the period	<u>(122)</u>	<u>(909)</u>	<u>1,051</u>	<u>(6,646)</u>
Total comprehensive Profit (Loss) attributable to:				
Owners of the Company	(122)	(909)	1,051	(6,646)
Non-controlling interest	-	-	-	-
Total comprehensive Profit/ (Loss) for the period	<u>(122)</u>	<u>(909)</u>	<u>1,051</u>	<u>(6,646)</u>
Earnings /(Loss) per ordinary share (sen)				
Basic	(0.11)	(0.85)	0.98	(6.20)
Diluted	-	-	-	-

The unaudited condensed Statements of Profit & Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2015

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

QUARTERLY REPORT

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

	Unaudited As At 30/09/16 RM'000	Audited As At 31/12/15 RM'000
ASSETS		
Non-current assets		
Plant and equipment	14,907	12,294
Investment in joint venture	26	134
Intangible assets	1,721	2,371
Deferred tax assets	3,902	3,902
	20,556	18,701
Current assets		
Inventories	15,347	33,114
Receivables	39,771	34,677
Cash and cash equivalents	25,242	51,390
	80,360	119,181
Total assets	100,916	137,882
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	107,243	107,241
Share premium *	-	-
Reserves	(39,745)	(40,796)
Shareholder's fund / Total equity	67,498	66,445
LIABILITIES		
Current liabilities		
Payables	23,066	22,301
Hire Purchase	5,963	3,889
Trust Receipts	-	41,575
	29,029	67,765
Non Current liabilities		
Hire Purchase	4,389	3,672
	4,389	3,672
Total liabilities	33,418	71,437
Total equity and liabilities	100,916	137,882

Note * Share premium of RM398.00

The unaudited condensed Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2015

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QUARTERLY REPORT

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	<u>Share Capital RM'000</u>	<u>Non-distributable Reserves attributable to capital RM'000</u>	<u>Other Reserves RM'000</u>	<u>Distributable Reserves Attributable To Revenue RM'000</u>	<u>Total Equity RM'000</u>
<u>9 months ended 30 September 2015</u>					
At 1 January 2015 (audited)	107,241	-	1,897	(44,987)	64,151
Comprehensive loss for the financial period	-	-	-	(6,646)	(6,646)
At 30 September 2015 (Unaudited)	<u>107,241</u>	<u>-</u>	<u>1,897</u>	<u>(51,633)</u>	<u>57,505</u>
<u>9 months ended 30 September 2016</u>					
At 1 January 2016 (audited)	107,241	-	1,897	(42,693)	66,445
Transfer to reserves for expired ESOS	-	-	(1,897)	1,897	-
Shares issued pursuant to exercise of warrants	2	*	-	-	2
Comprehensive profit for the financial period	-	-	-	1,051	1,051
At 30 September 2016 (Unaudited)	<u>107,243</u>	<u>-</u>	<u>-</u>	<u>(39,745)</u>	<u>67,498</u>

Note * Share premium of RM398.00

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2015

THETA EDGE BERHAD (260002-W)
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QUARTERLY REPORT

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016**

	Unaudited	Audited
	30/09/16	31/12/15
	RM'000	RM'000
Cash flow used in operating activities		
Net profit before taxation	1,051	2,433
Adjustments for:		
Depreciation	5,439	5,041
Finance costs paid	1,294	580
Development cost written off	-	228
Finance income received	(299)	(271)
Bad debts written off	-	8
Allowance for doubtful debts	3,900	-
Amortisation of development cost	650	925
Plant and equipment written off	105	5
Fair value movement	-	(5)
Allowance for impairment of goodwill	-	657
Provision for litigation	53	2,490
Share of losses of equity-accounted joint venture, net of tax	108	541
	12,301	12,632
Operating profit before working capital changes	12,301	12,632
Movements in working capital		
Inventories	17,767	(14,923)
Receivables	(8,994)	(2,409)
Payables	689	5,644
	21,763	944
Cash flow from operations	21,763	944
Income tax paid	(15)	(125)
Income tax refunded	38	19
Finance costs paid	(1,294)	(580)
Finance income received	299	271
	20,791	529
Net cash flow from operating activities	20,791	529
Cash flow used in investing activities		
Purchase of plant and equipment	(8,157)	(13,124)
	(8,157)	(13,124)
Cash flow (used in) / from financing activities		
Proceeds from exercise of warrants	2	-
Trust Receipts	(41,575)	37,575
Hire purchase	2,791	7,354
Pledged deposits	1,404	(794)
	(37,378)	44,135
Net movement in cash and cash equivalents	(24,744)	31,540
Cash and cash equivalents at beginning of financial period	46,893	15,353
Cash and cash equivalents at end of financial period	22,149	46,893
Cash and cash equivalents consist of:		
Deposits, cash & bank balances	25,242	51,390
Less : Pledged deposits	(3,093)	(4,497)
	22,149	46,893

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2015

THETA EDGE BERHAD (260002-W)
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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 30 September 2016 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 2015.

For the periods up to and including the year ended 31 December 2015, 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 2015 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

Other than the below, 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.

	As at 30/9/2015		As at 31/12/2015	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Authorised: Ordinary Shares of RM1 each	500,000	500,000	500,000	500,000
Issued and fully paid: Ordinary Shares of RM1 each	107,243	107,243	107,241	107,241

An additional 2000 ordinary shares at a par value of RM1.00 each were issued and listed on 13 July 2016 pursuant to the exercise of warrants. The warrants was exercised at a price of RM1.199 per share.

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 and geographical reporting is not presented as the Group's operating business is in the information communication technology segment and 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 2015.

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 30 September 2016.

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 are as follows:

(a) Bank guarantees issued to mainly trade customers decreased from RM10,436,336 to RM8,673,385.17 for the quarter.

A.13 Material Litigation

(A) Infornential Sdn Bhd (“Plaintiff”) v. Theta Edge Berhad (“1st defendant” or “The Company”) & 4 others

On 17 May 2012, a Writ of Summons and Statement of Claim was served on the Defendant and four (4) others by the Plaintiff 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 the Plaintiff to deprive the Plaintiff 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 trial commenced on 19 August 2013 and concluded on 10 July 2014. The Defendant had filed their written submission to the Court on 20 October 2014 and the Plaintiff had filed their written submission to the Court on 23 October 2014

On the 27th of April 2015, the High Court Judge, had delivered her judgment in the aforementioned case as follows :-

- (i) Plaintiff’s claim against 1st Defendant is allowed with interest running at 4% per annum from the date of judgment until full settlement;
- (ii) Plaintiff’s claim against the 2nd, 3rd, 4th and 5th Defendants is dismissed;
- (iii) 1st Defendant to pay RM15,000-00 as cost to the Plaintiff.

The Company filed a Notice of Appeal against the said judgement on 6 May 2015 and the Record of Appeal was filed on 29 June 2015. The Plaintiff also filed an appeal on 25 May 2015 against the decision of the High Court Judge made on 27 April 2015 in dismissing its claim against the 2nd and the 5th Defendant. After the hearing in respect of both appeals on 19 October 2016 and as directed by the Court of Appeal, the parties filed further submissions on 11 November 2016. Until further notice from the Court of Appeal, the matter now is reserved for judgment in respect of the Appeal.

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 is recurrent in nature and 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 year ended 30 September 2016 RM '000	Balance due from / (to) as at 30 September 2016 RM '000
Lembaga Tabung Haji	Sale of equipment and services	24,723	4,479
THP Development Consultancy Sdn Bhd	Services rendered	196	-
THP Bina Sdn Bhd	Services rendered	1,986	2,105
THHE Fabricators Sdn Bhd	Sale of equipment and services	635	2,132
TH Heavy Engineering Berhad	Sale of equipment and services	2,518	4,514
TH Properties Sdn Bhd	Sale for equipment and services	268	151
TH Travel & Services Sdn Bhd	Services rendered	238	56
TH Agro Management Sdn Bhd	Services rendered	242	128
THP Sinar Sdn Bhd	Services rendered	2	-

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

B.1 Review of performance

The Group reported a revenue of RM 110.38 million for the nine (9) months ended 30 September 2016 as compared to the revenue in the previous corresponding period of RM 84.70 million. The higher revenue in the current period of 30% was mainly due to the completion of some projects milestones during the period.

The improvement of gross profit margin from 8% to 22% was mainly due to the higher contribution of revenues from value added services and operations and maintenance works. The Group reported a profit from operations of RM12.33 million as compared to the loss from operations of RM1.58 million previously. The Group also made a general allowance for doubtful debts of RM3.9 million pending assessment on the recoverability of certain long outstanding debts. Correspondingly, the Group reported a profit before taxation of RM1.05 million against the loss before taxation of RM6.62 million from the preceding year.

B.2 Material changes in quarterly results

The Group's revenue for the current quarter was RM30.43 million as compared to that of RM 39.00 million for the immediate preceding quarter. The Group reported a loss before taxation of RM 0.12 million for the current period as compared to the profit before taxation of RM 0.13 million in the immediate preceding quarter. The Group made a general allowances for doubtful debts amounting RM3.9 million in the previous quarter.

B.3 Prospects

The National ICT Association of Malaysia (PIKOM) is cautiously optimistic that the ICT spending in Malaysia is expected to grow 12-14% in 2016 to over RM70 billion. Growth is expected to come largely from the telecommunication segment as well as areas such as cloud computing, mobility, big data, e-commerce, online transactions, and the IoT (Internet of Things). 2016 will see initiatives largely driven by Government, to globalize, increase competitiveness, promote human capital development, lead the digital trend and accelerate growth of demand in the Malaysian ICT industry. The growth of the telecommunication and communication industry is expected to remain strong with the roll-out of the long term evolution network (LTE) by telecommunication providers.

There are no major shift or changes to the Group's strategies and action plans. Continued focus and emphasis on execution and productivity to realize the objectives. The Group continues to leverage on the support of its major shareholder and its Group of companies.

The Group expects 2016 to remain a challenging year. The cost of ICT products and services had increased due to the depreciation of the Ringgit against major foreign currencies. The reduction in

operating and capital expenditure spending of some key market segments is expected to continue to put competitive and margin pressures on the Group.

The Group started the year with order book on hand of RM220 mill. During the course of the year, we are expected to add on to our order book so that we begin 2017 with a healthy order book on hand. We are optimistic that we can continue the profitable trend for 2016. The Group will also put in efforts and focus to move forward our investments in Mukmin brand and green technology sector for them to contribute positively to the Group in the near to medium term

Based on the current scenario, the Group expects that the results for the financial year 2016 will be almost similar to 2015.

B.4 Statement of the Board of Directors' opinion on financial estimate, forecast, projection or profit guarantee

This statement is not applicable as the Group did not previously announce, disclose or publish any financial estimate, forecast, projection or profit guarantee in a public document.

B.5 Profit before Tax

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

	Current Quarter Ended 30/09/2016 RM'000	Current Year To Date Ended 30/09/2016 RM'000
Depreciation	2,363	5,439
Amortisation of development cost	216	650
Allowance for doubtful debts	-	3,900
Finance income	181	299
Finance costs	77	1,294

B.6 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/09/2016 RM '000	Preceding Year Corresponding Quarter Ended 30/09/2015 RM '000	Current Year To Date Ended 30/09/2016 RM '000	Preceding Year Corresponding Period Ended 30/09/2015 RM '000
Corporate Income	-	-	-	-
Tax				
Current Year	-	-	-	-
Under/(over) provision for previous period	-	(30)	-	(30)
	-	(30)	-	(30)

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 8 November 2016 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.

The ESOS has expired on 12 May 2016.

(b) Warrants

Pursuant to the announcement on 27 May 2016 in relation to the terms and conditions stipulated in the deed poll dated 18 May 2011 constituting the Warrants 2011/2016 (“Warrants”), the exercise rights of the Warrants expired on 5.00 p.m. on Monday, 4 July 2016 and accordingly, the Warrants were removed from the official list of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on Tuesday, 5 July 2016.

B.10 Group borrowings

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

Short Term Borrowings

	30/09/2016 RM ‘000	31/12/2015 RM ‘000
Unsecured Trust Receipts	-	41,575
Total	-	41,575

Hire Purchase

	30/09/2016 RM ‘000	31/12/2015 RM ‘000
Repayable within 12 months	5,963	3,889
Payable more than 12 months	4,389	3,672
Total	10,352	7,561

All the borrowings are denominated in Ringgit Malaysia and are guaranteed by the Company.

B.11 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at 8 November 2016, 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 8 November 2016, 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 Earnings / (loss) per share

The basic earnings / (loss) per share for the quarter and year to date ended 30 September 2016 are computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Net earnings (loss) (RM'000)	(122)	(909)	1,051	(6,646)
No of ordinary shares in issue ('000)	107,243	107,241	107,243	107,241
Weighted average number of ordinary shares in issue ('000)	107,242	107,241	107,242	107,241
Basic EPS/ (LPS) (sen)	(0.11)	(0.85)	0.98	(6.20)
Diluted EPS / (LPS) (sen)	-	-	-	-

Diluted EPS is not computed as the exercise price of the Employees' Share Options ("ESOS") and Warrants are higher than the average market price of the Company's ordinary shares during the period. Diluted EPS was not computed previously as it was anti-dilutive. The ESOS had expired on 12 May 2016.

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.

	30/09/2016 RM'000	30/12/2015 RM'000
Breakdown of accumulated losses of the Group		
- Realised	(65,384)	(66,543)
- Unrealised*	3,902	3,902
Total share of accumulated losses of joint venture		
-Realised	(2,974)	(2,866)
Transfer of ESOS Reserve upon expiry		
-Realised	1,897	-
Consolidation adjustments	22,814	22,814
Total Group Retained Losses	(39,745)	(42,693)

*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 21 November 2016.