

PARLO BERHAD (385635-V)

Interim financial report for the third quarter ended 30 September 2018

PART A2 :- SUMMARY OF KEY FINANCIAL INFORMATION				
Summary of Key Financial Information for the financial period ended 30 September 2018				
	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 September 2018	30 September 2017*	30 September 2018	30 September 2017*
	RM'000	RM'000	RM'000	RM'000
1. Revenue	29,051	N/A	106,239	N/A
2. Loss before tax	(11,315)	N/A	(11,319)	N/A
3. Loss attributable to ordinary equity holders of the Company	(10,779)	N/A	(11,102)	N/A
4. Basic loss per share (sen)	(2.96)	N/A	(3.11)	N/A
5. Dividend per share	-	N/A	-	N/A
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
6. Net assets per share (RM)	0.06		N/A	

PART A3 :- ADDITIONAL INFORMATION				
	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 September 2018	30 September 2017*	30 September 2018	30 September 2017*
	RM'000	RM'000	RM'000	RM'000
1. Loss before interest and tax	(11,289)	N/A	(11,232)	N/A
2. Gross interest income	28	N/A	77	N/A
3. Gross Interest expense	(26)	N/A	(87)	N/A

* This is the third interim financial report for the third quarter ended 30 September 2018 announced by the Company after the completion of the regularisation plan and upliftment of its Guidance Note 3 ("**GN 3**") status on 18 January 2018. There are no comparative figures for the preceding year's individual quarter and cumulative period presented due to the reverse acquisition of the Company by Parlo Tours Sdn Bhd ("**Parlo Tours**") as explained in Note A2. Parlo Tours being a private company was not required and therefore had not prepared any interim financial statements prior to the reverse acquisition.

N/A denotes not available.

PARLO BERHAD (385635-V)

Interim financial report for the third quarter ended 30 September 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 September 2018 RM'000	30 September 2017* RM'000	30 September 2018 RM'000	30 September 2017* RM'000
Revenue	29,051	N/A	106,239	N/A
Cost of sales	(25,576)	N/A	(93,268)	N/A
Gross profit	3,475	N/A	12,971	N/A
Administrative expenses	(4,694)	N/A	(14,873)	N/A
Loss from operations	(1,219)	N/A	(1,902)	N/A
Impairment of Goodwill	(10,369)	N/A	(10,369)	N/A
Other operating income	299	N/A	1,039	N/A
Loss before interest and tax	(11,289)	N/A	(11,232)	N/A
Finance costs	(26)	N/A	(87)	N/A
Loss before taxation	(11,315)	N/A	(11,319)	N/A
Taxation	524	N/A	202	N/A
Loss after taxation	(10,791)	N/A	(11,117)	N/A
Other comprehensive income net of tax	(10,791)	N/A	(11,117)	N/A
Total comprehensive income for the period	(10,791)	N/A	(11,117)	N/A
Loss attributable to:				
Owners of the Company	(10,779)	N/A	(11,102)	N/A
Non-controlling Interest	(12)	N/A	(15)	N/A
	(10,791)	N/A	(11,117)	N/A
Total comprehensive loss attributable to:				
Owners of the Company	(10,779)	N/A	(11,102)	N/A
Non-controlling interest	(12)	N/A	(15)	N/A
	(10,791)	N/A	(11,117)	N/A
Basic loss per share (sen) (Note B13)	(2.96)	N/A	(3.11)	N/A

The condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

* This is the third interim financial report for the third quarter ended 30 September 2018 announced by the Company after the completion of the regularisation plan and upliftment of its GN 3 status on 18 January 2018. There are no comparative figures for the preceding year's individual quarter and cumulative period presented due to the reverse acquisition of the Company by Parlo Tours as explained in Note A2. Parlo Tours being a private company was not required and therefore had not prepared any interim financial statements prior to the reverse acquisition.

N/A denotes not available.

PARLO BERHAD (385635-V)
Interim financial report for the third quarter ended 30 September 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	As at 30 September 2018 RM'000 (Unaudited)	As at 31 December 2017* RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	5,780	N/A
Intangible Assets	2,073	N/A
Goodwill on consolidation	-	N/A
Deferred Tax Asset	1,064	N/A
	<u>8,917</u>	<u>N/A</u>
Current assets		
Trade and other receivables	57,460	N/A
Tax recoverable	3,894	N/A
Short term investments	1,569	N/A
Fixed deposit with a licensed bank	1,461	N/A
Cash and bank balances	6,064	N/A
	<u>70,448</u>	<u>N/A</u>
TOTAL ASSETS	<u>79,365</u>	<u>N/A</u>
EQUITY AND LIABILITIES		
LIABILITIES		
Current liabilities		
Trade payables and other payables	57,201	N/A
Borrowings	582	N/A
Tax payable	2	N/A
	<u>57,785</u>	<u>N/A</u>
NET CURRENT ASSETS	<u>21,580</u>	<u>N/A</u>
Non-current liabilities		
Deferred tax liabilities	-	N/A
Borrowings	939	N/A
	<u>939</u>	<u>N/A</u>
Equity attributable to owners of the Company		
Share capital	38,435 [^]	N/A
Reserves	(24,209)	N/A
Retained earnings	6,130	N/A
Equity not attributable to owners of the Company		
Non-Controlling Interests	285	N/A
TOTAL EQUITY	<u>20,641</u>	<u>N/A</u>
TOTAL EQUITY and LIABILITIES	<u>21,580</u>	<u>N/A</u>
Number of ordinary shares in issue ('000)	364,033	N/A
Net assets per share attributable to ordinary equity (RM)	0.06	N/A

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

[^] The Companies Act 2016 ("Act") which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM2,032,070 became part of the Company's share capital pursuant to the transition set out in Section 618(2) of the Act.

PARLO BERHAD (385635-V)

Interim financial report for the third quarter ended 30 September 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 September 2018	30 September 2017*
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(11,319)	N/A
Adjustments for:		
Impairment of goodwill	10,369	N/A
Depreciation	314	N/A
Interest expense	87	N/A
Interest income	(77)	N/A
Operating profit before working capital changes	(626)	N/A
(Increase) / Decrease in working capital:		
Trade receivables	(19,748)	N/A
Other receivables	4,673	N/A
Trade payables	(8,933)	N/A
Other payables	24,067	N/A
Cash used in operations	(567)	N/A
Taxation paid	(2,551)	N/A
Interest received	77	N/A
Interest paid	(87)	N/A
Net cash used in operating activities	(3,128)	N/A
Cash flows from investing activities		
Software development cost	(89)	N/A
Purchase of property, plant and equipment	(329)	N/A
Cash acquired from reversed acquisition	166	N/A
Cash acquired from acquisition of subsidiary	81	N/A
Net cash used in investing activities	(171)	N/A
Cash flows from financing activities		
Issuance of share capital pursuant to private placement	8,401	N/A
Repayment of bank borrowings	(571)	N/A
Net cash generated from financing activities	7,830	N/A
Net increase in cash and cash equivalents	4,531	N/A
Cash and cash equivalents at beginning of the financial period	2,994	N/A
Cash and cash equivalents at end of the financial period	7,525	N/A
Cash and cash equivalents at end of the financial period comprises:		
Cash and bank balances	6,064	N/A
Fixed deposits with licensed banks	1,461	N/A
	7,525	N/A

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PARLO BERHAD (385635-V)
Interim financial report for the third quarter ended 30 September 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Reverse Acquisition Reserve</u>	<u>Revaluation Reserve</u>	<u>Capital Reserve</u>	<u>Retained earnings</u>	<u>Non- Controlling Interest</u>	<u>Total equity</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2018	1,600	-	-	-	17,232	-	18,832
Issuance of shares:							
- Private Placement	8,401	-	-	-	-	-	8,401
- Debt Settlement	2,002	-	-	-	-	-	2,002
- Acquisition of subsidiary (Parlo Tours)	25,000	(25,000)	-	-	-	-	-
- Acquisition of subsidiary (Travel Ideas Online Sdn Bhd)	-	-	-	-	-	300	300
Reverse acquisition	1,432	(470)	-	-	-	-	962
Settlement of profit guarantee	-	-	-	1,261	-	-	1,261
Total comprehensive loss for the period	-	-	-	-	(11,102)	(15)	(11,117)
As at 30 September 2018	<u>38,435</u>	<u>(25,470)</u>	<u>-</u>	<u>1,261</u>	<u>6,130</u>	<u>285</u>	<u>20,641</u>
As at 1 January 2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total comprehensive profit for the period	N/A	N/A	N/A	N/A	N/A	N/A	N/A
As at 30 September 2017*	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PARLO BERHAD (385635-V) (“COMPANY” OR “PARLO”)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

A NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1 Basis of preparation

The interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards (“**MFRS**”) 134, Interim Financial Reporting and Rule 9.22 of Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) Listing Requirements for the ACE Market. The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended (“**FYE**”) 31 December 2017.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (“**Parlo Group**” or “**Group**”) since the FYE 31 December 2017.

A2 Changes in accounting policies

The accounting policies and methods of computation applied by the Parlo Group in the unaudited condensed consolidated interim financial statements are consistent with those applied by the Group in its audited financial statements for the FYE 31 December 2017. In addition, the following accounting policy was adopted:

MFRS 3: Business Combinations – Reverse Acquisition Accounting

On 18 March 2016, the Company entered into a share sale agreement, for the acquisition of the entire equity interest in Parlo Tours Sdn Bhd (“**Parlo Tours**”) for a total purchase consideration of RM25.0 million to be satisfied via the issuance of 250,000,000 new ordinary shares in the Company (“**Parlo Shares**” or “**Shares**”) at an issue price of RM0.10 per Share (“**Consideration Shares**”) after the share consolidation (“**Acquisition**”).

MFRS 3: Business Combinations applies to the Acquisition whereby an acquirer shall be identified for all business combinations and the acquirer is defined as the combining entity that obtains control of the other combining entities or businesses.

Under the Acquisition which was completed on 18 January 2018, Parlo Tours was the accounting acquirer (despite its equity interests was acquired) and the Company, the legal acquirer and issuing entity was the accounting acquiree as the vendors of Parlo Tours (accounting acquirer) controlled the combined entities after the Acquisition. Under this circumstance, the Acquisition was accounted for as a reverse acquisition.

Under reverse acquisition accounting, the Group’s consolidated statements represent a continuation of the financial statements of the legal subsidiary, Parlo Tours.

Accordingly, no comparative figures are presented for the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Financial Position and Condensed Consolidated Statement of Cash Flows and Condensed Consolidated Statement of Changes in Equity as Parlo Tours being a private company was not required and therefore had not prepared any interim financial statements prior to the Acquisition.

The Group adopted the following new accounting standards, amendments to accounting standards and IC Interpretations that are applicable for the annual periods beginning on/after 1 January 2018:

- MFRS 9, “Financial Instruments”
- MFRS 15, “Revenue from Contracts with Customers”
- Amendments to MFRS 1, “First-time Adoption of Malaysian Financial Reporting Standards” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 2, “Classification and Measurement of Share-Based Payment Transactions”
- Amendments to MFRS 4, “Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts”
- Amendments to MFRS 128, “Investments in Associates and Joint Ventures” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 140, “Transfers of Investment Property”
- IC Interpretation 22, “Foreign Currency Transactions and Advance Consideration”

The Company does not expect that the initial application of the above standards will have a material impact on the financial statements.

Accounting standards, amendments to accounting standards and IC Interpretations that are applicable for the Group in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2019:

- MFRS 16, “Leases”
- Amendments to MFRS 3, “Business Combinations” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 9, “Prepayment Features with Negative Compensation”
- Amendments to MFRS 11, “Joint Arrangement” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 112, “Income Taxes” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 123, “Borrowing Costs” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 119, “Employee Benefits”
- Amendments to MFRS 128, “Long-term Interests in Associates and Joint Ventures”
- IC Interpretation 23, “Uncertainty over Income Tax Treatments”

Annual periods beginning on/after 1 January 2020:

- Amendments to MFRS 2, “Share-Based Payment”
- Amendments to MFRS 3, “Business Combinations”
- Amendments to MFRS 101, “Presentation of Financial Statements”
- Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to MFRS 134, “Interim Financial Reporting”
- Amendments to MFRS 137, “Provisions, Contingent Liabilities and Contingent Assets”
- Amendment to MFRS 138, “Intangible Assets”
- Amendment to IC Interpretation 22, “Foreign Currency Transactions and Advance Consideration”
- Amendment to IC Interpretation 132, “Intangible Assets – Web Site Costs”

Annual periods beginning on/after 1 January 2021:

- MFRS 17, “Insurance Contracts”

Effective date yet to be determined by the Malaysian Accounting Standards Board:

- Amendments to MFRS 10 and MFRS 128, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

A3 Audit report of preceding annual financial statements

The auditors’ report on the financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

A4 Seasonal or cyclical factors

The demand for the Parlo Group’s products and services is subjected to seasonal variations annually depending on the contribution of the Group’s leisure travel and corporate travel businesses. As such, its seasonal patterns have been fairly consistent each year where revenue and profits for the first quarter of the year are generally lower, increase from the second quarter of the year and peaking in the fourth quarter of the year.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

Save for those disclosed in Notes A12 and the item below, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial quarter and financial period-to-date:

Exceptional items	RM’000
Impairment of goodwill	<u>(10,369)</u>

The goodwill mainly arose from the reverse takeover of Parlo Berhad by Parlo Tours Sdn Bhd as part of the regularisation plan which was completed on 18 January 2018.

A6 Material changes in estimates

There were no changes in estimates of amounts reported in the prior financial years, which have a material effect in the current financial quarter and financial period-to-date.

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A7 Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

Pursuant to the regularisation plan which was completed on 18 January 2018 (“**Regularisation Plan**”), the Company completed the following during the financial period-to-date:

- (i) Acquisition;
- (ii) Full and final settlement of the amount owing to Fong Shu Cheung of RM4,391,935 via the issuance of 20,025,570 new Parlo Shares at an issue price of RM0.10 per Share (“**Settlement Shares**”) after the share consolidation (“**Debt Settlement**”); and
- (iii) Private Placement of 84,007,600 new Parlo Shares (“**Placement Shares**”) at an issue price of RM0.10 per Placement Share to selected investors identified after the Acquisition and Debt Settlement (“**Private Placement**”).

Save as disclosed above, there were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter and financial period-to-date.

A8 Dividend paid

No dividends have been declared or paid in the current financial quarter and financial period-to-date.

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A9 Segment information

The Parlo Group is organised into the following business units based on its products and services provided:

	Current quarter		Year-to-date	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Revenue by business segments:				
Travel and tours	24,317	N/A	94,598	N/A
Meetings, Incentives, Conventions and Events ("MICE")	4,734	N/A	11,641	N/A
Investment holding	-	N/A	-	N/A
	29,051	N/A	106,239	N/A
Segment results:				
Travel and tours	(894)	N/A	(1,367)	N/A
MICE	277	N/A	1,536	N/A
Investment holding	(602)	N/A	(2,071)	N/A
Loss from operations	(1,219)	N/A	(1,902)	N/A
Impairment of goodwill	(10,369)	N/A	(10,369)	N/A
Other operating income	299	N/A	1,039	N/A
Loss before interest and tax ("LBIT")	(11,289)	N/A	(11,232)	N/A
Finance costs	(26)	N/A	(87)	N/A
Loss before taxation ("LBT")	(11,315)	N/A	(11,319)	N/A
Taxation	524	N/A	202	N/A
Loss after taxation ("LAT")	(10,791)	N/A	(11,117)	N/A

N/A denotes not available

There is no segmental information available for the assets and liabilities of the Group.

Note:

This is the third interim financial report for the third quarter ended 30 September 2018 announced by the Company after the completion of the Regularisation Plan and upliftment of its previous Guidance Note 3 ("GN 3") status on 18 January 2018. There are no comparative figures for the preceding year's individual quarter and cumulative period presented due to the reverse acquisition of the Company by Parlo Tours as explained in Note A2. Parlo Tours being a private company had not prepared any interim financial statements prior to the reverse acquisition.

A10 Valuation of property, plant and equipment

There was no valuation of property, plant and equipment reported in the current financial quarter and financial period-to-date under review.

A11 Material events subsequent to the end of the quarter

There were no material events subsequent to the current financial quarter ended 30 September 2018 up to 19 November 2018, being the latest practicable date of this report ("LPD"), which is likely to substantially affect the results of the operations of the Group.

A12 Changes in the composition of the Group

On 18 January 2018, the Parlo Group completed its Regularisation Plan and its previous GN 3 status was uplifted on the same day.

As a result, Parlo Tours and its subsidiaries (namely Bluu Travel Pack Sdn Bhd and Parlo Global Marketing Sdn Bhd) ("**Parlo Tours Group**") are now wholly-owned subsidiaries of Parlo.

On 7 June 2018, the Parlo Group completed the subscription of 350,000 new ordinary shares in Travel Ideas Online Sdn Bhd ("**Travel Ideas**") for a cash consideration of RM700,000 which resulted in Travel Ideas becoming a 70%-owned subsidiary of Parlo via its wholly-owned subsidiary, Pioneer Streams Consolidated Sdn Bhd.

On 12 March 2018, Parlo announced that Nautical Angle Sdn Bhd ("**Nautical Angle**"), a wholly-owned subsidiary of Parlo had on 12 March 2018 entered into a conditional share sale agreement ("**SSA**") with Regina Marie a/p Victor Solomon and Victoria a/p Rasiah (collectively referred to as the "**Vendors**") to acquire the entire issued share capital of RK Travels of RM250,000 comprising 250,000 ordinary shares in RK Travels for a cash consideration of RM160,000 ("**Proposed Acquisition of RK Travels**"). On 11 June 2018, Nautical Angle entered into a letter of extension with the Vendors to mutually extend the date for the satisfaction of the condition's precedent for a further period of 6 months, from 12 June 2018 to 11 December 2018. The completion of the Proposed Acquisition of RK Travels is pending the fulfillment of the condition's precedent to the SSA.

Save as disclosed above, there were no other changes in the composition of the Group during the current financial quarter and financial period-to-date.

A13 Contingent liabilities and capital commitments

There were no material contingent liabilities as at the LPD.

Save for the Proposed Acquisition of RK Travels, there were no other capital commitments as at the LPD.

A14 Significant related party transaction

There were no significant related party transactions as at the LPD.

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B ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS FOR THE ACE MARKET

B1 Review of performance

	Individual quarter		Changes %	Cumulative period		Changes %
	30 September 2018 RM'000	30 September 2017 RM'000		30 September 2018 RM'000	30 September 2017 RM'000	
Revenue	29,051	N/A	N/A	106,239	N/A	N/A
Loss from operations	(1,219)	N/A	N/A	(1,901)	N/A	N/A
LBIT (before exceptional item)	(920)	N/A	N/A	(862)	N/A	N/A
LBT (before exceptional item)	(946)	N/A	N/A	(950)	N/A	N/A
Exceptional item	(10,369)	N/A	N/A	(10,369)	N/A	N/A
LAT	(10,791)	N/A	N/A	(11,117)	N/A	N/A
Loss attributable to owners of the Company	(10,779)	N/A	N/A	(11,102)	N/A	N/A

The revenue of the Parlo Group for the financial period ended (“FPE”) 30 September 2018 of RM106.24 million was derived entirely by its main operating subsidiary, Parlo Tours. Revenue was mainly derived from travel products and services for leisure travel as well as travel products and services for corporate travel.

The Parlo Group’s travel products and services for leisure travel comprised mainly group inclusive tours (“GIT”) which remained a major contributor of the Group’s revenue, free independent traveller/tourists (“FIT”) and retail ticketing. For the FPE 30 September 2018, the Group’s GIT sales were mainly to Europe and the Asia region such as Japan, China, Korea and Taiwan. The Parlo Group’s travel products and services for corporate travel comprised mainly MICE and corporate ticketing.

In the current quarter, the Group has fully written-off the goodwill amounting to RM10.37 million. However, as this is a one-off impairment and is also a non-monetary loss, it is not indicative of the actual performance of the Group. This impairment does not impact the day to day operations and the cash flow of the Group.

If the exceptional item is excluded, the Group recorded a LBT of RM0.95 million for the current quarter mainly due to the drop of 34.44% in revenue reported in the current quarter as compared to the previous quarter. The decrease in revenue for the current quarter was due to the lower than expected materialization of GIT which was affected by lower group tour size for the current quarter and the unexpected higher cancellation of tours in Asia region such as Japan and China. The earthquakes in Japan and typhoon in China in the current quarter have impacted travelers’ confidence to travel and indirectly caused the higher cancellation of tours. The bookings for GIT is expected to improve in the next quarter with the autumn and early winter seasons approaching, which coincides with the year-end school holidays.

B2 Comparison of current financial quarter's results with immediate preceding quarter's results

	Individual quarter		Changes %
	30 September 2018 RM'000	30 June 2018 RM'000	
Revenue	29,051	44,314	-34.44
(Loss) / Profit from operations	(1,219)	1,095	-211.32
(LBIT) / Profit before interest and tax "PBIT" (before exceptional item)	(920)	1,602	-157.43
(LBT) / Profit before tax "PBT" (before exceptional item)	(946)	1,572	-160.18
Exceptional item	(10,369)	-	>100
(LAT) / Profit after tax "PAT"	(10,791)	1,250	-963.28
(Loss) / Profit attributable to owners of the Company	(10,779)	1,250	-962.32

If the exceptional item is excluded, the Group recorded a LBT for the current quarter amounted to RM0.95 million mainly due to a 34.44% drop in revenue reported in the current quarter as compared to the previous quarter.

The lower revenue was mainly due to lower number of tours sold to Europe as compared to the immediate preceding quarter and coupled with the higher cancellation of tours to Asia region mainly to Japan and China. The earthquakes in Japan and typhoon in China in the current quarter have impacted the travelers' confidence to travel and indirectly led to the higher cancellation of tours.

B3 Prospects

The Group (under its main operating subsidiary, Parlo Tours) is an established travel management and services group, with over 30 years of experience in the travel and tours business. Parlo Tours is licensed by the Ministry of Tourism and Culture Malaysia for inbound, outbound and ticketing services.

The Group also embarked on the new corporate proposals as mentioned in Notes A12 and B6(i) that are expected to enable the Group to expand and contribute to the future earnings of its travel and tours as well as MICE business.

The operating environment is expected to remain competitive. Nevertheless, with the Group's continuous effort in improving the marketing strategies and with the autumn and early winter seasons approaching, which coincides with the year-end school holidays, the Board of Directors believe that the Group's revenue will peak in the fourth quarter of the year.

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B4 Variance from profit forecast and profit guarantee

Pursuant to the terms of the profit guarantee in the regularisation plan and set out in the circular to shareholders dated 3 August 2017, Yap Fu Fah (“**Profit Guarantor**”) had provided the following guarantee:

That the aggregate of the audited consolidated PAT of Parlo Tours for the FYEs 31 December 2016 and 31 December 2017 shall not be less than RM8,622,197 comprising of:

- in respect of the FYE 31 December 2016, RM3,819,652; and
- in respect of the FYE 31 December 2017, RM4,802,545,

(collectively referred to as “**Profit Guarantee**”).

Parlo Tours achieved an audited PAT of RM3,853,427 (restated) for the FYE 31 December 2016 thus has met the profit guarantee for FYE 31 December 2016 as follows:

	RM
Guaranteed amount for the FYE 31 December 2016	3,819,652
Audited PAT for the FYE 31 December 2016	<u>(3,853,427)</u>
Excess to be carried forward for the FYE 31 December 2017	<u>33,775</u>

For the FYE 31 December 2017, Parlo Tours achieved an audited PAT of RM3,507,490 thus there is a shortfall in the Profit Guarantee as follows:

	RM
Guaranteed amount for the FYE 31 December 2017	4,802,545
Audited PAT for the FYE 31 December 2017	<u>(3,507,490)</u>
	1,295,055
Excess carried forward for the FYE 31 December 2017	<u>(33,775)</u>
Shortfall of Profit Guarantee (“ Shortfall ”)	<u>1,261,280</u>

The above Shortfall of RM1,261,280 was fully settled on 21 August 2018 with the release of 11,466,182 Parlo Shares by the Profit Guarantor.

B5 Taxation

	Current quarter		Year-to-date	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Current taxation				
- Current year	(83)	N/A	239	N/A
- Prior year	(441)	N/A	(441)	N/A
Deferred taxation	-	N/A	-	N/A
Total tax expense/(surplus)	(524)	N/A	(202)	N/A

There were reversals of tax provisions for previous financial year (i.e, FYE 31 December 2017) for the Group amounted to RM0.44 million and there was a decrease in PBT for the current quarter for Parlo Tours resulted in over-provision for corporate tax, total amounting to RM0.52 million for the current quarter and RM0.20 million for the FPE 30 September 2018, respectively.

B6 Status of corporate proposals

(i) Proposed Acquisition of RK Travels

On 12 March 2018, Parlo announced that Nautical Angle had entered into the SSA for the Proposed Acquisition of RK Travels and a letter of extension was subsequently entered into on 11 June 2018 (as mentioned in Note A12). The completion of the Proposed Acquisition of RK Travels is pending the fulfillment of the condition's precedent to the SSA.

B7 Status of utilisation of proceeds raised from the Private Placement

The proposed and actual utilisation of the total gross proceeds of RM8,400,760 raised from the Private Placement were as follows:

	Proposed utilisation RM'000	Actual utilisation as at the LPD RM'000	Intended timeframe for utilisation	Remaining balance RM'000	Explanation
Working capital	5,601	3,404	Within 12 months	2,197	*
Estimated expenses in relation to the Regularisation Plan	2,800	2,900	Within 1 month	(100)	*
Total	8,401	6,304		2,097	

Note:

* The shortfall of estimated expenses was adjusted from the amount allocated for working capital purposes.

B8 Group's borrowings and debt securities

The Group's borrowings (all denominated in Ringgit Malaysia) were as follows:

As at 30 September 2018:

	Short term RM'000	Long term RM'000	Total RM'000
<u>Secured</u>			
Term loan	526	863	1,389
Finance lease liabilities	56	76	132
Total	582	939	1,521

The effective interest rates were as follows:

	%
Term loan	6.87
Finance lease liabilities	2.45-4.42

The proportion of debt that was based on fixed interest rate and floating interest rate was at 8.67% and 91.33%, respectively.

B9 Financial instruments - Derivatives

The Group uses foreign currency forward contracts to hedge its exposure to fluctuations in foreign exchange arising from its normal course of business. The Group does not hold or issue derivative financial instruments for trading purposes.

The details of the Group's outstanding foreign currency forward contracts position as at 30 September 2018 were as follows:

	As at 30 September 2018		
	Notional amount	Fair value	Unrealised fair value gain
	RM'000	RM'000	RM'000
Foreign currency forward contracts			
Less than 1 year	1,891	1,925	34

The above was executed with approved financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength. There are also no cash requirements risks as the Group only uses foreign currency forward contracts as its hedging instruments. The fair value changes have been recognised in the statement of profit and loss.

There have been no changes to Group's management objectives, policies and processes and no significant changes to the Group exposure to credit risk, market risk and liquidity risk from the previous financial year.

B10 Trade receivables

The Parlo Group's normal credit period given to customers ranges from cash term to 60 days. There were no trade receivables from related parties during current quarter.

The trade receivables were mainly attributable to travel packages sold in years 2017 and 2018 of which the travel dates are subsequent to the current financial quarter.

The trade receivables balance and the ageing analysis were as follows:

	30 September	
	2018	2017
	RM'000	RM'000
Neither past due nor impaired	28,940	N/A
Past due 1 - 30 days	9,640	N/A
Past due 31 - 120 days	8,178	N/A
	17,818	N/A
Individually impaired	(27)	N/A
	46,731	N/A

The amount owing past due more than 30 days remained outstanding as at 30 September 2018 was attributable to travel packages where the travel dates are subsequent to the current financial quarter. The said amount, being the balance of the payment for the travel packages will usually be paid not less than 1 month before the departure date.

The Parlo Group monitors all outstanding debts closely to ensure that adequate impairment is made in the event the recovery of any debt appears to be doubtful. The Parlo Group also has staff specifically assigned to monitor the long outstanding trade receivables.

For the current quarter, the Board was of the view that the above debts were recoverable thus no provision for impairment of trade receivables was made.

B11 Material litigation

There was no material litigation in the current financial quarter and financial period-to-date.

B12 Notes to the statement of comprehensive income

Loss for the current financial quarter and financial period-to-date were arrived at after crediting / (charging) the following:

	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Interest income	77	N/A
Interest expense	(87)	N/A
Depreciation of property, plant and equipment	(314)	N/A

Other than as disclosed above which have been included in the Consolidated Statement of Comprehensive Income, the Group does not have other material items (such as other income including investment income, impairment of assets, provision for and write-off of receivables, provision for and write-off of inventories, disposal of quoted investments or properties, gain or loss on derivatives and foreign exchange gain or loss) included in the results for the current financial quarter ended 30 September 2018.

B13 Loss per share ("LPS")

Basic LPS was calculated by dividing the loss attributable to owners of the Company for the current financial quarter and the financial period-to-date by the weighted average number of ordinary shares in issue:

	Individual quarter		Cumulative quarter	
	Current quarter	Precedent year quarter	Current year- to-date	Precedent year-to-date
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Loss attributable to owners of the Company	(10,779)	N/A	(11,102)	N/A
Weighted average number of shares ('000)	364,033	N/A	356,932	N/A
Basic LPS (sen)	(2.96)	N/A	(3.11)	N/A

Diluted earnings per share is not applicable for the Company.

BY ORDER OF THE BOARD,

CHENG CHIA PING
(MAICSA 1032514 PRACTITIONER)
COMPANY SECRETARY

26 November 2018