

EA HOLDINGS BERHAD (878041-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2016

	----- Individual Quarter -----		---- Cumulative Quarter ----	
	Current year quarter 31 December 2016	Preceding year corresponding quarter 31 December 2015	Current year to date 31 December 2016	Preceding year corresponding period 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Revenue	10,871	N/A	22,720	N/A
Cost of Sales	<u>(8,566)</u>	<u>N/A</u>	<u>(17,784)</u>	<u>N/A</u>
Gross Profit	2,305	N/A	4,936	N/A
Other Operating Income	29	N/A	114	N/A
Operating Expenses	(3,142)	N/A	(8,983)	N/A
Depreciation and amortization	<u>(525)</u>	<u>N/A</u>	<u>(1,699)</u>	<u>N/A</u>
Operating Profit	(1,333)	N/A	(5,632)	N/A
Share of associate's results	2,034	N/A	5,951	N/A
Finance cost	<u>(92)</u>	<u>N/A</u>	<u>(212)</u>	<u>N/A</u>
Profit/(Loss) Before Tax	609	N/A	107	N/A
Taxation	<u>(32)</u>	<u>N/A</u>	<u>(34)</u>	<u>N/A</u>
Profit/(Loss) After Tax	577	N/A	73	N/A
Other comprehensive income	-	N/A	-	N/A
Total comprehensive income/(loss)	<u><u>577</u></u>	<u><u>N/A</u></u>	<u><u>73</u></u>	<u><u>N/A</u></u>
Profit/(Loss) attributable to :				
Equity holders of the Company	602	N/A	209	N/A
Non-controlling interests	<u>(25)</u>	<u>N/A</u>	<u>(136)</u>	<u>N/A</u>
	<u><u>577</u></u>	<u><u>N/A</u></u>	<u><u>73</u></u>	<u><u>N/A</u></u>
Total comprehensive (loss)/income attributable to :				
Equity holders of the Company	602	N/A	209	N/A
Non-controlling interests	<u>(25)</u>	<u>N/A</u>	<u>(136)</u>	<u>N/A</u>
	<u><u>577</u></u>	<u><u>N/A</u></u>	<u><u>73</u></u>	<u><u>N/A</u></u>
Weighted average no. of ordinary shares in issue ('000)	1,490,828	N/A	1,490,828	N/A
Earnings/(Loss) per share (sen):-				
a) Basic	0.04	N/A	0.01	N/A

^ As at 31 December 2016, Cepak Air Sdn Bhd recorded unaudited profit after tax of RM39.57 million.
The Group's share of profit is based on 20% of equity in Cepak Air Sdn Bhd.

- (i) Basic earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively.
- (ii) The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial period ended ("FYE") 31 March 2016 and the accompanying explanatory notes attached to the interim financial report.

EA HOLDINGS BERHAD (878041-A)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	As at 31 December 2016 (Unaudited) RM'000	As at 31 March 2016 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,905	7,536
Investment in Associate Company	55,470	49,519
Intangible Assets - Goodwill on consolidation	13,394	13,394
Intangible Assets - Intellectual Property Rights	3,062	3,194
Intangible Assets - R&D expenditure	5,548	6,186
	<u>84,379</u>	<u>79,829</u>
Current assets		
Inventories	1,729	867
Receivables	27,312	34,217
Amount owing by Associate Company	341	4,551
Fixed Deposits with licensed banks	3,440	3,569
Cash And Cash Equivalents	19,732	15,868
	<u>52,554</u>	<u>59,072</u>
Total Assets	<u><u>136,933</u></u>	<u><u>138,901</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share capital	149,083	149,083
Share premium	1	1
Warrants reserve	9,503	9,503
Other reserve	(13,738)	(13,738)
Retained profits	(15,095)	(15,304)
	<u>129,754</u>	<u>129,545</u>
Non-controlling interests	68	204
Total equity	<u><u>129,822</u></u>	<u><u>129,749</u></u>
Non-current liabilities		
Hire purchase creditors	968	728
Term loans	1,871	1,954
Deferred tax liabilities	239	239
	<u>3,078</u>	<u>2,921</u>
Current liabilities		
Payables	1,528	2,998
Hire purchase creditors	95	343
Bills payables	1,578	1,556
Amount due to director	-	12
Term loans	109	105
Provision for taxation	723	1,217
	<u>4,033</u>	<u>6,231</u>
Total liabilities	<u><u>7,111</u></u>	<u><u>9,152</u></u>
Total equity and liabilities	<u><u>136,933</u></u>	<u><u>138,901</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.09</u>	<u>0.09</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the FPE 31 March 2016 and the accompanying explanatory notes attached to the interim financial report.

EA HOLDINGS BERHAD (878041-A)**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2016**

	Current year to date 31 December 2016 (Unaudited) RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Profit Before Taxation	107
Adjustments for :-	
Depreciation and amortization	1,699
Share of associate's results	(5,951)
Interest expenses	212
Interest income	(27)
	<u>(4,067)</u>
Operating profit before working capital changes	(3,960)
Changes in working capital	
Net change in directors	(12)
Net change in associate company	4,210
Net change in inventories	(862)
Net change in trade and other receivables	6,905
Net change in trade and other payables	(1,470)
Net cash from operations	4,811
Interest received	27
Interest paid	(212)
Tax paid	(398)
Net cash used in operating activities	4,228
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of plant and equipment	(299)
Net cash used in investing activities	(299)
CASH FLOW FROM FINANCING ACTIVITIES	
Term loans	(79)
Hire Purchase	(8)
Bills payable	22
Net cash generated from financing activities	(65)
Net Change in Cash and Cash Equivalents	3,864
Cash and Cash Equivalents at beginning of the period	15,868
Cash and Cash Equivalents at end of the period	19,732
Represented by :	
Cash and bank balances	19,732
	<u>19,732</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the FPE 31 March 2016 and the accompanying explanatory notes attached to the interim financial report.

EA HOLDINGS BERHAD (878041-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2016

	<----- Attributable to equity holders of the Company ----->						Non- controlling interests	Total Equity
	<----- Non-distributable ----->				<Distributable>			
	Share Capital	Share Premium	Warrants Reserve	Other Reserves	Retained Profits	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 April 2016	149,083	1	9,503	(13,738)	(15,304)	129,545	204	129,749
Investment in associate company	-	-	-	-	-	-	-	-
Bonus Issue	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	209	209	(136)	73
Balance as at 31 December 2016	149,083	1	9,503	(13,738)	(15,095)	129,754	68	129,822

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the FPE 31 March 2016 and the accompanying explanatory notes attached to the interim financial report.

EA HOLDINGS BERHAD (878041-A)

NOTES TO THE QUARTERLY REPORT

PART A: EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD ("FRS") 134: INTERIM FINANCIAL REPORTING

A1. Change of Financial Year End

The Group has changed its financial year end from 31 December to 31 March effective from the financial period ended 31 March 2016.

The current financial period under review covers three (3) months period from 1 October 2016 to 31 December 2016 and represents the third period subsequent to the change of the Group's financial year end. Accordingly, no comparative results and cash flow are presented.

A2. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and is in compliance with International Accounting Standards IAS 34.

The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Group for the Financial Period Ended ("FPE") 31 March 2016 and the accompanying explanatory notes attached to the interim financial report.

The accounting policies and methods of computation adopted by EA Holdings Berhad ("EAH") and its subsidiaries ("Group") for these interim financial statements are in compliance with the new and revised FRSs issued by the Malaysian Accounting Standards Board ("MASB").

A3. Adoption of new and revised accounting policies

The Group has adopted the Malaysian Financial Reporting Standards framework ("MFRS Framework") framework issued by MASB. This MFRS Framework was introduced by the MASB in order to fully converge the Malaysian's existing FRS framework with the International Financial Reporting Standards framework issued by the International Accounting Standard Boards.

The Group has adopted all the new and revised MFRSs, Interpretations and Technical Releases that are relevant and effective for accounting periods beginning on or after 1 April 2016. The adoption of these new and revised MFRSs, Interpretations and Technical Releases did not result in any changes to the significant accounting policies adopted by the Group.

A4. Qualification on the Auditors' Report of preceding annual financial statements

There was no audit qualification to the annual audited financial statements of the Group for the FPE 31 March 2016.

A5. Seasonal or cyclical factors

The business operations within the industry are not affected by seasonal and cyclical factors.

A6. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial quarter under review and financial year-to-date.

A7. Changes in estimates of amounts reported

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the current financial quarter under review and financial year-to-date.

A8. Issuance or repayment of debt and equity securities

There was no issuance or repayment of debt or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial quarter under review and financial year-to-date.

A9. Dividend paid

There was no dividend paid nor declared during the financial year-to-date.

A10. Segmental information

The Group is organised into the following operating segments:-

- a) ICT services;
- b) Software solutions; and
- c) Automation systems comprising RFID, access control systems, building automation system and industrial security system

Quarter Ended 31 December 2016	ICT Services RM'000	Software Solutions RM'000	Automation Systems RM'000	Elimi- nations RM'000	Consoli- dated RM'000
Revenue from external customers	8,133	2,027	1,198	-	10,871
Cost of sales	(6,886)	(1,014)	(666)	-	(8,566)
Segment profit	1,247	1,013	45	-	2,305
Share of associate's results					2,034
Profit before taxation					609
Income tax expenses					(32)
Profit after tax					577
Other comprehensive income					-
Total Comprehensive Income					577

The Group's segmental information by geographical location is not shown as the activities of the Group are predominantly in Malaysia and the overseas segment does not contribute to more than 1% of the consolidated Group's revenue.

A11. Valuation of property, plant and equipment

The Company has not carried out valuation on its property, plant and equipment in the current financial quarter under review and financial year-to-date.

A12. Capital commitments

There are no material capital commitments in respect of property, plant and equipment as at 31 December 2016.

A13. Capital Expenditure

The major additions and disposals of the property, plant and equipment during the current financial quarter under review and financial year-to-date were as follows:-

	Current Quarter Ended 31 December 2016 RM'000	Cumulative Year-to-Date 31 December 2016 RM'000
Property, plant & equipment: Addition	10	299

A14. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review.

A15. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets arising since the last audited financial statements of the Group for the FPE 31 March 2016.

A16. Subsequent material events

There are no material events subsequent to the financial period ended 31 December 2016 that has not been reflected in this interim financial report.

A17. Significant related party transactions

There were no related party transactions for the financial year-to-date.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the performance of the Group

For the current financial quarter ended 31 December 2016, the Group recorded revenue of RM10.871 million and profit before tax of RM0.609 million.

ICT services segment contributed RM8.133 million in revenue, or approximately 74.8% of the total revenue, while Software Solutions contributed 18.6% and Automation Systems contributed the balance 6.5%. While the ICT services segment, which involved mostly hardware integration and software installation and renewal, is slowly recovering, the Software Solutions and Automation System segments are still struggling due to weak market conditions.

Revenue by segment :

	Current financial quarter ended 31 December 2016 (RM'000)	Preceding financial quarter ended 31 December 2015 (RM'000)	Current Financial Year-to-date 31 December 2016 (RM'000)	Preceding Financial Year-to-date 31 December 2015 (RM'000)
ICT Services	8,133	490	15,060	N/A
Software Solutions	2,207	5,575	4,801	N/A
Automation systems	711	1,011	2,859	N/A

ICT Services Segment

For current financial quarter, the ICT services segment recorded increase in revenue of RM7.643 million as compared to the previous corresponding financial quarter. The increase is due to the bigger value in project milestone sign-offs during the current financial quarter.

Software Solutions Segment

For current financial quarter, the Software Solutions segment recorded decrease in revenue of RM3.548 million as compared to the previous corresponding financial quarter. This decrease was due to lack of new projects during the current financial quarter.

Automation Systems Segment

The Automation Systems segment comprised 4 sub-segments, namely, RFID, Access Control Systems, Building Automation Systems and Industrial Security Division. The Industrial Security Division was newly set-up in 2015 and is primarily involved in the sales, support and maintenance of industry-grade and enterprise-level security solutions for large infrastructures such as office buildings, warehouses and factories. The operations of the sub-segments are carried out under EA MSC Sdn. Bhd., a wholly owned subsidiary company of the Group.

For current financial quarter, the Automation Systems segment recorded decrease in revenue of RM0.300 million as compared to the previous corresponding financial quarter, which was due to lack of new orders and projects.

B2. Comparison to the results of the preceding quarter

	Current Quarter 31 December 2016 RM'000	Preceding Quarter 30 September 2016 RM'000
Revenue	10,871	3,622
Profit/(Loss)	609	(526)

Compared to the preceding financial quarter, the Group recorded increase in revenue of RM7.249 million. The increase is due to the bigger value in project milestone sign-offs during the current financial quarter recorded by the ICT Services segment. The higher revenue recorded enabled the Group to reverse its losses in the preceding financial quarter to record a profit of RM0.609 million.

B3. Prospects for 2016/2017

The ICT industry is showing signs of improvement based on the higher availability of projects available for tender, as compared to previous years. However, generally, the market is still soft and very challenging as most of the projects available are of smaller values with most tenders valued between RM1 million to RM10 million. Tenders for project values above RM10 million, were few and far between.

To mitigate these challenging conditions, the Group has embarked on a diversification strategy by firstly acquiring a 20% stake in Cekap Air Sdn Bhd (“Cekap Air”) in 2015. This acquisition came with a profit guarantee of RM56 million for 2015 and 2016. EAH’s share of this profit guarantee would amount to RM11.2 million.

Secondly, the Group had also started a new division in 2015, namely the Industrial Security Division (“ISD”), for the sales, support and maintenance of industry-grade and enterprise-level security solutions for large infrastructures such as office buildings, warehouses and factories. The revenue from this new division is largely responsible for the better performance for the Automation Systems Segment.

The Group believes that these new income streams would enable the Group to lessen its dependence on the soft ICT market while at the same time, broaden its earning base by participating in more robust and strong growth businesses such as mechanical and electrical engineering (M&E) industry (via Cekap Air and ISD) and project management consultancy (via Cekap Air).

Going forward, the Group would continue to actively search for potential companies and businesses that would add value to the Company and broaden its business scope as it seeks to mitigate the uncertainty for the ICT market.

B4. Profit forecast and profit estimate

The Group has not issued any profit forecast or profit estimate for the current financial quarter under review or in any public documents.

B5. Taxation

	Current Quarter Ended 31 December 2016 RM'000	Cumulative Year-to-Date 31 December 2016 RM'000
Current tax	32	34
	<u>32</u>	<u>34</u>

For the current financial quarter and cumulative financial quarter, the effective tax rate of the Group is 5.3% and 31.8% for the current financial and cumulative quarter respectively, as some of the subsidiary companies enjoying tax breaks under the Pioneer Status.

B6. Status of corporate proposals

As at the date of issuance of this interim financial report, save as disclosed below, there are no corporate proposals announced but not completed :-

On 25 January 2017, RHB Investment Bank Berhad announced on behalf of the Board of Directors of the Company that the Company proposed to undertake the following:-

- i. Proposed par value reduction via the cancellation of RM0.09 of the par value of every existing ordinary share of RM0.10 each in the issued and paid-up share capital of EAH pursuant to Section 64 of the Companies Act 1965;
- ii. Proposed renounceable rights issue of up to 2,524,354,400 new ordinary shares of RM0.01 each in EAH at an indicative issue price of RM0.01 per rights share on the basis of four (4) rights shares for every three (3) existing EAH shares held, together with up to 1,262,177,200 free detachable warrants in EAH (“Warrants D”) on the basis of two (2) free Warrants D for every four (4) rights shares subscribed

for, on an entitlement date to be determined later after the proposed par value reduction.

- iii. Proposed amendment to the memorandum of association of EAH

B7. Status of utilisation of proceeds

The status of utilisation of the gross proceeds of RM42.518 million from the Rights Issue by the Company as at 31 December 2016 are as follows:-

Purposes	Proposed Utilisation RM'000	Amount Utilised RM'000	Amount Unutilised RM'000	Deviation RM'000	Intended Timeframe for Utilisation	Explanation
Future viable investments	30,000	18,000	11,000	-	Within 24 months from completion	
Repayment of borrowings	4,290	4,290	-	-	Within 24 months from completion	
Working capital	7,428	7,252	-	176	Within 24 months from completion	Being the additional rights issue expenses of RM176,000 incurred
Rights Issue expenses	800	976	-	(176)	Upon completion	
Total	42,518	31,518	11,000	-		

B8. Realised and Unrealised Profits

The breakdown of retained profits of the Group and the Company for the financial quarter ended 31 December 2016 and the preceding year corresponding quarter ended 31 December 2015, is as follows :-

	Group Quarter Ended 31 December 2016 RM'000	Group Quarter Ended 31 December 2015 RM'000
Total retained profits of the Group:		
- Realised	(36,542)	16,647
- Unrealised (in respect of deferred tax recognised in the income statement)	(239)	(405)
	<hr/>	<hr/>
	(36,781)	16,242
Less : Consolidation adjustments	21,686	(11,012)
Total Group retained profits as per consolidated accounts	<hr/> <hr/>	<hr/> <hr/>
	(15,095)	5,230

B9. Group borrowings and debt securities

The Group's borrowings as at 31 December 2016 are as follows:-

	Short Term RM'000	Long Term RM'000
<u>Secured</u>		
Bill payables	1,578	-
Term Loans	109	1,871
Hire Purchase Creditors	95	968
	<hr/>	<hr/>
	1,782	2,839

B10. Material Litigation

There was no material litigation since the last annual statement of financial position of the Group up to the date of this interim financial report.

B11. Dividends

No interim dividends have been declared during the current financial year-to-date.

B12. Profit for the period

	Current Quarter Ended 31 December 2016 RM'000	Cumulative Year-to-Date 31 December 2016 RM'000
This is arrived at after (charging) /crediting:-		
Interest income	8	27
Interest expenses	(92)	(212)
Depreciation and amortization	(525)	(1,699)

Other disclosure items pursuant to Note 16 of Appendix 9B of the ACE Market Listing Requirements of Bursa Securities are not applicable.

B13. Earnings per share**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue for the financial period.

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31 December 2016	Preceding Year Corresponding Quarter 31 December 2015	Current Year-To-Date 31 December 2016	Preceding Year Corresponding Period 31 December 2015
Profit attributable to the equity holders of the Company (RM'000)	602	N/A	209	N/A
Weighted average number of shares in issue ('000)	1,490,828	N/A	1,490,828	N/A
Basic earnings per share (sen)	0.04	N/A	0.01	N/A

(b) Diluted earnings per share

Diluted earnings per share is not applicable for the financial period as the unexercised convertible warrants were anti-dilutive in nature. This is due to the average market share price of the Company being below the exercise price of the warrants.

By Order of the Board

Laang Jhe How (MIA 25193)
(Company Secretary)

Date: 28 February 2017