NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018

PART A – NOTES TO THE INTERIM FINANCIAL REPORT

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

This condensed consolidated interim financial statements ("Condensed Report") have been prepared in accordance with MFRS 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The financial statements of the Group for the three months period ended 31 March 2018 are the first set of interim financial statements prepared in accordance with the MFRS Framework, hence MFRS 1 First-time Adoption of Malaysian Financial Standards has been applied. The MFRS Framework is effective for the Group from 1 January 2018 and the date of transition to the MFRS Framework for the purpose of preparation of the MFRS compliant interim financial report is 1 January 2017.

As provided in MFRS 1, first-time adopter of MFRS Framework can elect optional exemptions from full retrospective application of MFRSs. The Group has elected not to apply MFRS 3 Business Combinations and MFRS 10 Consolidated Financial Statements retrospectively, that is not to restate any of its business combinations that occurred before the date of transition to MFRSs.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2017. The explanatory notes attached to these condensed consolidated 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 Group since the year ended 31 December 2017.

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2017 except for the adoption of the following which are applicable to its financial statements and are relevant to its operations:

Descriptions	**Effective for annual periods beginning on or after**
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018

The adoption of the above standards do not have significant financial impact to the Group's consolidated financial statements for the current quarter other than the following:

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

(a) MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group adopted MFRS 9 and will not restate comparative information. Overall, the Group expects no significant impact on its statement of financial position and equity**.**

(i) Classification and measurement of financial assets

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore, believes the application of MFRS 9 would not have a significant impact.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group applied the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined there is no significant impact on its financial statements.

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

(a) MFRS 9 Financial Instruments (cont'd)

(iii) Other adjustments

In addition to the adjustments described above, on adoption of MFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, investments in the associate and joint venture, are adjusted as necessary. The exchange differences on translation of foreign operations are adjusted.

(b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group adopted MFRS 15 using the full retrospective method.

The Group is in the business of provision of information technology solutions, investment holding and property development. The equipment and services are sold both on their own in separate identified contracts with customers and non-contract customers whereas revenue for property development is recognised on the development units sold, for which sales agreements have been concluded, using percentage of completion of a physical proportion of the development work.

(i) Sale of goods

MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint will result in more revenue being deferred than under current MFRS. The Group has determined that there is no significant impact on its financial statements.

The Group provides warranties for information technology products for general repairs and does not provide extended warranties or maintenance services in its contract with customers. As such, the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets consistent with its current practice

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

(b) MFRS 15 Revenue from Contracts with Customers (cont'd)

(ii) Rendering of services

The Group involves in repair and services within the information technology division. These services are sold either on their own in contracts with the customers or non-contract customer with the provision of information technology solutions to a customer. The Company recognises service revenue when it is probable that the economic benefits will flow to the seller and the amount of revenue and cost incurred in respect of transaction can be measured reliably.

The Group did not identify any material impact to revenue, cost of sales and profit for the current financial period upon the adoption of MFRS 15.

(iii) Property development

The revenue arising from property development is assessed as fulfilled the criteria of sales over the time under the MFRS 15. The revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measured of contract progress or contract price is revised and the cumulative percentage of completion is reassessed at each reporting date.

Under MFRS 15, claims and variations will be included in the contract accounting when they are approved. The Group has performed an assessment on contracts of property development and does not expect that there will be significant impact on its financial statements.

(iv) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in MFRS 15 are new.

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

(b) MFRS 15 Revenue from Contracts with Customers (cont'd)

(v) Other adjustments

In addition to the major adjustments described above, on adoption of MFRS 15, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them as well as profit or loss after tax for the year from discontinued operations will be affected and adjusted as necessary. Furthermore, exchange differences on translation of foreign operations would also be adjusted.

The recognition and measurement requirements in MFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2017 was not subject to any qualification.

A3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items during this quarter.

A4. SEASONAL OR CYCLICAL FACTORS

The business of the Group was not affected by any significant seasonal or cyclical factors.

A5. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter results.

A6. SHARE CAPITAL AND SHARE PREMIUM

Included in share capital is share premium amounting to RM14,538,275 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

A7. DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 31 March 2018 save for the following:-

Details of treasury shares held

	Number of Treasury Shares
Balance as at 31 December 2017	7,970,000
Repurchased during the quarter ended 31 March 2018	1,228,000
Balance as at 31 March 2018	9,198,000

A8. DIVIDEND PAID

There was no dividend paid during the quarter under review.

A9. OPERATING REVENUE

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR THE QUARTER & PERIOD ENDED

	Malaysia			Others#			Total		
	31/3/2018	31/3/2017	Changes	31/3/2018	31/3/2017	Changes	31/3/2018	31/3/2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Major segments:									
EDCCS*	8,446	11,182	(24.5)	2,258	2,921	(22.7)	10,704	14,103	(24.1)
Properties	2,922	6,267	(53.4)	-	-	-	2,922	6,267	(53.4)
Total revenue	**11,368**	**17,449**	**(34.9)**	**2,258**	**2,921**	**(22.7)**	**13,626**	**20,370**	**(33.1)**

** Enterprise Data Collection and Collation System ("EDCCS")*

 # Based on an exchange rate of HKD100 : RM49.22, being the closing rate quoted by the Bank Negara Malaysia ("BNM") as at 30 March 2018.

A10. OTHER INCOME

	Quarter & Period Ended		
	31/3/2018 RM'000	31/3/2017 RM'000	Changes %
Interest income	214	34	529.4
Gain on foreign exchange	61	62	(1.6)
Gain on disposal of property plant & equipment ("PPE")	3	-	-
Reversal of doubtful debt provided no longer required	26	-	-
Rental income	35	37	(5.4)
Miscellaneous income	-	30	(100.0)
Total other income	**339**	**163**	**108.0**

A11. OTHER SEGMENTAL INFORMATION

OPERATING SEGMENT BY PRODUCT FOR THE QUARTER AND PERIOD ENDED

	EDCCS			Properties			Total		
	31/3/2018 RM'000	31/3/2017 RM'000	Changes %	31/3/2018 RM'000	31/3/2017 RM'000	Changes %	31/3/2018 RM'000	31/3/2017 RM'000	Changes %
Revenue (note A9)	10,704	14,103	(24.1)	2,922	6,267	(53.4)	13,626	20,370	(33.1)
Other income (note A10)	319	153	108.5	20	10	100.0	339	163	108.0
Direct cost	(10,698)	(14,181)	(24.6)	(2,813)	(5,215)	(46.1)	(13,511)	(19,396)	(30.3)
Segmental profit before	**325**	**75**	**333.3**	**129**	**1,062**	**(87.9)**	**454**	**1,137**	**(60.1)**
Finance cost	(147)	(237)	(38.0)	(4)	(114)	-	(151)	(351)	(57.0)
Depreciation and amortisation	(114)	(105)	8.6	-	-	-	(114)	(105)	8.6
Share of results of associates	176	613	(71.3)	-	-	-	176	613	(71.3)
Income tax expenses	17	(57)	129.8	(71)	(265)	(73.2)	(54)	(322)	(83.2)
Segmental net profit	**257**	**289**	**(11.1)**	**54**	**683**	**(92.1)**	**311**	**972**	**(68.0)**

Other than the items mentioned above which have been included in the statement of comprehensive income, there were no other income including investment income, provision for and write off of receivables and inventories, gain or loss on disposal of unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter ended 31 March 2018.

A12. CARRYING AMOUNT OF REVALUED ASSETS

The valuations of property, plant and equipment (ñPPEò) have been brought forward without amendment from the financial statement for the year ended 31 December 2017. All PPE, except for land and building, are stated at cost less accumulated depreciation and less any impairment losses. Land and building are shown at fair values, based on valuations by external independent valuers, less subsequent accumulated depreciation on buildings and any accumulated impairment losses.

A13. SUBSEQUENT EVENTS

Grand-Flo had on 10 April 2018 announced that the Company entered into a conditional share acquisition agreement with Chuah Chew Hai ("the Vendor") for the acquisition of the remaining 49.9996% equity interest in Innoceria Sdn. Bhd. (ñISBò) consisting of 124,999 ordinary shares held by Vendor, for a total cash consideration of RM21,900,000 ("Proposed Acquisition"). Upon completion of the Proposed Acquisition, ISB will become a 100%-owned subsidiary of Grand-Flo.

On the same day, the Company proposes to diversify its existing core businesses of EDCCS and property development to include construction business and construction related activities (ñProposed Diversificationò).

The two proposals are not inter-conditional nor conditional upon any other corporate exercise undertaken or to be undertaken by our Company and are subject to shareholdersô approval at the forthcoming general meeting.

Other than the above, there were no other material events subsequent to the end of the current quarter under review.

A14. CHANGES IN COMPOSITION OF THE GROUP

The Company had on 30 March 2018 incorporated a wholly-owned subsidiary, BKW Residences Sdn. Bhd. ("BKW"). BKW has an issued share capital of one (1) ordinary share and its intended principal activity is property development.

Other than the above, there were no material changes in the composition of the Group for the financial period ended 31 March 2018.

A15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets of the Group during the quarter under review.

A16. CAPITAL COMMITMENTS

There were no material commitments as at the end of the current quarter under review.

A17. RELATED PARTY TRANSACTIONS

There were no related party transactions which would have a material impact on the financial position and the business of the Group during the current quarter under review except for the following:-

	Quarter and period ended 31/3/2018 RM'000
Management fees to a related party	134
Sales to a related party	31
Purchases from a related party	341

The above related party transactions are recurrent transactions of a revenue or trading nature and are at armĉs length entered in the ordinary course of business on terms not more favourable to the related party than those generally available to the public.

A18. STATUS OF UTILISATION OF PROCEEDS

a) Grand-Flo had on 20 June 2017 and 23 June 2017 disposed of 5.79% of share investment (23,000,000 ordinary shares of Baht 1.00 each) in Simat for a total cash consideration of RM9,150,776 (THB76,590,000). The sale proceeds had been fully utilised as working capital and to repay a 2-year term loan of RM7,500,000.

b) Grand-Flo had on 19 October 2017, 3 November 2017 and 7 November 2017 disposed of entire shareholding comprising 48,899,373 Simat Shares, representing approximately 12.31% equity interest in Simat, at a disposal price of THB2.70 per shares for a total cash consideration of RM15,002,313 (THB132,028,307). The status of utilisation of the sale proceeds is as follows:

Utilisation up to 31.3.2018	Projected proceeds utilisation RM'000	Actual proceeds utilisation RM'000	Balance RM'000
Working Capital	15,002	-	15,002
Total	15,002	-	15,002

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MAIN MARKET

B1. REVIEW OF OVERALL PERFORMANCE

	Quarter and Period Ended		
	31/3/2018 RM'000	31/3/2017 RM'000	Changes %
Revenue	13,626	20,370	(33.1)
Cost of sales	(9,336)	(15,455)	(39.6)
Gross profit	4,290	4,915	(12.7)
Profit before taxation ("PBT")	365	1,294	(71.8)
Profit after taxation ("PAT")	311	972	(68.0)

In the first quarter of 2018, our sales dropped 33.1% from RM20.4 million in the preceding year's quarter to RM13.6 million.

As a result of softer market condition in the quarter under review, both divisions namely EDCCS and Property Development had experienced lower sales as compared to the same quarter in the previous year.

In tandem with lower sales for the quarter, the Group's PBT for the quarter was reduced by 71.8% from RM1.3 million to RM0.4 million.

B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS

i) EDCCS

	Quarter and Period Ended		
	31/3/2018 RM'000	31/3/2017 RM'000	Changes %
Revenue	10,704	14,103	(24.1)
Cost of sales	(7,229)	(10,589)	(31.7)
Gross profit	3,475	3,514	(1.1)
Profit before taxation ("PBT")	240	346	(30.6)
Profit after taxation ("PAT")	257	289	(11.1)

B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS (CONT'D)

i) EDCCS (cont'd)

For the quarter under review/financial year-to-date, EDCCS division recorded a decrease in revenue of 24.1% as compared with the previous year's corresponding quarter. This was mainly due to the softening demand in local EDCCS.

The division posted a PBT of RM0.2 million as compared to the PBT of RM0.3 million in preceding quarter, mainly contributed by its improved sales margin for the current quarter under review/financial year-to-date.

ii) Property Development

	Quarter and Period Ended		
	31/3/2018 RM'000	31/3/2017 RM'000	Changes %
Revenue	2,922	6,267	(53.4)
Cost of sales	(211)	(4,866)	(95.7)
Gross profit	2,711	1,401	93.5
Profit before taxation ("PBT")	125	948	(86.8)
Profit after taxation ("PAT")	54	683	(92.1)

Property development division's revenue for the quarter under review/financial year-to-date was mainly derived from the progress billings of The Glades and Vortex Business Park which were completed in 2017.

For the quarter under review, the division posted PBT of RM0.1 million as compared with PBT of RM0.6 million in the preceding quarter. The lower PBT was attributable to less progress billings recognised in the quarter under review/financial year-to-date.

B3. COMMENTARY ON PROSPECTS

The Board is confident that the corporate proposals will bring synergy to the Group's property business and will enhance the contribution to the Group's bottomline. With the impending GST abolishment, the Board expects demand for the property market to improve.

As for the EDCCS business, the Board foresees that it will improve in the coming quarters with better margin contribution from focusing on sales of higher profit margin products and services of the EDCCS division.

B4. TAXATION

	Quarter & period ended 31/3/2018 RM'000
Estimated income tax :	
Malaysia income tax	(71)
Foreign income tax	17
	(54)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the quarter.

B5. STATUS OF CORPORATE PROPOSALS AS AT 17 MAY 2018

There were no corporate proposals announced but not completed as at 17 May 2018, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report except for the Proposed Acquisition and Proposed Diversification as mentioned in Note A13.

B6. BORROWINGS

The borrowings of the Company as at 31 March 2018 were as follows:-

	As at 31/3/2018 RM'000	As at 31/3/2017 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	-	7,144
Overdraft	-	-
Term loan	126	6,314
Hire purchase & Lease payables	104	136
	230	13,594
Secured Long-term (due after 12 months):		
Term loan	696	6,307
Hire purchase & Lease payables	-	169
	696	6,476
Total Borrowings	926	20,070

There was no unsecured borrowing for the current quarter. All borrowings were denominated in Ringgit Malaysia.

B6. BORROWINGS (CONT'D)

The effective annual interest rates at the reporting date for borrowings are as follows:-

	2018 %	2017 %
Bankers' Acceptance	3.83 ï 5.49	3.83 ï 5.49
Overdraft	7.00 ï 7.25	7.00 ï 7.25
Term loan	3.75 ï 8.10	3.75 ï 8.10
Hire purchase & Lease payables	2.40 ï 3.61	2.40 ï 3.61

B7. MATERIAL LITIGATION

The Directors are not aware of any material litigations or claims against the Group and Company as 17 May 2018, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

B8. PROPOSED DIVIDEND PAYABLE

The Board of Directors has proposed a single-tier dividend of 0.6 sen per share for the financial year ended 31 December 2017 which is subject to the approval of the shareholders in the forthcoming Annual General Meeting.

The proposed dividend will be paid on 25 July 2018 if approved by shareholders at the forthcoming 15th Annual General Meeting.

B9. EARNINGS PER SHARE

(a) **Basic earnings per share**

The basic earnings per share is calculated based on Groupõs net profit attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue during the period as follows:-

	Quarter & period ended 31/3/2018
Net profit attributable to ordinary equity holders of the parent (RMõ000)	235
Weighted average number of ordinary shares in issue (õ000)	474,680
Basic earnings per share (sen)	0.05

B9. EARNINGS PER SHARE (CONT'D)

(b) **Diluted earnings per share**

Diluted earnings per share is not applicable as there were no potential ordinary shares in issue for the current quarter and cumulative quarter.