

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

QUARTERLY REPORT

SUMMARY OF KEY UNAUDITED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter Ended	Corresponding	To Date Ended	Corresponding
	31/03/2017	Quarter Ended	31/03/2017	Period Ended
	RM'000	31/03/2016	RM'000	31/03/2016
	RM'000	RM'000	RM'000	RM'000
1. Revenue	11,699	40,950	11,699	40,950
2. Gross Profit	301	6,584	301	6,584
3. Profit/(loss) before taxation	(5,472)	1,046	(5,472)	1,046
4. Profit/(loss) after taxation	(5,476)	1,038	(5,476)	1,038
5. Profit/(loss) for the period	(5,476)	1,038	(5,476)	1,038
6. Profit/(loss) attributable to owners of the Company	(5,476)	1,038	(5,476)	1,038
7. Basic Earnings/(loss) per share (sen)	(5.11)	0.97	(5.11)	0.97
8. Proposed/Declared dividend per share (sen)	-	-	-	-
			As At	As At
			End Of Current	Preceding
			Financial	Financial
			Year End	Year End
8. Net assets per share attributable to owners of the Company (RM)			0.58	0.64

Additional Information

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter Ended	Corresponding	To Date Ended	Corresponding
	31/03/2017	Quarter Ended	31/03/2017	Period Ended
	RM'000	31/03/2016	RM'000	31/03/2016
	RM'000	RM'000	RM'000	RM'000
1. Gross Finance income	217	15	217	15
2. Gross Finance costs	(197)	(246)	(197)	(246)

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(Incorporated in Malaysia)

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**UNAUDITED CONDENSED STATEMENTS OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2017 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2016 RM'000	Current Year Period Ended 31/03/2017 RM'000	Preceding Year Corresponding Period Ended 31/03/2016 RM'000
Revenue	11,699	40,950	11,699	40,950
Cost of sales	(11,398)	(34,366)	(11,398)	(34,366)
Gross Profit	<u>301</u>	<u>6,584</u>	<u>301</u>	<u>6,584</u>
Other operating income	120	11	120	11
Operating expenses	(3,597)	(3,603)	(3,597)	(3,603)
Profit/(loss) from operations	<u>(3,176)</u>	<u>2,992</u>	<u>(3,176)</u>	<u>2,992</u>
Finance income	217	15	217	15
Depreciation	(2,073)	(1,371)	(2,073)	(1,371)
Allowances and non cash expenses	(243)	(238)	(243)	(238)
Finance costs	(197)	(246)	(197)	(246)
Share of losses of equity-accounted joint venture, net of tax	-	(106)	-	(106)
Profit/(loss) before taxation	<u>(5,472)</u>	<u>1,046</u>	<u>(5,472)</u>	<u>1,046</u>
Taxation	(4)	(8)	(4)	(8)
Profit/(loss) for the period	<u>(5,476)</u>	<u>1,038</u>	<u>(5,476)</u>	<u>1,038</u>
Other comprehensive profit/(loss), net of taxation	-	-	-	-
Total comprehensive profit/(loss) for the period	<u>(5,476)</u>	<u>1,038</u>	<u>(5,476)</u>	<u>1,038</u>
Profit/(loss) attributable to :				
Owners of the Company	(5,476)	1,038	(5,476)	1,038
Non-controlling interest	-	-	-	-
Profit/(loss) for the period	<u>(5,476)</u>	<u>1,038</u>	<u>(5,476)</u>	<u>1,038</u>
Total comprehensive profit/(loss) attributable to:				
Owners of the Company	(5,476)	1,038	(5,476)	1,038
Non-controlling interest	-	-	-	-
Total comprehensive profit/(loss) for the period	<u>(5,476)</u>	<u>1,038</u>	<u>(5,476)</u>	<u>1,038</u>
Earnings/(loss) per ordinary share (sen)				
Basic	(5.11)	0.97	(5.11)	0.97
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 2016

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**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Unaudited As At 31/03/2017 RM'000	Audited As At 31/12/2016 RM'000
ASSETS		
Non-current assets		
Plant and equipment	13,213	14,542
Investment in joint venture	20	21
Intangible assets	1,288	1,505
Deferred tax assets	3,902	3,902
	18,423	19,970
Current assets		
Inventories	18,323	14,407
Receivables	19,671	20,549
Cash and cash equivalents	33,488	43,903
	71,482	78,859
Total assets	89,905	98,829
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	107,243	107,243
Reserves	(44,615)	(39,139)
Shareholder's fund / Total equity	62,628	68,104
LIABILITIES		
Current liabilities		
Payables	18,093	18,774
Hire Purchase	6,047	6,072
Borrowings	716	1,900
	24,856	26,746
Non Current liabilities		
Hire Purchase	2,421	3,979
	2,421	3,979
Total liabilities	27,277	30,725
Total equity and liabilities	89,905	98,829

The unaudited condensed Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2016

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	<u>Non-distributable</u>		<u>Distributable</u>	Total Equity RM'000
	Share Capital RM'000	Other Reserves RM'000	Reserves Attributable To Revenue RM'000	
<u>3 months ended 31 March 2016</u>				
At 1 January 2016 (audited)	107,241	1,897	(42,693)	66,445
Comprehensive profit for the financial period	-	-	1,038	1,038
At 31 March 2016 (Unaudited)	<u>107,241</u>	<u>1,897</u>	<u>(41,655)</u>	<u>67,483</u>
<u>3 months ended 31 March 2017</u>				
At 1 January 2016 (audited)	107,243	-	(39,139)	68,104
Comprehensive loss for the financial period	-	-	(5,476)	(5,476)
At 31 March 2017 (Unaudited)	<u>107,243</u>	<u>-</u>	<u>(44,615)</u>	<u>62,628</u>

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 2016

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	Unaudited	Audited
	31/03/2017	31/12/2016
	RM'000	RM'000
Cash flow from operating activities		
Net profit /(loss) before taxation	(5,472)	1,699
Adjustments for:		
Depreciation	2,073	7,686
Finance costs paid	197	1,530
Finance income received	(217)	(518)
Bad debts recovered	(120)	-
Allowance for doubtful debts	-	4,339
Amortisation of development cost	217	866
Plant and equipment written off	-	106
Provision for litigation	26	105
Share of losses of equity-accounted joint venture, net of tax	1	113
	(3,295)	15,926
Operating profit / (loss) before working capital changes		
Movements in working capital		
Inventories	(3,916)	18,707
Receivables	998	9,714
Payables	(707)	(3,466)
Cash flow (used in) /from operations	(6,920)	40,881
Income tax paid	(4)	(171)
Income tax refunded	-	38
Finance costs paid	(197)	(1,530)
Finance income received	217	518
Net cash flow (used in) /from operating activities	(6,904)	39,736
Cash flow used in investing activities		
Purchase of plant and equipment	(744)	(10,040)
	(744)	(10,040)
Cash flow from/(used in) financing activities		
Proceeds from Share options exercised	-	2
Trust Receipts & revolving credit	(1,184)	(39,675)
Finance lease liabilities	(1,583)	2,490
Pledged deposits	(123)	1,564
	(2,890)	(35,619)
Net movement in cash and cash equivalents	(10,538)	(5,923)
Cash and cash equivalents at beginning of financial period	40,970	46,893
Cash and cash equivalents at end of financial period	30,432	40,970
Cash and cash equivalents consist of:		
Deposits, cash & bank balances	33,488	43,903
Less : Pledged deposits	(3,056)	(2,933)
Cash and cash equivalents	30,432	40,970

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2016

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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 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 audited financial statements of the Group for the year ended 31 December 2016.

The accounting policies adopted in the preparation of the Condensed Consolidated Interim financial statements are consistent with those adopted in the preparation of the Group's audited financial statements for the financial year ended 31 December 2016 except for the following:

Amendments and Annual Improvements to Standards effective for financial periods beginning on or after 1 January 2017:

- (i) Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative
- (ii) Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
- (iii) Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRSs 2014 - 2016 Cycle)

The above pronouncements are either not relevant or do not have any material impact on the financial statements of the Group.

A.2 Report On The Financial Statements

The auditors' report on the financial statement for the financial year ended 31 December 2016 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 and geographical reporting is not presented as the Group's operating business is in the technology, media and telecommunication 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 2016.

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 2017.

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 mainly to trade customers increased from RM7,049,439 to RM8,242,629 for the quarter.

A.13 Material Litigation

(A) Inforntial 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 5% 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 5% 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.

The outcome of the decision of the Court of Appeal on 16 February 2017 are as follows:

- (i) Theta Edge Berhad vs Inforntial Sdn Bhd (Court of Appeal Civil Appeal No. W-02(NCVC)(W)-756-05/2015

The Learned Judges allowed the above Appeal, set aside the Judgement of the High Court dated 27.4.2015 and ordered costs of RM15,000.00 to be paid to the Company, subject to the payment of allocator fees and deposit to be refunded to the Company.

- (ii) Inforntial Sdn Bhd vs Nor Badli Munawir Alias Lafti ("1st Respondent") & Anor ("2nd Respondent") (Court of Appeal Civil Appeal No.W-02(NCVC)-094-06/2015

The Learned Judges dismissed the Appeal with costs of RM15,000.00 to the 1st Respondent and RM30,000.00 to the 2nd Respondent, subject to the payment of allocator fees and deposit to be refunded to the Appellant.

Following the Court of Appeal's decision, a Notice of Motion was filed by Inforntial (Applicant) on 14 March 2017 for the following orders:

- (1) The Applicant be given leave to appeal against the whole decision delivered by the Court of Appeal which allowed the Company's appeal with costs of RM15,000.00;
- (2) The leave be granted on the following questions or issues, among others:
 - (i) Whether the corporate veil ought to be lifted, what is the current test to be applied?;
 - (ii) Is the Court of Appeal entitled to raise an issue where the party failed to raise the said issue in its pleadings, or as an issue to be tried or in its Memorandum of Appeal;
 - (iii) Whether a creditor of a company is "a person who appears to the Court to be interested" pursuant to Section 307 of the Companies Act 1965;
- (3) In the event the Applicant is given leave to appeal to the Federal Court, the Applicant is given leave to file and serve Notice of Appeal within 7 days from the date of this Order.

The Notice of Motion is fixed for Hearing on 11 July 2017 at Federal Court, Putrajaya.

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 31 March 2017 RM '000	Balance due from / (to) as at 31 March 2017 RM '000
Lembaga Tabung Haji	Sale of equipment & services	6,229	4,086
THP Bina Sdn Bhd	Sale of equipment & services	1,759	-
THHE Fabricators Sdn Bhd	Sale of equipment & services	-	2,132
TH Heavy Engineering Berhad	Sale of equipment & services	31	4,669
TH Properties Sdn Bhd	Sale of equipment & services	131	131
TH Travel & Services Sdn Bhd	Sale of equipment & services	-	56
TH Agro Management Sdn Bhd	Services rendered	128	128
THP Sinar Sdn Bhd	Services rendered	33	-

(B) Additional Information Required by the Listing Requirements of Bursa Malaysia Securities Berhad

B.1 Review of performance

The Group reported a revenue of RM11.70 million for the financial year ended 31 March 2017 as compared to the revenue in the previous financial year of RM40.95 million. The lower revenue in the current period of 71.4% was mainly due to the completion of several big project milestones in the preceding year.

Correspondingly, the Group reported a loss before taxation of RM5.47 million against the profit before taxation of RM1.05 million from the preceding year.

B.2 Material changes in quarterly results

The Group's revenue for the current quarter was RM11.70 million as compared to that of RM 25.94 million for the immediate preceding quarter. The Group reported a loss before taxation of RM5.47 million for the current period as compared to the profit before taxation of RM 0.65 million in the immediate preceding quarter.

B.3 Prospects

The National ICT Association of Malaysia (PIKOM) remains bullish on ICT outlook in 2017 despite the economic uncertainties and the depreciation of the Ringgit. ICT spending in 2016 is expected to reach over RM70 billion. Malaysia's overall ICT market is expected to feel the positive impact of the disruptive technologies and digital economic growth. Gartner forecasts that the ICT spending in Malaysia would be above RM70 billion for 2017.

Growth is expected to come largely from the telecommunication segment as well as areas such as cloud computing, mobility, big data, e-commerce, the IoT (Internet of Things) and digital governance. Similar to the previous years, 2017 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 2017 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.

During the course of the year, we expect to add on to our order book to sustain our 2017 financials and to begin 2018 with a healthy order book on hand. We are optimistic that we can continue the profitable trend in 2017. The Group will also put in efforts and focus to move forward our investments in the Mukmin brand and green technology sector for them to contribute positively to the Group in the near to medium term.

Nevertheless, barring unforeseen circumstances, the Group expects that the results for the financial year 2017 will be better than 2016.

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

Not applicable as the Group did not previously announced, disclosed or published any financial estimate, forecast, projection or profit guarantee in a public document.

B.5 Profit / (loss) before Tax

The following amounts have been included in arriving at profit /(loss) before tax:

	Current Quarter Ended 31/03/2017 RM'000	Previous Year Quarter Ended 31/03/2016 RM'000
Depreciation	243	1,371
Amortisation of development cost	217	217
Finance income	217	15
Finance costs	197	246

B.6 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2017 RM '000	Preceding Year Corresponding Quarter Ended 31/03/2016 RM '000	Current Year To Date Ended 31/03/2017 RM '000	Preceding Year Corresponding Period Ended 31/03/2016 RM '000
Corporate Income Tax				
Current Year	4	8	4	8
Under /(over) provision for previous period	-	-	-	-
	<u>4</u>	<u>8</u>	<u>4</u>	<u>8</u>

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 17 May 2017, 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 31 March 2017 are computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
Net earnings (RM'000)	(5,476)	1,038	(5,476)	1,038
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 (sen)	(5.11)	0.97	(5.11)	0.97
Diluted EPS (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. 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.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.

	31/03/2017 RM'000	31/12/2016 RM'000
Breakdown of accumulated losses of the Group		
- Realised	(67,434)	(59,097)
- Unrealised - Provision for litigation	(2,621)	(2,595)
- Unrealised - Deferred tax asset	3,902	3,902
Consolidation adjustments	21,538	18,651
Total Group Retained Losses	(44,615)	(39,139)

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 23 May 2017.