

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 31 MARCH 2019**

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 interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2018. 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 2018.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2018, except for the adoption of the following MFRS:

Descriptions	Effective for annual periods commencing on or after
MFRS 16 Leases	1 January 2019

The main effects of the adoption of MFRS 16 Leases are summarised as below:

MFRS 16 Leases

MFRS 16 - Leases supersedes MFRS 117 - Leases and its related interpretations. MFRS 16 requires lessee to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessee . leases of low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessee will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessee will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

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

The main effects of the adoption of MFRS 16 Leases are summarised as below (cont'd):

MFRS 16 Leases (cont'd)

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessee and lessor to make more extensive disclosures than under MFRS 117.

The changes in accounting policies have been applied retrospectively from 1 January 2019. The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value. In accordance with the transition requirements, comparatives are not restated.

The Group has performed a detailed impact assessment of MFRS 16 and in the opinion that there is no material impact 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 2018 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.

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Included in share capital is share premium amounting to RM14,538,275 of which has been expired on 30 January 2019 under Section 74 of Companies Act 2016. The Company had filed with the Companies Commission of Malaysia (CCM) the Notice of Share Capital under Section 618 of the Companies Act 2016 to confirm the amount standing to the credit of Share Premium Account had become part of share capital of the Company.

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 quarter ended 31 March 2019 save for the following:

Details of treasury shares held

	Number of Treasury Shares
Balance as at 31 December 2018	12,268,000
Repurchased during the quarter ended 31 March 2019	430,000
Balance as at 31 March 2019	<u>12,698,000</u>

A8. DIVIDEND PAID

There was no dividend paid during the quarter under review.

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A9. OPERATING REVENUE

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR THE QUARTER AND PERIOD ENDED

	Malaysia			Others [#]			Total		
	31/3/2019	31/3/2018	Changes	31/3/2019	31/3/2018	Changes	31/3/2019	31/3/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Major segments:									
EDCCS*	20,426	8,446	141.8	3,343	2,258	48.1	23,769	10,704	122.1
Properties	20,434	2,922	599.3	-	-	-	20,434	2,922	599.3
Total revenue	40,860	11,368	259.4	3,343	2,258	48.1	44,203	13,626	224.4

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

[#] Based on an exchange rate of HKD100 : RM52.04, being the closing rate quoted by the Bank Negara Malaysia ("BNM") as at 29 March 2019.

A10. OTHER INCOME

	Quarter and Period Ended		
	31/3/2019	31/3/2018	Changes
	RM'000	RM'000	%
Interest income	145	214	(32.2)
Gain on foreign exchange	-	61	(100.0)
Gain on disposal of property plant & equipment ("PPE")	-	3	(100.0)
Net gain on disposal of an associate	997	-	100.0
Reversal of allowance for expected credit losses on trade receivables	-	26	(100.0)
Rental income	29	35	(17.1)
Miscellaneous income	27	-	100.0
Total other income	1,198	339	253.4

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A11. OTHER SEGMENTAL INFORMATION

OPERATING SEGMENT BY PRODUCT FOR THE QUARTER AND PERIOD ENDED

	EDCCS			Properties			Total		
	31/3/2019	31/3/2018	Changes	31/3/2019	31/3/2018	Changes	31/3/2019	31/3/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Revenue (note A9)	23,769	10,704	122.1	20,434	2,922	599.3	44,203	13,626	224.4
Other income (note A10)	1,187	319	272.1	11	20	(45.0)	1,198	339	253.4
Direct cost	(21,927)	(10,699)	104.9	(16,934)	(2,813)	502.0	(38,861)	(13,512)	187.6
Segmental profit before	3,029	324	834.9	3,511	129	2,621.7	6,540	453	1,343.7
Finance cost	(17)	(147)	(88.4)	(71)	(4)	1,675.0	(88)	(151)	(41.7)
Depreciation and amortisation	(114)	(114)	-	-	-	-	(114)	(114)	-
Inventories written off/down	(81)	-	100.0	-	-	-	(81)	-	100.0
Share of results of associates	50	176	(71.6)	-	-	-	50	176	(71.6)
Income tax expenses	(491)	18	(2,827.8)	(742)	(71)	945.1	(1,233)	(53)	2,226.4
Segmental net profit	2,376	257	824.5	2,698	54	4,896.3	5,074	311	1,531.5

Other than the items mentioned above which have been included in the statement of profit or loss and other 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 and period ended 31 March 2019.

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 2018. 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

There were no significant subsequent events from 31 March 2019 to the date of this report, which will have a material effect on the financial results of the Group for the quarter under review.

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A14. CHANGES IN COMPOSITION OF THE GROUP

Grand-Flo had on 11 March 2019 announced that Labels Network Sdn. Bhd. (%NSB+), a wholly-owned subsidiary of Grand-Flo, had entered into a Share Purchase Agreement with Simat Technologies Public Company Limited for the disposal of LNSB+ entire shareholding comprising 480,000 ordinary shares of THB10.00 each, representing 14.12% of the total issued share capital of Simat Label Company Limited, for a cash consideration of THB26,000,000 (equivalent to approximately RM3,309,800).

Save from the above, there were no other material changes in the composition of the Group for 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 & Period ended 31/3/2019 RM'000
Management fees to a related party	433
Sales to a related party	12
Purchases from a related party	<u>7</u>

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

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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:

	Proceeds Received RM'000	Proceeds Utilised RM'000	Balance RM'000
Utilisation up to 31.3.2019			
Working Capital	15,002	12,776	2,226
Total	15,002	12,776	2,226

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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 and Period Ended		
	31/3/2019 RM'000	31/3/2018 RM'000	Changes %
Revenue	44,203	13,626	224.4
Cost of sales	(32,976)	(9,336)	253.2
Gross profit	11,227	4,290	161.7
Profit before taxation ("PBT")	6,307	364	1,632.7
Profit after taxation ("PAT")	5,074	311	1,531.5

For the quarter and period ended 31 March 2019

Revenue for the current and period ended 31 March 2019 increased 224.4% from RM13.6 million in the preceding year's corresponding quarter to RM44.2 million for the current quarter under review due to the strong performance from both EDCCS and Property Development division.

In tandem with the higher sales for the quarter under review, PBT for the current quarter increased by 1,632.7% from RM0.4 million to RM6.3 million which includes a gain of RM1.0 million from disposal of an associate company.

With the exclusion of the gain on disposal of an associate company, the PBT would have been RM5.3 million for the current quarter as compared to PBT of RM0.4 million for the previous year's corresponding period.

i) EDCCS

	Quarter and Period Ended		
	31/3/2019 RM'000	31/3/2018 RM'000	Changes %
Revenue	23,769	10,704	122.1
Cost of sales	(17,159)	(7,229)	137.4
Gross profit	6,610	3,475	90.2
Profit before taxation ("PBT")	2,867	239	1,099.6
Profit after taxation ("PAT")	2,376	257	824.5

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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B1. REVIEW OF OVERALL PERFORMANCE (CONT'D)

i) EDCCS (cont'd)

For the quarter and period ended 31 March 2019

The EDCCS division recorded revenue of RM23.8 million in the current quarter as compared to revenue of RM10.7 million in preceding year's corresponding quarter, increased by 122.1%. The division posted a PBT of RM2.9 million which includes a gain of RM1.0 million from disposal of an associate company as compared to the PBT of RM0.2 million in preceding year's corresponding quarter.

With the exclusion of the gain on disposal of an associate company in the current quarter, PBT would have been RM1.9 million for the current quarter as compared to PBT of RM0.2 million in preceding year's corresponding quarter.

ii) Property Development

	Quarter and Period Ended		
	31/3/2019 RM'000	31/3/2018 RM'000	Changes %
Revenue	20,434	2,922	599.3
Cost of sales	(15,817)	(2,108)	650.3
Gross profit	4,617	814	467.2
Profit before taxation ("PBT")	3,440	125	2,652.0
Profit after taxation ("PAT")	2,698	54	4,896.3

For the quarter and period ended 31 March 2019

Property Development division's revenue for the quarter and period ended 31 March 2019 was mainly derived from sales of The Glades and Vortex Business Park units. The Glades took opportunity of the House Ownership Campaign ("HOC") 2019 to attract customers and secured sales.

For the quarter and period under review, the division posted PBT of RM3.4 million as compared to RM0.1 million in the previous year's corresponding quarter, mainly attributed to the higher revenue above.

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B2. MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter Ended		
	31/3/2019 RM'000	31/12/2018 RM'000	Changes %
Group			
Revenue	44,203	27,330	61.7
Cost of sales	(32,976)	(20,021)	64.7
Gross profit	11,227	7,309	53.6
Profit before taxation ("PBT")	6,307	2,982	111.5
Profit after taxation ("PAT")	5,074	1,872	171.0

The Group recorded revenue of RM44.2 million and PBT of RM6.3 million for the current quarter compared to revenue of RM27.3 million and PBT of RM3.0 million in the preceding quarter, representing an increase in revenue of 61.7% and PBT of 111.5%. Revenue was higher in the current quarter mainly due to higher contribution from the EDCCS and Property Development division, while PBT was higher, in tandem with the revenue.

	Quarter Ended		
	31/3/2019 RM'000	31/12/2018 RM'000	Changes %
EDCCS			
Revenue	23,769	24,253	(2.0)
Cost of sales	(17,159)	(17,411)	(1.4)
Gross profit	6,610	6,842	(3.4)
Profit before taxation ("PBT")	2,867	2,966	(3.3)
Profit after taxation ("PAT")	2,376	1,860	27.7

For the current quarter under review, EDCCS division recorded a marginal decrease in revenue of 2.0% as compared with the preceding quarter. In tandem with the marginal drop in revenue, PBT reduced 3.3% for the current quarter under review.

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FOR THE QUARTER ENDED 31 MARCH 2019****B2. MATERIAL CHANGES IN QUARTERLY RESULTS (CONT'D)**

	Quarter Ended		
	31/3/2019 RM'000	31/12/2018 RM'000	Changes %
Property Development			
Revenue	20,434	3,077	564.1
Cost of sales	(15,817)	(2,610)	506.0
Gross profit	4,617	467	888.7
Profit before taxation ("PBT")	3,440	16	21,400.0
Profit after taxation ("PAT")	2,698	12	22,383.3

For the quarter and period under review, the division posted PBT of RM3.4 million as compared to RM0.01 million in the preceding quarter, mainly attributed to the higher revenue as mentioned above.

B3. COMMENTARY ON PROSPECTS

For the current financial year, the Board is optimistic that EDCCS will continue to contribute significantly to the Group's bottom line whilst the Property Development division is expected to record positive growth for the current financial year.

B4. TAXATION

	Quarter & period ended 31/3/2019 RM'000
Estimated income tax:	
Malaysia income tax	1,199
Foreign income tax	33
	<u>1,232</u>

The effective tax rate is lower than the statutory tax rate for the quarter and period under review due to the utilisation of unabsorbed tax losses of a subsidiary company.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the quarter and the year.

B5. STATUS OF CORPORATE PROPOSALS AS AT 16 MAY 2019

There were no corporate proposals announced but not completed as at 16 May 2019, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

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B6. BORROWINGS

The borrowings of the Company as at 31 March 2019 were as follows:

	As at 31/3/2019 RM'000	As at 31/3/2018 RM'000
Secured Short-term (due within 12 months):		
Bankers' acceptance / factoring	-	-
Term loan	126	126
Hire purchase & lease payables	19	104
	<u>145</u>	<u>230</u>
Secured Long-term (due after 12 months):		
Term loan	615	696
Hire purchase & lease payables	32	-
	<u>647</u>	<u>696</u>
Total Borrowings	<u>792</u>	<u>926</u>

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

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

	2019 %	2018 %
Bankers' Acceptance	5.29 . 5.50	5.29 . 5.50
Overdraft	-	-
Term loan	5.35 . 8.26	5.35 . 8.26
Hire purchase & lease payables	<u>4.66 . 6.99</u>	<u>4.66 . 6.99</u>

B7. MATERIAL LITIGATION

The Directors are not aware of any material litigations or claims against the Group and Company as 16 May 2019, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

B8. DIVIDEND

The Board of Directors has proposed a single-tier dividend of 0.5 sen per share for the financial year ended 31 December 2018 (financial year ended 31 December 2017: single-tier dividend 0.6 sen per share) which is subject to the approval of the shareholders in the forthcoming Annual General Meeting.

The proposed dividend will be paid on 19 July 2019 if approved by shareholders at the forthcoming 16th Annual General Meeting.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2019****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 & Period ended 31/3/2019
Net profit attributable to ordinary equity holders of the parent (RM'000)	4,706
Weighted average number of ordinary shares in issue ('000)	470,747
Basic earnings per share (sen)	<u>1.00</u>

(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.