

EA HOLDINGS BERHAD (878041-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2018

	----- Individual Quarter -----		---- Cumulative Quarter ----	
	Current year quarter 31 March 2018 RM'000	Preceding year corresponding quarter 31 March 2017 RM'000	Current year to date 31 March 2018 RM'000	Preceding year corresponding period 31 March 2017 RM'000
Revenue	9,224	15,535	20,602	38,696
Cost of Sales	<u>(8,053)</u>	<u>(9,037)</u>	<u>(13,909)</u>	<u>(27,263)</u>
Gross Profit	1,171	6,498	6,693	11,433
Other Operating Income	362	102	535	252
Operating Expenses	(7,560)	(4,269)	(16,550)	(13,287)
Depreciation and amortization	<u>(527)</u>	<u>(504)</u>	<u>(2,164)</u>	<u>(2,203)</u>
Operating (Loss)/Profit	(6,554)	1,827	(11,486)	(3,805)
Share of associate's results	905	2,083	4,131	8,034
Finance cost	<u>6</u>	<u>(110)</u>	<u>(168)</u>	<u>(322)</u>
Profit/(Loss) Before Tax	(5,643)	3,800	(7,523)	3,907
Taxation	<u>(30)</u>	<u>(705)</u>	<u>(30)</u>	<u>(739)</u>
Profit/(Loss) After Tax	(5,673)	3,095	(7,553)	3,168
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	<u>(5,673)</u>	<u>3,095</u>	<u>(7,553)</u>	<u>3,168</u>
Profit/(Loss) attributable to :				
Equity holders of the Company	(5,617)	3,079	(7,393)	3,288
Non-controlling interests	<u>(56)</u>	<u>16</u>	<u>(160)</u>	<u>(120)</u>
	<u>(5,673)</u>	<u>3,095</u>	<u>(7,553)</u>	<u>3,168</u>
Total comprehensive income/(loss) attributable to :				
Equity holders of the Company	(5,617)	3,079	(7,393)	3,288
Non-controlling interests	<u>(56)</u>	<u>16</u>	<u>(160)</u>	<u>(120)</u>
	<u>(5,673)</u>	<u>3,095</u>	<u>(7,553)</u>	<u>3,168</u>
Weighted average no. of ordinary shares in issue ('000)	3,478,598	2,650,361	2,993,001	2,650,361
Earnings/(Loss) per share (sen):-				
a) Basic	(0.16)	0.12	(0.25)	0.12

^ As at 31 March 2018, Cepak Air Sdn Bhd recorded unaudited profit after tax of RM20.657 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 2017 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 MARCH 2018**

	As at 31 March 2018 (Unaudited) RM'000	As at 31 March 2017 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,473	6,557
Investment in Associate Company	61,329	57,198
Intangible Assets - Goodwill on consolidation	8,126	11,877
Intangible Assets - Intellectual Property Rights	2,844	3,019
Intangible Assets - Development costs	6,024	6,875
	<u>83,796</u>	<u>85,526</u>
Current assets		
Inventories	438	394
Receivables	42,769	33,996
Investment	7,875	-
Amount owing by Associate Company	7,167	1,347
Fixed Deposits with licensed banks	4,055	3,753
Cash And Cash Equivalents	23,363	17,096
	<u>85,667</u>	<u>56,586</u>
Total Assets	<u>169,463</u>	<u>142,112</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share capital	134,284	149,083
Warrants reserve	19,442	9,503
Other reserves	(1,612)	(13,738)
Retained earnings/(Accumulated losses)	11,511	(12,472)
	<u>163,625</u>	<u>132,376</u>
Non-controlling interests	81	241
Total equity	<u>163,706</u>	<u>132,617</u>
Non-current liabilities		
Hire purchase creditors	454	613
Term loans	1,782	1,840
Deferred tax liabilities	137	137
	<u>2,373</u>	<u>2,590</u>
Current liabilities		
Payables	2,715	2,743
Hire purchase creditors	139	246
Bills payable	-	2,465
Amount due to director	-	104
Term loans	58	112
Provision for taxation	472	1,235
	<u>3,384</u>	<u>6,905</u>
Total liabilities	<u>5,757</u>	<u>9,495</u>
Total equity and liabilities	<u>169,463</u>	<u>142,112</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.05</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 FYE 31 March 2017 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 MARCH 2018**

	Current year to date 31 March 2018 (Unaudited) RM'000	Preceding year corresponding period 31 March 2017 (Unaudited) RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation	(7,523)	3,907
Adjustments for :-		
Depreciation and amortization	2,164	2,203
Share of associate's results	(4,131)	(8,034)
Impairment loss on goodwill	3,750	-
Impairment loss on receivables	424	-
Interest expenses	168	322
Interest income	(380)	(130)
	<u>1,995</u>	<u>(5,639)</u>
Operating loss before working capital changes	(5,528)	(1,732)
Changes in working capital		
Net change in directors	(104)	153
Net change in associate company	(5,820)	3,484
Net change in inventories	(44)	398
Net change in trade and other receivables	(8,773)	462
Net change in trade and other payables	(28)	(764)
Net cash from operations	(20,297)	2,001
Interest received	380	130
Interest paid	(168)	(322)
Tax paid	(1,215)	(1,057)
Net cash generated from/(used in) operating activities	(21,300)	752
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in new subsidiary company	(7,875)	-
(Purchase)/Disposal of plant and equipment	(54)	(198)
Net cash generated from/(used in) investing activities	(8,231)	(198)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Rights Issue	39,755	-
Rights Issue expenses	(1,114)	-
Term loans	(112)	(107)
Hire Purchase	(266)	(212)
Bills payable	(2,465)	431
Net cash generated from/(used in) financing activities	35,798	112
Net Change in Cash and Cash Equivalents	6,267	666
Cash and Cash Equivalents at beginning of the period	17,096	15,868
Cash and Cash Equivalents at end of the period	<u>23,363</u>	<u>16,534</u>
Represented by :		
Cash and bank balances	<u>23,363</u>	<u>16,534</u>
	<u>23,363</u>	<u>16,534</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the FYE 31 March 2017 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 2017

	<----- Attributable to equity holders of the Company ----->						Non-controlling interests	Total Equity
	<----- Non-distributable ----->				<Distributable>			
	Share Capital	Share Premium	Warrants Reserve	Other Reserves	Accumulated Losses	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 April 2017	149,083	-	9,503	(13,738)	(12,472)	132,376	241	132,617
Share capital reduction on 12 September 2017	(44,616)	-	-	12,126	32,490	-	-	-
Rights Issue	39,756	-	-	-	(1,114)	38,642	-	38,642
Issuance of Warrants D	(9,939)	-	9,939	-	-	-	-	-
Loss for the period	-	-	-	-	(7,393)	(7,393)	(160)	(7,553)
Balance as at 31 March 2018	134,284	-	19,442	(1,612)	11,511	163,625	81	163,706
Balance as at 1 April 2016	149,083	1	9,503	(13,738)	(15,304)	129,545	204	129,749
Profit for the period	-	-	-	-	3,288	3,288	(120)	3,168
Balance as at 31 March 2017	149,083	1	9,503	(13,738)	(12,016)	132,833	84	132,917

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the FYE 31 March 2017 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. 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 Year Ended ("FPE") 31 March 2017 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").

A2. 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 2017. 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.

A3. 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 FYE 31 March 2017.

A4. Seasonal or cyclical factors

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

A5. 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.

A6. 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.

A7. Issuance or repayment of debt and equity securities

Save as disclosed below, 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 :-

- a) A capital reduction exercise via the reduction and cancellation of the share capital of EAH which is lost or unrepresented by available assets to the extent of RM44,615,533 as at 31 December 2016 pursuant to Section 115(a) read with Section 116 of the CA 2016 ("Proposed Capital Reduction") was completed on 12 September 2017.
- b) On 1 November 2017, 1,987,770,288 rights shares and 993,885,016 Warrants D were issued pursuant to the renounceable rights issue of up to 2,524,354,400 new ordinary shares in EAH ("EAH Shares") ("Rights Shares") at an issue price of RM0.02 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 ("Warrant(s) D") on the basis of two (2) free Warrants D for every four (4) Rights Shares.
- c) On 1 November 2017, 85,451,758 additional Warrants B and 147,961,232 additional Warrants C were issued pursuant to (b) above.
- d) As at 31 March 2018, the following warrants have not been exercised :-

Warrants B	232,783,944 units
Warrants C	403,067,132 units
Warrants D	993,885,016 units

A8. Dividend paid

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

A9. 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 March 2018	ICT Services (RM'000)	Software Solutions (RM'000)	Automation Systems (RM'000)	Eliminations (RM'000)	Consolidated (RM'000)
Revenue from external customers	5,960	1,200	2,064	-	9,224
Cost of sales	(5,369)	(872)	(1,812)	-	(8,053)
Segment profit	591	328	252	-	1,171
Share of associate's results					905
Loss before taxation					(5,643)
Income tax expenses					(30)
Loss after tax					(5,673)
Other comprehensive income					-
Total comprehensive loss					(5,673)

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.

A10. 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.

A11. Capital commitments

There are no material capital commitments in respect of property, plant and equipment as at 31 March 2018.

A12. Capital Expenditure

There was no major addition and disposal of the property, plant and equipment during the current financial quarter under review and financial year-to-date.

A13. Changes in the composition of the Group

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

A14. 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 FYE 31 March 2017.

A15. Subsequent material events

There are no material events subsequent to the financial period ended 31 March 2018 that has not been reflected in this interim financial report, save as below :-

- a) On 27 April 2018, on behalf of the Board of Directors of EAH, UOB Kay Hian Securities (M) Sdn Bhd announced that :-
 - (i) 1,593,750,000 EAH Consideration Shares were issued pursuant to the proposed acquisition of Sunland Volonte Agency Sdn Bhd; and
 - (ii) 1,087,061,194 Warrants E were issued pursuant to the proposed bonus issue of up to 1,596,354,405 Warrants in EAH ("Warrant(s) E") on the basis of five (5) free Warrants E for every 16 existing ordinary shares of EAH ("EAH Shares") held by the shareholders of EAH;

A16. 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

	Individual Period				Cumulative Period			
	Current Year Quarter 31.03.18 (RM'000)	Preceding Year Corresponding Quarter 31.03.17 (RM'000)	Changes		Current Year To-Date 31.03.18 (RM'000)	Preceding Year Corresponding Period 31.03.17 (RM'000)	Changes	
			(RM'000)	(%)			(RM'000)	(%)
Revenue	9,224	15,535	(6,311)	(40.6)	20,602	38,696	(18,094)	(46.8)
Operating (Loss)/Income	(6,554)	1,827	(8,381)	(458.7)	(11,486)	(3,805)	(7,681)	201.9
Share of associate's results	905	2,083	(1,178)	(56.6)	4,131	8,034	(3,903)	(48.6)
Profit/(Loss) before tax	(5,643)	3,800	(9,443)	(248.5)	(7,523)	3,907	(11,430)	(292.6)
Profit/(Loss) after tax	(5,673)	3,095	(8,768)	(283.3)	(7,553)	3,168	(10,721)	(338.4)
Profit/(Loss) attributable to Equity holders of the Company	(5,617)	3,079	(8,696)	(282.4)	(7,393)	3,288	(10,681)	(324.8)

For the current financial quarter ended 31 March 2018, the Group recorded revenue of RM9.224 million and loss before tax of RM5.643 million. The decrease in revenue was mainly attributable to the lower project wins under the Software Solutions and Automation Systems segments. During the current financial quarter, the Group provided for impairment loss on goodwill amounting to RM3.750 million, which resulted in a higher loss before tax of RM5.643 million. While there are no major changes in our business outlook as compared to last year, the impairment provided was due to a higher discount rate of 13.7% being used in the calculation of the carrying value of the cash generating units related to the goodwill for FYE 31 March 2018 (FYE 31 March 2017: 9.4%). Amongst the factors that contributed to the high discount rate are the volatility of the EAH's share prices and ratio of equity versus debt, which are considerably higher for the current financial year ended 31 March 2018 as compared to previous year.

Revenue by segment :

	Individual Period				Cumulative Period			
	Current Year Quarter 31.03.18 (RM'000)	Preceding Year Corresponding Quarter 31.03.17 (RM'000)	Changes		Current Year To-Date 31.03.18 (RM'000)	Preceding Year Corresponding Period 31.03.17 (RM'000)	Changes	
			(RM'000)	(%)			(RM'000)	(%)
ICT Services	5,960	5,580	380	6.8	8,669	20,640	(11,971)	(58.0)
Software Solutions	1,200	5,257	(4,057)	(77.2)	5,729	10,499	(4,770)	(45.4)
Automation systems	2,064	4,698	(2,634)	(56.1)	6,204	7,557	(1,353)	(17.9)
Total	9,224	15,535	(6,311)	(40.6)	20,602	38,696	(18,094)	(46.8)

ICT Services Segment

For current financial quarter, ICT services contributed 64.6% of the Group's revenue. For the financial-year-to-date, ICT services recorded decrease of RM11.971 million as compared to the same period last year, due to lesser project wins and completed during the current financial year. The lesser project wins were due to lower number of jobs available in the market and increased competition from new vendors.

Software Solutions Segment

For current financial quarter, Software Solutions contributed 13.0% of the Group's revenue. For the financial-year-to-date, Software Solutions recorded decrease in revenue of RM4.770 million as compared to the same period last year, due to lower project wins.

Automation Systems Segment

For current financial quarter, Automation Systems contributed 22.4% of the Group's revenue. For the financial-year-to-date, Automation Systems recorded decrease of RM1.353 million as compared to the same period last year, due to lower sales and project roll-out.

B2. Comparison to the results of the preceding quarter

	Current Year Quarter 31.03.18 (RM'000)	Immediate Preceding Quarter 31.12.17 (RM'000)	Changes	
			(RM'000)	(%)
Revenue	9,224	2,755	6,469	234.8
Operating Loss	(6,554)	(3,054)	(3,500)	114.6
Share of associate's results	905	765	140	18.3
Loss before tax	(5,643)	(2,381)	(3,262)	137.0
Loss after tax	(5,673)	(2,237)	(3,436)	153.6
Loss attributable to equity holders of the Company	(5,617)	(2,199)	(3,418)	155.4

Compared to the preceding financial quarter, revenue increased by RM6.469 million, mainly due to increase in contribution from the ICT Services segment. For the current financial quarter, the Group provided for impairment loss on goodwill amounting to RM3.750 million, which resulted in a higher loss before tax of RM5.243 million. While there are no major changes in our business outlook as compared to last year, the impairment provided was due to a higher discount rate of 13.7% being used in the calculation of the carrying value of the cash generating units related to the goodwill for FYE 31 March 2018 (FYE 31 March 2017: 9.4%). Amongst the factors that contributed to the high discount rate are the volatility of the EAH's share prices and ratio of equity versus debt, which are considerably higher for the current financial year ended 31 March 2018 as compared to previous year.

B3. Prospects for 2018/2019

The outlook for the ICT market is still very weak as there is no discernible pattern on the spending by both the public and private sectors. The number of projects available in the market is still low compared to previous years. In addition, competition is much tougher as we noted more companies are vying for the same jobs. The recently completed acquisition of Sunland Volonte Agency Sdn Bhd and diversification into non-ICT sector will mitigate the Group's dependence on the ICT sector and provide much needed revenue and profit stability to the Group.

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 March 2018 RM'000	Cumulative Year-to-Date 31 March 2018 RM'000
Current tax	30	30
	<u>30</u>	<u>30</u>

For the current financial quarter and cumulative financial quarter, the effective tax rate of the Group is 0.6% for the current financial and cumulative quarter respectively as the Group certain subsidiary companies of the Group are in tax loss positions.

B6. Status of corporate proposals

As at the date of issuance of this interim financial report there are no corporate proposals announced but not completed.

B7. Status of utilisation of proceeds

The status of utilisation of the gross proceeds of RM39.755 million from the Rights Issue by the Company as at 31 March 2018 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	15,000	7,875	7,125	-	Within 24 months from completion	
Repayment of borrowings	5,000	3,074	1,926	-	Within 24 months from completion	
Working capital	18,755	2,555	16,200	81	Within 24 months from completion	
Rights Issue expenses	1,000	1,081	-	(81)	Upon completion	Being additional rights issue expenses of RM81,000 incurred
Total	39,755	14,585	25,251	-		

B8. Group borrowings and debt securities

The Group's borrowings as at 31 March 2018 are as follows:-

	Short Term (RM'000)	Long Term (RM'000)
Secured		
Term Loans	58	1,782
Hire purchase creditors	139	454
Total	197	2,236

B9. 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.

B10. Dividends

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

B11. Profit for the period

	Current Quarter Ended 31 March 2018	Cumulative Year-to-date 31 March 2018
	(RM'000)	(RM'000)
This is arrived at after (charging)/crediting :-		
Interest income	321	380
Interest expense	(8)	(168)
Depreciation and amortization	(527)	(2,164)
Impairment loss on goodwill	(3,750)	(3,750)
Impairment loss on receivables	(424)	(424)

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

B12. 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 Period	
		Current Year Quarter 31.03.18	Preceding Year Corresponding Quarter 31.03.17	Current Year To-Date 31.03.18	Preceding Year Corresponding Period 31.03.17
Profit/(Loss) attributable to the equity holders of the Company	(RM'000)	(5,617)	3,079	(7,393)	3,288
Weighted average number of shares in issue	('000)	1,490,828	1,490,828	1,490,828	1,490,828
Effect of issuance of shares pursuant to the Right Issues	('000)	1,987,770	1,159,533	1,502,173	1,159,533
Adjusted weighted average number of shares in issue	('000)	3,478,598	2,650,361	2,993,001	2,650,361
Basic earnings/(loss) per share	(Sen)	(0.16)	0.12	(0.25)	0.12

(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: 31 May 2018