

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

QUARTERLY REPORT

SUMMARY OF KEY UNAUDITED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Individual Period			Cumulative Period		
	Current Year Quarter 30/6/2019 RM'000	Preceding Year Corresponding Quarter 30/6/2018 RM'000	Changes (%)	Current Year To-date 30/6/2019 RM'000	Preceding Year Corresponding Period 30/6/2018 RM'000	Changes (%)
1. Revenue	8,799	15,232	-42%	16,718	32,271	-48%
2. Gross Profit/(Loss)	823	3,357	-75%	(490)	3,769	>-100%
3. Loss before taxation	(3,175)	(625)	>100%	(6,902)	(3,735)	85%
4. Loss after taxation	(3,175)	(625)	>100%	(6,902)	(3,735)	85%
5. Loss for the period	(3,175)	(625)	>100%	(6,902)	(3,735)	85%
6. Loss attributable to owners of the Company	(3,175)	(625)	>100%	(6,902)	(3,735)	85%
7. Loss per share (sen)	(2.96)	(0.58)	>100%	(6.44)	(3.48)	85%
8. Proposed/Declared dividend per share (sen)	-	-		-	-	

	As At End Of Current Financial Year End RM	As At Preceding Financial Year End RM	Changes %
9. Net assets per share attributable to owners of the Company	0.57	0.63	-10%

Additional Information

	Individual Period			Cumulative Period		
	Current Year Quarter 30/6/2019 RM'000	Preceding Year Corresponding Quarter 30/6/2018 RM'000	Changes (%)	Current Year To-date 30/6/2019 RM'000	Preceding Year Corresponding Period 30/6/2018 RM'000	Changes (%)
1. Gross Finance income	309	276	12%	655	426	54%
2. Gross Finance costs	(8)	(61)	-87%	(89)	(224)	-60%

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

QUARTERLY REPORT

**UNAUDITED CONDENSED STATEMENTS OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/6/2019 RM'000	Preceding Year Corresponding Quarter Ended 30/6/2018 RM'000	Current Year Period Ended 30/6/2019 RM'000	Preceding Year Corresponding Period Ended 30/6/2018 RM'000
Revenue	8,799	15,232	16,718	32,271
Cost of sales	(7,976)	(11,875)	(17,208)	(28,502)
Gross Profit/(Loss)	<u>823</u>	<u>3,357</u>	<u>(490)</u>	<u>3,769</u>
Other operating income	54	7	293	105
Operating expenses	(2,664)	(3,118)	(5,275)	(6,233)
Profit/(Loss) from operations	(1,787)	246	(5,472)	(2,359)
Finance income	309	276	655	426
Depreciation	(273)	(283)	(580)	(682)
Allowances and non cash expenses	(1,416)	(803)	(1,416)	(896)
Finance costs	(8)	(61)	(89)	(224)
Loss before taxation	(3,175)	(625)	(6,902)	(3,735)
Taxation	-	-	-	-
Loss for the period	<u>(3,175)</u>	<u>(625)</u>	<u>(6,902)</u>	<u>(3,735)</u>
Other comprehensive loss, net of taxation	-	-	-	-
Total comprehensive loss for the period	<u>(3,175)</u>	<u>(625)</u>	<u>(6,902)</u>	<u>(3,735)</u>
Loss attributable to :				
Owners of the Company	(3,175)	(625)	(6,902)	(3,735)
Non-controlling interest	-	-	-	-
Loss for the period	<u>(3,175)</u>	<u>(625)</u>	<u>(6,902)</u>	<u>(3,735)</u>
Total comprehensive loss attributable to:				
Owners of the Company	(3,175)	(625)	(6,902)	(3,735)
Non-controlling interest	-	-	-	-
Total comprehensive loss for the period	<u>(3,175)</u>	<u>(625)</u>	<u>(6,902)</u>	<u>(3,735)</u>
Loss per ordinary share (sen)				
Basic	(2.96)	(0.58)	(6.44)	(3.48)
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 2018.

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

QUARTERLY REPORT

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Unaudited As At 30/6/2019 RM'000	Audited As At 31/12/2018 RM'000
ASSETS		
Non-current assets		
Plant and equipment	2,988	4,188
Deferred tax assets	3,902	3,902
	6,890	8,090
Current assets		
Inventories	4,525	4,421
Receivables	18,261	20,664
Cash and cash equivalents	37,493	46,332
	60,279	71,417
Total assets	67,169	79,507
EQUITY		
Share capital	107,243	107,243
Reserves	(46,258)	(39,356)
Equity attributable to owners of the Company	60,985	67,887
LIABILITIES		
Current liabilities		
Payables	6,184	10,866
Hire Purchase	-	754
	6,184	11,620
Total liabilities	6,184	11,620
Total equity and liabilities	67,169	79,507

The unaudited condensed Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2018

THETA EDGE BERHAD (260002-W)
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QUARTERLY REPORT

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	<u>Attributable to the owners of the Company</u>		
	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
<u>6 months ended 30 June 2018</u>			
At 1 January 2018 (audited)	107,243	(37,748)	69,495
Comprehensive loss for the financial period	-	(3,735)	(3,735)
	<hr/>	<hr/>	<hr/>
At 30 June 2018 (unaudited)	<u>107,243</u>	<u>(41,483)</u>	<u>65,760</u>
 <u>6 months ended 30 June 2019</u>			
At 1 January 2019 (audited)	107,243	(39,356)	67,887
Comprehensive loss for the financial period	-	(6,902)	(6,902)
	<hr/>	<hr/>	<hr/>
At 30 June 2019 (unaudited)	<u>107,243</u>	<u>(46,258)</u>	<u>60,985</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 2018.

THETA EDGE BERHAD (260002-W)
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QUARTERLY REPORT

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Unaudited 30/6/2019 RM'000	Unaudited 30/6/2018 RM'000
Cash flow from operating activities		
Net loss before taxation	(6,902)	(3,735)
Adjustments for:		
Depreciation	1,417	3,112
Finance costs paid	89	224
Finance income received	(655)	(426)
Bad debts recovered	(17)	(95)
Bad debts written off	-	579
Gain on disposal of Plant and equipment	(276)	-
Allowance for doubtful debts	1,150	-
Allowance for inventory obsolescence	266	99
Loss on exchange	-	203
Share of losses of equity-accounted joint venture, net of tax	-	15
Operating loss before working capital changes	(4,928)	(24)
Movements in working capital		
Inventories	(370)	1,618
Receivables	1,546	13,779
Payables	(4,682)	(4,960)
Cash flow (used in)/from operations	(8,434)	10,413
Finance costs paid	(89)	(224)
Finance income received	655	426
Net cash flow (used in)/from operating activities	(7,868)	10,615
Cash flow used in investing activities		
Purchase of plant and equipment	(217)	(930)
	(217)	(930)
Cash flow used in financing activities		
Finance lease liabilities	(754)	(2,077)
Pledged deposits	(15)	1,759
	(769)	(318)
Net movement in cash and cash equivalents	(8,854)	9,367
Cash and cash equivalents at beginning of financial period	44,440	25,888
Cash and cash equivalents at end of financial period	35,586	35,255
Cash and cash equivalents consist of:		
Deposits, cash & bank balances	37,493	37,078
Less : Pledged deposits	(1,907)	(1,823)
Cash and cash equivalents	35,586	35,255

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2018.

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

QUARTERLY REPORT

(A) EXPLANATORY NOTES PERTAINING TO MFRS 134

A.1 Basis of preparation and significant accounting policies

This interim unaudited 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 2018.

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 2018 except for the following:

Amendments and Annual Improvements to Standards effective for financial periods beginning on or after 1 January 2019:

- (i) MFRS 16, Leases
- (ii) IC Interpretation 23, Uncertainty over Income Tax Treatments
- (iii) Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- (iv) Amendments to MFRS 9, Financial Instruments - Prepayment Features with Negative Compensation
- (v) Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- (vi) Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- (vii) Amendments to MFRS 119, Employee Benefits Plan Amendment, Curtailment or Settlement
- (viii) Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- (ix) Amendments to MFRS 128, Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures

The above pronouncements are either not relevant or do not have any material impact on the interim financial statements of the Company upon their initial application. The Company has adopted the relevant standards from 1 January 2019 with practical expedients permitted under the standards. Comparatives for 2018 are not restated.

A.2 Report On the Financial Statements

The auditors' report on the financial statement for the financial year ended 31 December 2018 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 and financial year to date.

A.6 Debt and equity securities

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities during the current quarter and financial year to date.

A.7 Dividends

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

A.8 Segmental information

	Current Year to Date 30/06/2019			Preceding Year Corresponding Period 30/06/2018		
	Information Technology RM'000	Telco Services RM'000	Total RM'000	Information Technology RM'000	Telco Services RM'000	Total RM'000
Revenue	13,247	3,471	16,718	24,386	7,885	32,271
Gross profit / (loss)	971	(1,461)	(490)	4,708	(939)	3,769
Other operating income			293			105
Operating expenses			(5,275)			(6,233)
Loss from operations			(5,472)			(2,359)
Finance income			655			426
Depreciation			(580)			(682)
Allowances and non-cash expenses			(1,416)			(896)
Finance cost			(89)			(224)
Loss before taxation			(6,902)			(3,735)

Geographical reporting is not presented as the operations of the Group are in Malaysia.

A.9 Valuation of property, plant and equipment

The valuations of plant and equipment have been brought forward without amendment from the previous financial statements ended 31 December 2018.

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 December 2018.

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 RM4,816,933 to RM5,179,285 during the current quarter.

(b) A subsidiary of the Company has received a claim from a related party on 6 September 2018 amounting to RM435,550.11. The claim is in relation to alleged unauthorised transactions by an employee of the subsidiary. Police reports have been lodged by the relevant parties. The Company denies any obligation and liability in respect of this matter.

A.13 Material Litigation

There were no material litigation during the current quarter and financial year to date.

A.14 Capital Commitments

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

A.15 Related party transactions

The related party transactions of the Group are 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 June 2019 RM '000	Balance due from / (to) as at 30 June 2019 RM '000
Lembaga Tabung Haji	Sale of equipment & services	1,147	1,433
THP Development Sdn Bhd	Sale of equipment & services	-	107
TH Properties Sdn Bhd	Sale of equipment & services	209	102
THP Bina Sdn Bhd	Sale of equipment & services	1,648	5,307
THV Management Services Sdn Bhd	Sale of equipment & services	8	1
Bank Islam Malaysia Berhad	Sale of equipment & services	34	3
		3,046	6,953

A.16 Financial instruments and fair value measurements

The carrying amounts of cash and cash equivalents, receivables and payables reasonably approximate fair values due to the relatively short term nature of these financial instruments as at the end of the current year to date.

There were no financial instruments and fair value measurements during the current quarter and financial year to date.

**(B) EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**

B.1 Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 30/06/2019 RM'000	Preceding Year Corresponding Quarter 30/06/2018 RM'000	Changes (%)	Current Year To date 30/06/2019 RM'000	Preceding Year Corresponding Period 30/06/2018 RM'000	Changes (%)
Revenue	8,799	15,232	-42%	16,718	32,271	-48%
Profit/(Loss) from Operations	(1,787)	246	>-100%	(5,472)	(2,359)	>100%
Loss Before Finance cost and Taxation	(3,167)	(564)	>100%	(6,813)	(3,511)	94%
Loss Before Taxation	(3,175)	(625)	>100%	(6,902)	(3,735)	85%
Loss After Taxation	(3,175)	(625)	>100%	(6,902)	(3,735)	85%
Loss Attributable to Ordinary Equity Holders of the Parent	(3,175)	(625)	>100%	(6,902)	(3,735)	85%

Six (6) months ended 30 June 2019

The Group reported a revenue of RM16.7 million for the six (6) months ended 30 June 2019 as compared to the revenue in the corresponding period in the preceding year of RM32.3 million.

The higher revenue in 2018 was due to completion of higher project milestones pertaining to various ICT and security works with a related party and its group of companies during that period.

The Group also made an allowance for inventory obsolescence of RM0.27 million and allowance of doubtful debts of RM1.2 million. The allowance of doubtful debts was mainly due to the balance of outstanding debts from TH Heavy Engineering Berhad (THHE) Group which was supposed to be settled by way of the issuance of Islamic Irredeemable Convertible Preference Shares (ICPS) pursuant to the earlier Creditors' Scheme of Arrangement. The allowance was made due to the capital deficiency position of THHE at this juncture and the uncertainties of THHE's Proposed Regularisation Plan submission to Bursa Malaysia Securities Berhad.

Correspondingly the Group reported a loss before taxation of RM6.9 million in the current year against the loss before taxation of RM3.7 million from the preceding year.

Information technology

Information technology remains as the main revenue contributor for the Group with over 79% revenue contribution. Revenue from this segment was lower at RM13.2 million for current year to date as compared to RM24.4 million in the preceding year which was mainly contributed from the Group's major shareholder and its group of companies.

Telecommunication services

Revenue from the telecommunication services segment was lower at RM3.5 million for the current year to date as compared to RM7.9 million in the preceding year. The revenue contribution of this segment is 21% as compared to the preceding year of 24%. This segment is reliant on the rollout of the infrastructure projects by the respective telecommunication or equipment providers. The gross loss position is due to insufficient revenues and volume to meet its operating costs during the year.

B.2 Material changes in quarterly results

	Current Quarter 30/06/2019 RM '000	Immediate Preceding Quarter 31/03/2019 RM '000	Changes (%)
Revenue	8,799	7,919	11%
Loss from operations	(1,787)	(3,685)	-52%
Loss before Finance cost and Taxation	(3,167)	(3,646)	-13%
Loss Before Taxation	(3,175)	(3,727)	-15%
Loss After Taxation	(3,175)	(3,727)	-15%
Loss Attributable to Ordinary Equity Holders of the Parent holders of the parent	(3,175)	(3,727)	-15%

The higher revenue in the current quarter was mainly due to ICT works milestones delivered and completed for various projects with the related parties and the government. The higher loss before taxation in the current quarter was due insufficient revenues and volume to meet its gross and operating costs.

B.3 Prospects

The Group expects 2019 to remain very competitive with pricing to be the main factor for value proposition. The Company had hoped that the stabilization of the socio-economic and political environment may provide a positive impact to the Company going forward.

However, given the current challenging business and operating environment affecting the Group, we do not expect that the financial performance for financial year 2019 will be better than 2018.

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

The Group did not previously announce, disclose or publish any financial estimate, forecast, projection, internal targets or profit guarantee in a public document.

B.5 Profit/(Loss) before taxation

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30/06/2019 RM'000	Preceding Year Corresponding Quarter 30/06/2018 RM'000	Current Year To Date 30/06/2019 RM'000	Preceding Year Corresponding Period 30/06/2018 RM'000
Finance & short term investment income	309	276	655	426
Other income	54	7	293	105
Finance cost	8	61	89	224
Depreciation	643	1,089	1,417	3,112
Amortisation/write off of development cost	-	-	-	-
Allowance for doubtful receivables	1,150	-	1,150	-
Write off / (recovery) of bad receivables	(5)	589	(17)	579
Allowance for obsolete inventories	266	-	266	99
Gain / (loss) on disposal of quoted or unquoted investments or properties	-	15	-	15
Allowance for impairment of plant and machineries	-	-	-	-
Foreign exchange gain / (loss)	-	(209)	-	(203)
Gain / (loss) on derivatives	-	-	-	-

B.6 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30/06/2019 RM'000	Preceding Year Corresponding Quarter 30/06/2018 RM'000	Current Year To Date 30/06/2019 RM'000	Preceding Year Corresponding Period 30/06/2018 RM'000
Current year income tax	-	-	-	-
Over/(under) 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 current quarter.

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 23 August 2019 the latest practicable date which shall not be earlier than seven (7) days from the date of issue of this quarterly report.

B.10 Group borrowings

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

		Current Quarter - 30/06/2019 (Amount in RM'000)		
		Long term	Short term	Total Borrowing
Unsecured	Hire Purchase	-	-	-
	Total	-	-	-

		Preceding Year Corresponding Quarter -30/06/2018 (Amount in RM'000)		
		Long term	Short term	Total Borrowing
Unsecured	Hire Purchase	96	1,751	1,847
	Total	96	1,751	1,847

The fixed rate of borrowings as at 30 June 2018 is from 2.5% to 3.6%.

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 23 August 2019, 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 material litigations

There were no changes in material litigations as at 23 August 2019, the latest practicable date which shall not be earlier than seven (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 Loss per share

The basic loss per share for the quarter and year to date ended 30 June 2019 are computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30/06/2019	Preceding Year Corresponding Quarter 30/06/2018	Current Year To Date 30/06/2019	Preceding Year Corresponding Period 30/06/2018
Net loss (RM'000)	(3,175)	(625)	(6,902)	(3,735)
No of ordinary shares in issue ('000)	107,243	107,243	107,243	107,243
Weighted average number of ordinary shares in issue ('000)	107,243	107,243	107,243	107,243
Basic LPS (sen)	(2.96)	(0.58)	(6.44)	(3.48)
Diluted LPS (sen)	N/A	N/A	N/A	N/A

Diluted LPS is not computed as there are no outstanding share options or instruments that will dilute the basic loss per share.

B.15 Derivatives

There are no derivatives outstanding as at the end of the current financial year to date.

B.16 Fair value changes of financial liabilities

There are no Fair value changes of financial liabilities as at the end of the current financial year to date.

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 28 August 2019.