GRAND-FLO BERHAD
(607392-W)
A Main Market listed company
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2018

		QUARTER ENDED			YEAR-TO-DATE ENDED		
	Note	30/6/2018 RM	30/6/2017 RM	Changes %	30/6/2018 RM	30/6/2017 RM	Changes %
Revenue	A9	19,194,974	24,726,195	(22.4)	32,820,910	45,096,251	(27.2)
Cost of sales		(13,337,337)	(19,169,943)	(30.4)	(22,673,690)	(34,624,798)	(34.5)
Gross profit		5,857,637	5,556,252	5.4	10,147,220	10,471,453	(3.1)
Other income	A10	220,031	5,228,483	(95.8)	559,212	5,391,287	(89.6)
Administrative expenses		(4,106,841)	(3,370,536)	21.8	(7,584,557)	(6,333,536)	19.8
Selling and distribution expenses		(502,018)	(1,039,261)	(51.7)	(1,200,793)	(1,770,053)	(32.2)
Depreciation and amortisation		(113,090)	(651,956)	(82.7)	(226,941)	(1,005,046)	(77.4)
Profit from operations		1,355,720	5,722,982	(76.3)	1,694,141	6,754,105	(74.9)
Finance costs		(18,481)	(459,982)	(96.0)	(169,268)	(810,552)	(79.1)
Share of results of associates, net of tax		19,963	80,630	(75.2)	196,209	693,586	(71.7)
Profit before tax		1,357,201	5,343,630	(74.6)	1,721,082	6,637,139	(74.1)
Income tax expense	B4	(106,253)	(262,985)	(59.6)	(159,605)	(584,867)	(72.7)
Profit for the period		**1,250,948**	**5,080,645**	**(75.4)**	**1,561,477**	**6,052,272**	**(74.2)**
Other comprehensive income:							
Items that may be subsequently reclassified to profit or loss:							
Exchange translation differences		202,384	(332,444)	160.9	81,145	(319,238)	125.4
Total comprehensive income		**1,453,332**	**4,748,201**	**(69.4)**	**1,642,622**	**5,733,034**	**(71.3)**
Profit attributable to:							
Owners of the Company		1,093,032	4,860,946	(77.5)	1,327,576	5,512,880	(75.9)
Non-controlling interest		157,916	219,699	(28.1)	233,901	539,392	(56.6)
Profit for the period		**1,250,948**	**5,080,645**	**(75.4)**	**1,561,477**	**6,052,272**	**(74.2)**
Total comprehensive income attributable to:							
Owners of the Company		1,295,416	4,528,502	(71.4)	1,408,721	5,193,642	(72.9)
Non-controlling interest		157,916	219,699	(28.1)	233,901	539,392	(56.6)
Total comprehensive income		**1,453,332**	**4,748,201**	**(69.4)**	**1,642,622**	**5,733,034**	**(71.3)**

Earnings Per Share attributable to owners of the Company:	Note	Sen per share	Sen per share		Sen per share	Sen per share	
Basic	B9	0.23	1.01		0.28	1.14	
Diluted	B9	-	-		-	-	

The above unaudited condensed consolidated statement of profit or loss 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 these interim financial statements.

GRAND-FLO BERHAD
(607392-W)
A Main Market listed company
(Incorporated in Malaysia)

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

	Note	As at 30/6/2018 RM	As at 31/12/2017 RM (Audited)
Assets			
Property, plant and equipment	A12	8,217,717	8,350,022
Investment in associate, unquoted		1,552,134	1,355,925
Other investment, unquoted		14,589	14,794
Goodwill on consolidation		33,447,524	33,447,524
Non-current assets		**43,231,964**	**43,168,265**
Property development cost		33,924,493	47,854,767
Inventories		42,265,070	28,271,678
Accrued billings		-	3,781,856
Trade receivables		20,155,150	29,503,333
Other receivables		1,146,554	4,590,170
Amount due from related parties		1,253,868	36,227
Tax recoverable		1,808,472	1,441,276
Dividend receivable		1,060,831	1,060,831
Fixed deposit with licensed banks		20,384,479	21,137,792
Cash and bank balances		9,793,585	10,856,409
Current assets		**131,792,502**	**148,534,339**
Total assets		**175,024,466**	**191,702,604**
Equities and liabilities			
Share capital	A6	62,849,846	62,849,846
Treasury shares, at cost	A7	(2,461,614)	(2,006,102)
Other reserves		1,109,451	1,109,451
Foreign exchange fluctuation reserve		885,971	804,826
Revaluation reserve	A12	4,596,522	4,596,522
Retained earnings		56,960,772	55,633,196
Equity attributable to owners of the Company		123,940,948	122,987,739
Non-controlling interest		35,022,377	37,428,476
Total equity		**158,963,325**	**160,416,215**
Long-term borrowings	B6	686,567	1,823,550
Deferred tax liabilities		27,825	27,849
Non-current liabilities		**714,392**	**1,851,399**
Trade payables		12,635,660	15,712,235
Other payables		1,982,928	4,032,550
Amount due to directors		-	4,870,961
Amount due to related parties		13,184	141,996
Short-term borrowings	B6	536,738	4,486,553
Tax payable		178,239	190,695
Current liabilities		**15,346,749**	**29,434,990**
Total liabilities		**16,061,141**	**31,286,389**
Total equity and liabilities		**175,024,466**	**191,702,604**
		Sen	**Sen**
Net assets per share attributable to owners of the Company		25.65	25.46
Net tangible assets per share		18.73	18.53

The above unaudited 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 these interim financial statements.

GRAND-FLO BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2018

	NOTE	Attributable to owners of the Company									
		Non-Distributable					Distributable				
	NOTE	Share Capital RM	Share Premium RM	Treasury Shares RM	Other Reserves RM	Foreign Exchange Fluctuation Reserve RM	Revaluation Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interest (NCI) RM	Total Equity RM
Balance as at 1 January 2017		48,311,571	14,538,275	(1,497,290)	1,109,451	1,391,694	6,160,852	40,021,750	110,036,303	42,030,530	152,066,833
Total Comprehensive income for the year		-	-	-	-	(586,868)	858,446	13,188,670	13,460,248	1,332,507	14,792,755
Transition to no-par value regime		14,538,275	(14,538,275)	-	-	-	-	-	-	-	-
Transactions with owners:											
Realisation of revaluation reserve on disposal of property, plant and equipment		-	-		-	-	(2,422,776)	2,422,776	-	-	-
Disposal of a subsidiary		-	-	-	-	-	-	-	-	(318,561)	(318,561)
Shares repurchased		-	-	(503,464)	-	-	-	-	(503,464)	-	(503,464)
Transaction costs		-	-	(5,348)	-	-	-	-	(5,348)	-	(5,348)
Redeemed of preference shares		-	-	-	-	-	-	-	-	(5,616,000)	(5,616,000)
Total transactions with owners		-	-	(508,812)	-	-	(2,422,776)	2,422,776	(508,812)	(5,934,561)	(6,443,373)
Balance as at 31 December 2017		62,849,846	-	(2,006,102)	1,109,451	804,826	4,596,522	55,633,196	122,987,739	37,428,476	160,416,215
Balance as at 1 January 2018		62,849,846	-	(2,006,102)	1,109,451	804,826	4,596,522	55,633,196	122,987,739	37,428,476	160,416,215
Total Comprehensive income for the year		-	-	-	-	81,145	-	1,327,576	1,408,721	233,901	1,642,622
Transactions with owners:											
Shares repurchased		-	-	(451,953)	-	-	-	-	(451,953)	-	(451,953)
Transaction costs		-	-	(3,559)	-	-	-	-	(3,559)	-	(3,559)
Redeemed of preference shares		-	-	-	-	-	-	-	-	(2,640,000)	(2,640,000)
Total transactions with owners		-	-	(455,512)	-	-	-	-	(455,512)	(2,640,000)	(3,095,512)
Balance as at 30 June 2018		62,849,846	-	(2,461,614)	1,109,451	885,971	4,596,522	56,960,772	123,940,948	35,022,377	158,963,325

The above unaudited 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 these interim financial statements.

GRAND-FLO BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2018

	6 MONTHS ENDED 30/6/2018 RM	6 MONTHS ENDED 30/6/2017 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,721,082	6,637,139
Adjustments for:-		
Amortisation of development costs	-	576,177
Amortisation of other investment	205	410
Depreciation of Property, Plant and Equipment ("PPE")	226,736	428,459
Gain on disposal of associate	-	(5,155,431)
Loss on disposal of a PPE	-	199,228
Interest income	(376,169)	(61,399)
Interest expense	169,268	810,552
PPE written off	2,518	-
Share of results of associates, net of tax	(196,209)	(693,586)
Unrealised gain on foreign exchange	(629)	-
Operating profit before working capital changes	1,546,802	2,741,549
Property development activities	13,930,274	(2,298,435)
Inventories	(13,993,392)	99,818
Trade and other receivables	12,791,799	(16,527,428)
Trade and other payables	(5,125,568)	(4,312,727)
Directors	-	3,563,019
Related parties	(1,346,453)	(2,002,632)
Progress billing / Accrued billing	3,781,856	7,577,540
CASH GENERATED FROM/(USED IN) OPERATIONS	11,585,318	(11,159,296)
Tax refund	146,786	-
Tax paid	(687,345)	(1,361,904)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	11,044,759	(12,521,200)
CASH FLOW FROM INVESTING ACTIVITIES		
Advances from associates	-	(1,319,466)
Repayment to directors	(4,870,961)	749,994
Development costs incurred	-	(487,093)
Interest received	376,169	61,399
Proceeds from disposal of associate	-	9,150,776
Proceeds from disposal of PPE	-	4,500,000
Purchase of property, plant and equipment	(98,748)	(54,361)
Redemption of the redeemable non-convertible preference shares in subsidairies by non-controlling interest	(2,640,000)	-
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(7,233,540)	12,601,249
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(169,268)	(810,552)
Net repayment of term loan and short term borrowing	(5,024,694)	(6,387,099)
Purchase of treasury shares	(451,953)	(111,722)
Repayment of hire purchase and finance lease payables	(62,104)	(82,092)
Share issuance expenses	(3,559)	(1,519)
NET CASH (USED IN) FINANCING ACTIVITIES	(5,711,578)	(7,392,984)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,900,359)	(7,312,935)
Foreign exchange fluctuation reserve	84,222	(319,238)
CASH AND CASH EQUIVALENTS B/F	31,994,201	14,649,797
CASH AND CASH EQUIVALENTS C/F	**30,178,064**	**7,017,624**
NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise:		
Cash and bank balances	9,793,585	10,346,673
Fixed deposit with licensed banks	20,384,479	2,024,586
Less: Overdraft	-	(5,353,635)
	30,178,064	**7,017,624**

The above unaudited condensed consolidated statement of cash flow 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 these interim financial statements.

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 was 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 30 June 2018 save for the following:-

Details of treasury shares held

	Number of Treasury Shares
Balance as at 31 March 2018	9,198,000
Repurchased during the quarter ended 30 June 2018	884,000
Balance as at 30 June 2018	10,082,000

A8. DIVIDEND PAID

There was no dividend paid during the quarter under review.

A9. OPERATING REVENUE

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR THE QUARTER ENDED

	Malaysia			Others#			Total		
	30/6/2018 RM'000	30/6/2017 RM'000	Changes %	30/6/2018 RM'000	30/6/2017 RM'000	Changes %	30/6/2018 RM'000	30/6/2017 RM'000	Changes %
Major segments:									
EDCCS*	12,936	13,645	(5.2)	3,343	2,710	23.4	16,279	16,355	(0.5)
Properties	2,916	8,371	(65.2)	-	-	-	2,916	8,371	(65.2)
Total revenue	**15,852**	**22,016**	**(28.0)**	**3,343**	**2,710**	**23.4**	**19,195**	**24,726**	**(22.4)**

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR PERIOD ENDED

	Malaysia			Others#			Total		
	Malaysia RM'000	30/6/2017 RM'000	Changes %	Malaysia RM'000	30/6/2017 RM'000	Changes %	Malaysia RM'000	30/6/2017 RM'000	Changes %
Major segments:									
EDCCS*	21,382	24,827	(13.9)	5,601	5,631	(0.5)	26,983	30,458	(11.4)
Properties	5,838	14,638	(60.1)	-	-	-	5,838	14,638	(60.1)
Total revenue	**27,220**	**39,465**	**(31.0)**	**5,601**	**5,631**	**(0.5)**	**32,821**	**45,096**	**(27.2)**

** Enterprise Data Collection and Collation System ("EDCCS")*
 # Based on an exchange rate of HKD100 : RM51.45, being the closing rate quoted by the Bank Negara Malaysia ("BNM") as at 29 June 2018.

A10. OTHER INCOME

	Quarter Ended			Period Ended		
	30/6/2018 RM'000	30/6/2017 RM'000	Changes %	30/6/2018 RM'000	30/6/2017 RM'000	Changes %
Interest income	163	27	503.7	377	61	518.0
Gain on foreign exchange	2	1	100.0	63	63	0.0
Gain on disposal of property plant & equipment ("PPE")	-	-	-	3	-	-
Net gain on disposal of an associate		5,155		-	5,155	-
Reversal of doubtful debt provided no longer required	-	-	-	26	-	-
Rental income	35	24	45.8	70	61	14.8
Miscellaneous income	20	21	(4.8)	20	51	(60.8)
Total other income	**220**	**5,228**	**(95.8)**	**559**	**5,391**	**(89.6)**

A11. OTHER SEGMENTAL INFORMATION

OPERATING SEGMENT BY PRODUCT FOR THE QUARTER ENDED

	EDCCS			Properties			Total		
	30/6/2018 RM'000	30/6/2017 RM'000	Changes %	30/6/2018 RM'000	30/6/2017 RM'000	Changes %	30/6/2018 RM'000	30/6/2017 RM'000	Changes %
Revenue (note A9)	16,279	16,355	(0.5)	2,916	8,371	(65.2)	19,195	24,726	(22.4)
Other income (note A10)	200	5,203	(96.2)	20	25	(20.0)	220	5,228	(95.8)
Direct costs	(15,333)	(16,082)	(4.7)	(2,614)	(7,497)	(65.1)	(17,947)	(23,579)	(23.9)
Segmental profit before	**1,146**	**5,476**	**(79.1)**	**322**	**899**	**(64.2)**	**1,468**	**6,375**	**(77.0)**
Finance cost	(15)	(289)	(94.8)	(3)	(171)	-	(18)	(460)	(96.1)
Depreciation and amortisation	(113)	(652)	(82.7)	-	-	-	(113)	(652)	(82.7)
Share of results of associates	20	81	(75.3)	-	-	-	20	81	(75.3)
Income tax expenses	(18)	(25)	(28.0)	(88)	(238)	(63.0)	(106)	(263)	(59.7)
Segmental net profit	**1,020**	**4,591**	**(77.8)**	**231**	**490**	**(52.9)**	**1,251**	**5,081**	**(75.4)**

A11. OTHER SEGMENTAL INFORMATION (CONT'D)

OPERATING SEGMENT BY PRODUCT FOR PERIOD ENDED	EDCCS			Properties			Total		
	30/6/2018	30/6/2017	Changes	30/6/2018	30/6/2017	Changes	30/6/2018	30/6/2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Revenue (note A9)	26,983	30,458	(11.4)	5,838	14,638	(60.1)	32,821	45,096	(27.2)
Other income (note A10)	517	5,356	(90.3)	42	35	20.0	559	5,391	(89.6)
Direct cost	(26,028)	(29,818)	(12.7)	(5,431)	(12,711)	(57.3)	(31,459)	(42,529)	(26.0)
Segmental profit before	**1,472**	**5,996**	**(75.5)**	**449**	**1,962**	**(77.1)**	**1,921**	**7,958**	**(75.9)**
Finance cost	(163)	(526)	(69.0)	(6)	(285)	-	(169)	(811)	(79.2)
Depreciation and amortisation	(227)	(1,005)	(77.4)	-	-	-	(227)	(1,005)	(77.4)
Disposal on PPE	-	(199)	(100.0)	-	-	-	-	(199)	(100.0)
Share of results of associates	196	694	(71.8)	-	-	-	196	694	(71.8)
Income tax expenses	(2)	(81)	(97.5)	(158)	(504)	(68.7)	(160)	(585)	(72.6)
Segmental net profit	**1,276**	**4,879**	**(73.8)**	**285**	**1,173**	**(75.7)**	**1,561**	**6,052**	**(74.2)**

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 30 June 2018.

A12. CARRYING AMOUNT OF REVALUED ASSETS

The valuations of property, plant and equipment ("PPE") 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. ("ISB") consisting of 124,999 ordinary shares held by Vendor, for a total cash consideration of RM21,900,000 ("Proposed Acquisition"). Grand-Flo further announced that the Proposed Acquisition has been duly completed on 6 July 2018. As such, ISB is now a wholly-owned subsidiary of Grand-Flo.

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

There were no material changes in the composition of the Group during the quarter under review.

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 ended 30/6/2018 RM'000	**Period ended 30/6/2018 RM'000**
Management fees to a related party	22	156
Sales to a related party	127	158
Purchases from a related party	1	342

The above related party transactions are recurrent transactions of a revenue or trading nature and are at arm's 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

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 30.6.2018	Projected proceeds utilisation RM'000	Actual proceeds utilisation RM'000	Balance RM'000
Working Capital	15,002	-	15,002
Total	15,002	-	15,002

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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 Ended			Period Ended		
	30/6/2018 RM'000	30/6/2017 RM'000	Changes %	30/6/2018 RM'000	30/6/2017 RM'000	Changes %
Revenue	19,195	24,726	(22.4)	32,821	45,096	(27.2)
Cost of sales	(13,337)	(19,170)	(30.4)	(22,674)	(34,625)	(34.5)
Gross profit	5,858	5,556	5.4	10,147	10,471	(3.1)
Profit before taxation ("PBT")	1,357	5,344	(74.6)	1,721	6,637	(74.1)
Profit after taxation ("PAT")	1,251	5,081	(75.4)	1,561	6,052	(74.2)

<u>For the quarter</u>

In the second quarter of 2018, our revenue dropped 22.4% from RM24.7 million in the preceding year's corresponding quarter to RM19.2 million for the current quarter under review.

As a result of the continuing soft property market condition, Property Development division experienced lower sales as compared to the same quarter in the previous year. EDCCS on the other hand, its turnover remained consistent with preceding year's quarter.

The Group's PBT for the current quarter was reduced by 74.6% from RM5.3 million (which included a gain on disposal of shares in an associate of RM5.2 million and a loss on disposal of PPE of RM0.2 million) to RM1.4 million.

With the exclusion of the gain on disposal of associate's shares and loss on disposal of PPE for the previous year's corresponding quarter, the Group's PBT would have been RM0.4 million as compared to RM1.4 million for current quarter, which represents an increase in PBT of 250.3% that was mainly due to improve sales margin from both divisions for the quarter under review.

<u>For the 6 months period</u>

For the first 6 months of 2018, the revenue of RM32.8 million was down by 27.2% from RM45.1 million for same period last year. The reduction was mainly due to the lower sales in Property Development division as mentioned earlier. The Group PBT of RM1.7 million was down 74.1% from profit of RM6.6 million (which included a gain on disposal of shares in an associate of RM5.2 million and a loss on disposal of PPE of RM0.2 million) for same period last year.

With the exclusion of the gain on disposal of associate's shares and loss on disposal of PPE for the previous year's corresponding quarter, the Group's PBT would have been RM1.7 million, approximately the same PBT as compared to the 6 months period ended 30 June 2018.

B1. REVIEW OF OVERALL PERFORMANCE (CON'T)

i) EDCCS

	Quarter Ended			Period Ended		
	30/6/2018 RM'000	30/6/2017 RM'000	Changes %	30/6/2018 RM'000	30/6/2017 RM'000	Changes %
Revenue	16,279	16,355	(0.5)	26,983	30,458	(11.4)
Cost of sales	(11,231)	(12,377)	(9.3)	(18,460)	(22,966)	(19.6)
Gross profit	5,048	3,978	26.9	8,523	7,492	13.8
Profit before taxation ("PBT")	1,039	4,616	(77.5)	1,278	4,960	(74.2)
Profit after taxation ("PAT")	1,020	4,591	(77.8)	1,276	4,879	(73.8)

For the quarter

The EDCCS division recorded revenue of RM16.3 million and PBT of RM1.1 million in current quarter compared to revenue of RM16.4 million and PBT of RM4.6 million in the previous year's corresponding quarter, representing a marginal decrease in revenue of 0.5% and reduction in PBT of 77.5%. Included in the PBT of RM4.6 million in the previous year's corresponding quarter were a gain on disposal of shares in an associate of RM5.2 million and a loss on disposal of PPE of RM0.2 million.

For the 6 months period

The EDCCS division recorded revenue of RM27.0 million and PBT of RM1.3 million for the current 6 months period ended 30 June 2018 compared to revenue of RM30.5 million and PBT of RM5.0 million in the corresponding 6 months period ended 30 June 2017, representing a decrease in revenue of 11.4% and PBT of 74.2%. Included in the PBT of RM5.0 million in the previous year's corresponding period were a gain on disposal of shares in an associate of RM5.2 million and a loss on disposal of PPE of RM0.2 million.

ii) Property Development

	Quarter Ended			Period Ended		
	30/6/2018 RM'000	30/6/2017 RM'000	Changes %	30/6/2018 RM'000	30/6/2017 RM'000	Changes %
Revenue	2,916	8,371	(65.2)	5,838	14,638	(60.1)
Cost of sales	(2,106)	(6,793)	(69.0)	(4,214)	(11,659)	(63.9)
Gross profit	810	1,578	(48.7)	1,624	2,979	(45.5)
Profit before taxation ("PBT")	318	728	(56.3)	443	1,677	(73.6)
Profit after taxation ("PAT")	231	490	(52.9)	285	1,173	(75.7)

B1. REVIEW OF OVERALL PERFORMANCE (CON'T)

i) Property Development (Cont'd)

For the quarter & 6 months period

Property development division's revenue for the quarter and the 6 months period under review was mainly derived from units of The Glades and Vortex Business Park sold.

B2. MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter Ended		
	30/6/2018 RM'000	31/3/2018 RM'000	Changes %
Revenue	19,195	13,626	40.9
Cost of sales	(13,337)	(9,336)	42.9
Gross profit	5,858	4,290	36.6
Profit before taxation ("PBT")	1,357	364	272.8
Profit after taxation ("PAT")	1,251	311	302.3

The Group recorded revenue of RM19.2 million and PBT of RM1.4 million for the current quarter compared to revenue of RM13.7 million and PBT of RM0.4 million in the preceding quarter, representing an increase in revenue of 40.9% and increase in PBT of 272.8%. Revenue was higher in the current quarter mainly due to higher contribution from the EDCCS division, while PBT was higher due to higher sales margin for the current quarter under review.

The EDCCS division posted a PBT of RM1.1 million as compared to the PBT of RM0.3 million in preceding quarter, mainly contributed by its higher sales margin from its sales mix for the current quarter under review.
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The Property Development division posted PBT of RM0.3 million as compared with PBT of RM0.1 million in the preceding quarter. The higher PBT was attributable to lower marketing expenses expensed in the quarter under review.

B3. COMMENTARY ON PROSPECTS

The Group's EDCCS business remains positive and the Board is optimistic of its upcoming financial performance.

Despite the general slowdown in economic activity particularly the property market, the Board foresees the completed acquisition and diversification will bring synergy to the Group's property business in the longer term.

B4. TAXATION

	Quarter ended 30/6/2018 RM'000	Period ended 30/6/2018 RM'000
Estimated income tax :		
Malaysia income tax	87	159
Foreign income tax	19	1
	106	160

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 23 AUGUST 2018

There were no corporate proposals announced but not completed as at 23 August 2018, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

B6. BORROWINGS

The borrowings of the Company as at 30 June 2018 were as follows:-

	As at 30/6/2018 RM'000	As at 30/6/2017 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	333	7,958
Overdraft	-	5,354
Term loan	126	2,452
Hire purchase & lease payables	77	163
	536	15,927
Secured Long-term (due after 12 months):		
Term loan	687	2,061
Hire purchase & lease payables	-	106
	687	2,167
Total Borrowings	1,223	18,094

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

Save as disclosed below, the Directors are not aware of any material litigations or claims against the Group and Company as 23 August 2018, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report:

Labels Network Sdn Bhd (ñLNSBò), a wholly-owned subsidiary of Grand-Flo, had entered into a share sale agreement dated 29 August 2016 with QLM Label Makers Sdn Bhd (ñQLMò) in respect of the disposal of 100% shares in Kopacklabels Press Sdn Bhd (ñKopackò) by LNSB to QLM (ñKopack SSAò).

LNSB has commenced legal action against QLM and Kopack by filing a writ and statement of claim on 7 May 2018 and an amended statement of claim on 24 May 2018 for several breaches by QLM of the express and/or implied terms of the Kopack SSA including the failure to procure and/or cause Kopack to procure the release of securities and/or corporate guarantees given to Hap Seng Credit Sdn Bhd and Hong Leong Bank Berhad given by LNSB.

The claims made by LNSB include the sum of RM650,078.45 owing to LNSB and specific performance of clause 6, clause 8.2(a) and clause 8.2(b) of the Kopack SSA against QLM.

The counsel for LNSB is of the opinion that LNSB has a fairly good claim against QLM and Kopack.

B8. DIVIDEND

(a) The Board does not recommend any interim dividend for the quarter ended 30 June 2018 of the financial year ending 31 December 2018 (2nd quarter 2017: Nil).

(b) For the financial year-to-date, no dividend has been declared (2017: Nil).

B9. EARNINGS PER SHARE

(a) **Basic earnings per share**

The basic earnings per share is calculated based on Group's 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 ended 30/6/2018	Period ended 30/6/2018
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,093	1,328
Weighted average number of ordinary shares in issue ('000)	474,919	474,070
Basic earnings per share (sen)	0.23	0.28

(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.

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