

THETA EDGE BERHAD

[199301005265 (260002-W)]

(Incorporated in Malaysia)

QUARTERLY REPORT

SUMMARY OF KEY UNAUDITED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Individual Period			Cumulative Period		
	Current Year Quarter 30/06/2022 RM'000	Preceding Year Corresponding Quarter 30/06/2021 RM'000	Changes (%)	Current Year To-date 30/06/2022 RM'000	Preceding Year Corresponding Period 30/06/2021 RM'000	Changes (%)
1. Revenue	23,264	39,607	-41%	35,047	52,304	-33%
2. Gross Profit	4,989	2,845	75%	11,077	4,804	>100%
3. Profit/(Loss) before taxation	1,173	101	>100%	3,908	(522)	>-100%
4. Profit/(Loss) after taxation	1,173	101	>100%	3,908	(522)	>-100%
5. Profit/(Loss) for the period	1,173	101	>100%	3,908	(522)	>-100%
6. Profit/(Loss) attributable to owners of the Company	1,173	101	>100%	3,908	(522)	>-100%
7. Profit/(Loss) per share (sen)	0.99	0.09	>100%	3.31	(0.49)	>-100%
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	0.60	0.54	11%

Additional Information

	Individual Period			Cumulative Period		
	Current Year Quarter 30/06/2022 RM'000	Preceding Year Corresponding Quarter 30/06/2021 RM'000	Changes (%)	Current Year To-date 30/06/2022 RM'000	Preceding Year Corresponding Period 30/06/2021 RM'000	Changes (%)
1. Gross Finance income	282	207	36%	567	399	42%
2. Gross Finance costs	197	50	>100%	728	208	>100%

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QUARTERLY REPORT

UNAUDITED CONDENSED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/06/2022 RM'000	Preceding Year Corresponding Quarter Ended 30/06/2021 RM'000	Current Year Period Ended 30/06/2022 RM'000	Preceding Year Corresponding Period Ended 30/06/2021 RM'000
Revenue	23,264	39,607	35,047	52,304
Cost of sales	(18,275)	(36,762)	(23,970)	(47,500)
Gross Profit	4,989	2,845	11,077	4,804
Other operating income	27	308	65	573
Operating expenses	(3,614)	(2,818)	(6,433)	(5,249)
Profit from operations	1,402	335	4,709	128
Finance income	282	207	567	399
Depreciation	(314)	(391)	(640)	(841)
Finance costs	(197)	(50)	(728)	(208)
Profit/(Loss) before taxation	1,173	101	3,908	(522)
Taxation	-	-	-	-
Zakat	-	-	-	-
Profit/(Loss) for the period	1,173	101	3,908	(522)
Total comprehensive profit/(loss) for the period	1,173	101	3,908	(522)
Profit/(Loss) attributable to :				
Owners of the Company	1,173	101	3,908	(522)
Non-controlling interest	-	-	-	-
Profit/(Loss) for the period	1,173	101	3,908	(522)
Total comprehensive profit/(loss) attributable to:				
Owners of the Company	1,173	101	3,908	(522)
Non-controlling interest	-	-	-	-
Total comprehensive profit/(loss) for the period	1,173	101	3,908	(522)
Profit/(Loss) per ordinary share (sen)				
Basic	0.99	0.09	3.31	(0.49)
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 2021.

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(Incorporated in Malaysia)

QUARTERLY REPORT

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Unaudited As At 30/06/2022 RM'000	Audited As At 31/12/2021 RM'000
ASSETS		
Non-current assets		
Plant and equipment	1,667	1,623
Right-of-use assets	1,177	1,529
Trade Receivable	16,933	16,665
	19,777	19,817
Current assets		
Inventories	60	46
Trade and other receivables	15,263	15,124
Contract assets	20,560	14,858
Contract costs	3,606	275
Cash and cash equivalents	54,414	50,000
	93,903	80,303
Total assets	113,680	100,120
EQUITY		
Share capital	115,018	107,243
Reserves	(45,725)	(49,633)
Equity attributable to owners of the Company	69,293	57,610
LIABILITIES		
Current liabilities		
Lease Liabilities	666	704
Hire Purchase	4,430	4,430
Trade and other payables	19,616	20,861
Contract liabilities	6,674	984
	31,386	26,979
Non Current liabilities		
Lease Liabilities	606	921
Hire Purchase	12,395	14,610
	13,001	15,531
Total liabilities	44,387	42,510
Total equity and liabilities	113,680	100,120

The unaudited condensed Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2021

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QUARTERLY REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	<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 2021</u>			
At 1 January 2021 (audited)	107,243	(44,837)	62,406
Comprehensive loss for the financial period	-	(522)	(522)
	<hr/>	<hr/>	<hr/>
At 30 June 2021 (unaudited)	<u>107,243</u>	<u>(45,359)</u>	<u>61,884</u>
<u>6 months ended 30 June 2022</u>			
At 1 January 2022 (audited)	107,243	(49,633)	57,610
Issuance of shares	7,775		7,775
Comprehensive profit for the financial period	-	3,908	3,908
	<hr/>	<hr/>	<hr/>
At 30 June 2022 (unaudited)	<u>115,018</u>	<u>(45,725)</u>	<u>69,293</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 2021.

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QUARTERLY REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Unaudited 30/06/2022 RM'000	Unaudited 30/06/2021 RM'000
Cash flow from operating activities		
Net profit/(loss) before taxation	3,908	(522)
Adjustments for:		
Depreciation of plant and equipment	288	430
Depreciation of right-of-use assets	352	411
Finance costs paid	698	156
Finance cost on lease liabilities	30	52
Finance income received	(227)	(358)
Finance income from lease	(340)	(41)
Bad debts recovered	-	(72)
Gain on disposal of Plant and equipment	-	(4)
Operating profit before working capital changes	4,709	52
Movements in working capital		
Inventories/Contract costs	(3,345)	1,070
Receivables	(5,772)	(27,271)
Payables	4,449	24,584
Cash flow from/(used in) operations	41	(1,565)
Finance costs paid	(698)	(156)
Finance income received	227	358
Net cash flow used in operating activities	(430)	(1,363)
Cash flow used in investing activities		
Purchase of plant and equipment	(332)	(336)
	(332)	(336)
Cash flow used in financing activities		
Proceeds from issuance of share capital	7,775	-
Hire purchase	(2,215)	(296)
Lease liabilities	(383)	(445)
Pledged deposits	(16,657)	(51)
	(11,480)	(792)
Net movement in cash and cash equivalents	(12,242)	(2,491)
Cash and cash equivalents at beginning of financial period	46,423	38,904
Cash and cash equivalents at end of financial period	34,181	36,413
Cash and cash equivalents consist of:		
Deposits, cash & bank balances	54,414	39,119
Less : Pledged deposits	(20,233)	(2,706)
	34,181	36,413

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2021.

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(Incorporated in Malaysia)

QUARTERLY REPORT

(A) BASIS OF PREPARATION

A.1 Basis of preparation and significant accounting policies

The interim unaudited financial statements have 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 2021.

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 2021 except for the adoption of the pronouncements that became effective from 1 January 2022.

- | | |
|--|---|
| • Amendments to MFRS 9 | Financial Instruments (Annual Improvements to MFRS Standards 2018-2020) |
| • Amendments to Illustrative Examples accompanying MFRS 16 | Leases (Annual Improvements to MFRS Standards 2018-2020) |
| • Amendments to MFRS 116 | Property, Plant and Equipment - Proceeds before Intended Use |
| • Amendments to MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts -Cost of Fulfilling a Contract |

The adoption of these Amendments has not resulted in any material impact on the financial statements of the Group.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been applied by the Group:

- | | |
|--------------------------|--|
| • Amendments to MFRS 101 | Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies |
| • Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| • Amendments to MFRS 112 | Definition of Accounting Estimates |
| • Amendments to MFRS 112 | Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| • Amendments to MFRS 10 | Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

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 2022 with practical expedients permitted under the standards.

A.2 Report on the Financial Statements

The auditors' report on the financial statement for the financial year ended 31 December 2021 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 30/06/2022			Preceding Year Corresponding Period 30/06/2021		
	Information Technology RM'000	Telco Services RM'000	Total RM'000	Information Technology RM'000	Telco Services RM'000	Total RM'000
Revenue	14,511	20,536	35,047	49,442	2,862	52,304
Gross profit / (loss)	3,788	7,289	11,077	7,332	(2,528)	4,804
Other operating income			65			573
Operating expenses			(6,433)			(5,249)
Profit from operations			4,709			128
Finance income			567			399
Depreciation			(640)			(841)
Finance cost			(728)			(208)
Profit/(Loss) before taxation			3,908			(522)

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 2021.

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 to date.

A.12 Changes in contingent liabilities and contingent assets

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

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

- (i) Bank guarantees issued mainly to trade customers increased from RM23,734,413 to RM23,832,045 during the current quarter.

A.13 Material Litigations

There were no material litigations 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 2022 RM '000	Balance due from as at 30 June 2022 RM '000
Lembaga Tabung Haji	Various ICT services	1,771	1,750
		1,771	1,750

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 other than the below:

Group	Fair value of financial instruments not carried at fair value as at 30/06/2022				Total fair value 30/06/2022 RM'000	Carrying amount 30/06/2022 RM'000
	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000		
<u>Financial liabilities</u>						
Hire Purchase			19,538	19,538	19,538	16,825
	-	-	19,538	19,538	19,538	16,825

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

B.1 Review of performance

	Individual Period		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter 30/06/2022 RM'000	Preceding Year Corresponding Quarter 30/06/2021 RM'000		Current Year To date 30/06/2022 RM'000	Preceding Year Corresponding Period 30/06/2021 RM'000	
Revenue	23,264	39,607	-41%	35,047	52,304	-33%
Profit from Operations	1,402	335	>100%	4,709	128	>100%
Profit/(Loss) Before Finance cost and Taxation	1,370	151	>100%	4,636	(314)	>-100%
Profit/(Loss) Before Taxation	1,173	101	>100%	3,908	(522)	>-100%
Profit/(Loss) After Taxation	1,173	101	>100%	3,908	(522)	>-100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,173	101	>100%	3,908	(522)	>-100%

Six (6) months ended 30 June 2022

The Group reported revenue of RM35.0 million as at 30 June 2022 compared to RM52.3 million in the corresponding period of the preceding year, mainly from the absence of one-off trading from the supply of Binocular equipment and computers equipment amounting to RM15.9 million.

The Group's profit before taxation stood at RM3.9 million in contrast to loss before taxation of RM0.5 million in the corresponding period of the preceding year, partly contributed from a higher revenue and margin materialized by the Telco division. The loss before taxation in the preceding year also mainly contributed from a thin margin of the revenue from one-off trading's project.

Information Technology

Information Technology's revenue represented 41.4% of the total Group's revenue. The revenue for this segment decreased from RM49.4 million to RM14.5 million or 70.6% for the current period due to completion of the one-off supply of equipment and leasing equipment project of RM38.6 million.

Telecommunication Services (Telco Services)

The revenue contribution from this segment increased significantly from RM2.9 million to RM20.5 million due to partial materialisation of major contract secured by the division and other existing contracts.

B.2 Material changes in quarterly results

	Individual Current Quarter 30/06/2022 RM '000	Immediate Preceding Quarter 31/03/2022 RM '000	Changes (%)
Revenue	23,264	11,783	97%
Gross profit	4,989	6,088	-18%
Profit from operations	1,402	3,307	-58%
Profit before Finance cost and Taxation	1,370	3,266	-58%
Profit Before Taxation	1,173	2,735	-57%
Profit After Taxation	1,173	2,735	-57%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	1,173	2,735	-57%

The higher revenue of RM23.3 million in the immediate preceding quarter was mainly contributed from further recognition of secured contract by Telco division.

B.3 Prospects

The Group is positive on the growth prospect of its business divisions in FY2022 in line with the economic recovery. Telco Services is expected to continue its growth momentum in line with the JENDELA's positive developments and leveraging on the Group's appointment as the current trusted partner to deliver the Universal Service Provider for the provision and implementation of the Jalanan Digital Nasional (JENDELA) Phase 1 (Part 1) Project. On the long run, the Group targets to position itself as a strategic player in segments within the national digital agenda and national rollout of the 5G network.

For the Information Technology (IT) segment, the Group is committed to deliver its current projects within the allocated time and costs to ensure project's profitability remains intact. Additionally, IT segment remains proactive in seeking new projects as part of the strategies to increase projects' pipeline for the Group. On the long term, the business unit intends to diversify and expand its clientele base and realising its competencies within digital government services as well as seeking for a sustainable and recurring revenue model.

The Group has also embarked on its transformation program to transform into a high performing culture organisation. Strategic initiatives under the transformation include Group-wide cost optimisation, strategic partnerships for acquisition of new competencies, strategic supply chain management and rollout of best practices for operational policies and procedures to strengthen corporate governance.

B.4 Statement of the Board of Directors' opinion on financial estimates, forecasts, projections, internal targets or profit guarantees

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 30/06/2022 RM'000	Preceding Year Corresponding Quarter 30/06/2021 RM'000	Current Year To Date 30/06/2022 RM'000	Preceding Year Corresponding Period 30/06/2021 RM'000
Short term investment income	116	188	227	358
Finance income from lease receivables	166	19	340	41
Finance cost	183	26	698	156
Finance cost from Right-of-Use assets	14	24	30	52
Depreciation	138	184	288	430
Depreciation from Right-of-Use assets	176	207	352	411
Amortisation/write off of development cost	-	-	-	-
Allowance for doubtful receivables	-	-	-	-
Write off /(recovery) of bad receivables	-	(22)	-	(72)
Allowance/(writeback) for obsolete inventories	-	-	-	-
Derecognition of deferred taxation asset	-	-	-	-
Allowance for impairment of plant and machineries	-	-	-	-

B.6 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30/06/2022 RM'000	Preceding Year Corresponding Quarter 30/06/2021 RM'000	Current Year To Date 30/06/2022 RM'000	Preceding Year Corresponding Period 30/06/2021 RM'000
Current year income tax	-	-	-	-
Under/(over) provision for previous period	-	-	-	-
Derecognition of deferred taxation asset	-	-	-	-
	-	-	-	-

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

Private Placement

On 25 February 2022, the Company proposed to undertake a private placement of up to 10,724,300 new ordinary shares in the Company, representing up to approximately 10% of the total number of issued shares of the Company (excluding treasury shares) ("Private Placement").

On 25 April 2022, 10,724,300 Placement Shares have been allotted to third party investors at an issue price of RM0.725 with gross proceeds of RM7,775,117.50 raised by the Company.

As at the date of this report, the status of utilisation of proceeds from the Private Placement is as below:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Timeframe	Utilisation %	Explanation
Expenses relating to the Private Placement	300	270	Immediate	90%	Completed. Excess will be utilised as working capital
Working capital requirements	7,475	1,939	12 months	26%	In progress
Total	7,775	2,209		28%	

B.10 Group borrowings

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

Cumulative Quarter - 30/06/2022 (Amount in RM'000)			
	Long term	Short term	Total Borrowing
Unsecured			
Hire Purchase	12,395	4,430	16,825
Total	12,395	4,430	16,825

Preceding Year Cumulative Quarter -30/06/2021 (Amount in RM'000)			
	Long term	Short term	Total Borrowing
Unsecured			
Hire Purchase	1,471	592	2,063
Total	1,471	592	2,063

The fixed rate of borrowings as at 30 June 2022 is from 3.03% to 3.38% (30 June 2021: 3.03%-3.38%). All the borrowings are denominated in Ringgit Malaysia and are guaranteed by the Company.

B.11 Lease liabilities

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

Cumulative Quarter - 30/06/2022 (Amount in RM'000)			
	Long term	Short term	Total Lease liabilities
Lease Liabilities	606	666	1,272
Total	606	666	1,272

Preceding Year Cumulative Quarter -30/06/2021 (Amount in RM'000)			
	Long term	Short term	Total lease liabilities
Lease Liabilities	1,486	1,072	2,558
Total	1,486	1,072	2,558

The lease liabilities relate to the lease of office units and warehouses. The implicit interest rate of lease as at 30 June 2022 was assumed at 4.2% per annum (30 June 2021: 4.2%)

B.12 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at 23 August 2022, the latest practicable date which shall not be earlier than seven (7) days from the date of issue of this quarterly report.

B.13 Changes in material litigations

There were no changes in material litigations as at 23 August 2022, 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 Earning/(Loss) per share

The basic loss per share for the quarter and year to date ended 30 June 2022 are computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30/06/2022	Preceding Year Corresponding Quarter 30/06/2021	Current Year To Date 30/06/2022	Preceding Year Corresponding Period 30/06/2021
Net profit/(loss) (RM'000)	1,173	101	3,908	(522)
No of ordinary shares in issue ('000)	115,018	107,243	115,018	107,243
Weighted average number of ordinary shares in issue ('000)	115,018	107,243	115,018	107,243
Basic EPS /(LPS) (sen)	0.99	0.09	3.31	(0.49)
Diluted EPS /(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.16 Derivatives

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

B.17 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 except for the below.

	Lease Liabilities		Hire Purchase		Balance as at 30 June 2022	
	Carrying Amount RM'000	Total Fair Value RM'000	Carrying Amount RM'000	Total Fair Value RM'000	Carrying Amount RM'000	Total Fair Value RM'000
Balance at 01/1/2022	1,625	2,002	19,040	22,107	20,665	24,109
Repayment/derecognition	(353)	(653)	(2,215)	(2,569)	(2,568)	(3,222)
Balance as at 30/06/2022	1,272	1,349	16,825	19,538	18,097	20,887

B.18 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 29 August 2022.