

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 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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A6. SHARE CAPITAL AND SHARE PREMIUM

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.

On 18 December 2019, the Company increased its issued and paid-up share capital from RM62,849,846 to RM66,619,846 by the issuance of 14,500,000 new ordinary shares of RM0.10 each (“Shares”) at an issue price of RM0.26 per share by way of private placement as disclosed in Note A18(c). The new Shares issued rank pari passu with the existing shares 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 December 2019 save for the following:

Details of treasury shares held

	Number of Treasury Shares
Balance as at 30 September 2019	12,698,000
Repurchased during the quarter ended 31 December 2019	-
Balance as at 31 December 2019	12,698,000

A8. DIVIDEND PAID

During the financial year-to-date, the Company paid a final single-tier dividend of 0.5 sen per share for the financial year ended 31 December 2018 amounting to RM2.4 million on 19 July 2019.

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A9. OPERATING REVENUE

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR THE QUARTER ENDED

	Malaysia			Others [#]			Total		
	31/12/2019	31/12/2018	Changes	31/12/2019	31/12/2018	Changes	31/12/2019	31/12/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Major segments:		(restated)						(restated)	
EDCCS*	12,999	21,665	(40.0)	1,840	2,238	(17.8)	14,839	23,903	(37.9)
Properties	22,590	3,077	634.2	-	-	-	22,590	3,077	634.2
Total revenue	35,589	24,742	43.8	1,840	2,238	(17.8)	37,429	26,980	38.7

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR YEAR ENDED

	Malaysia			Others [#]			Total		
	31/12/2019	31/12/2018	Changes	31/12/2019	31/12/2018	Changes	31/12/2019	31/12/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Major segments:		(restated)						(restated)	
EDCCS*	53,355	62,005	(14.0)	9,790	9,972	(1.8)	63,145	71,977	(12.3)
Properties	72,303	9,765	640.4	-	-	-	72,303	9,765	640.4
Total revenue	125,658	71,770	75.1	9,790	9,972	(1.8)	135,448	81,742	65.7

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

Based on an exchange rate of HKD100 : RM52.56, being the closing rate quoted by the Bank Negara Malaysia ("BNM") as at 31 December 2019.

The comparative figures have been restated for the financial year ended 31 December 2018. Prior year adjustment was made to account for revenue and cost of sales recognition of certain sale of services.

A10. OTHER INCOME

	Quarter Ended			Year Ended		
	31/12/2019	31/12/2018	Changes	31/12/2019	31/12/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Interest income	56	227	(75.3)	382	770	(50.4)
Gain on foreign exchange	35	44	(20.5)	55	133	(58.6)
Gain on disposal of property plant & equipment ("PPE")	-	8	(100.0)	-	11	(100.0)
Fair value gain on amount due to a former director	-	1,006	(100.0)	-	1,006	(100.0)
Net gain on disposal of an associate	-	-	-	997	-	100.0
Reversal of allowance for expected credit losses on trade receivables	-	301	(100.0)	11	354	(96.9)
Rental income	35	35	0.0	139	139	0.0
Miscellaneous income	36	105	(65.7)	61	133	(54.1)
Total other income	162	1,726	(90.6)	1,645	2,546	(35.4)

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A11. OTHER SEGMENTAL INFORMATION

OPERATING SEGMENT BY PRODUCT FOR THE QUARTER ENDED

	EDCCS			Properties			Total		
	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %
Revenue (note A9)	14,839	23,903	(37.9)	22,590	3,077	634.2	37,429	26,980	38.7
Other income (note A10)	145	1,607	(91.0)	17	119	(85.7)	162	1,726	(90.6)
Direct costs	(15,941)	(22,031)	(27.6)	(22,074)	(4,132)	434.2	(38,015)	(26,163)	45.3
Segmental (loss)/profit before	(957)	3,479 ✓	(127.5)	533	(936) ✓	156.9	(424)	2,543	(116.7)
Finance cost	(64)	(19)	236.8	-	(89)	(100.0)	(64)	(108)	(40.7)
Depreciation and amortisation	(259)	(270)	(4.1)	-	-	-	(259)	(270)	(4.1)
Goodwill written off	-	(6,347)	(100.0)	-	(9,320)	(100.0)	-	(15,667)	(100.0)
Inventories written off/down	(91)	(474)	(80.8)	-	-	-	(91)	(474)	(80.8)
Reversal of fair value gain on amount due to a former director	(1,006)	-	100.0	-	-	-	(1,006)	-	100.0
Disposal on PPE	-	(5)	(100.0)	-	-	-	-	(5)	(100.0)
Share of results of associates	-	110	(100.0)	-	-	-	-	110	(100.0)
Income tax expenses	(264)	(1,074)	(75.4)	(304)	246	(223.6)	(568)	(828)	(31.4)
Segmental net (loss)/profit	(2,641)	(4,600) ✓	(42.6)	229	(10,099) ✓	102.3	(2,412)	(14,699)	(83.6)

OPERATING SEGMENT BY PRODUCT FOR YEAR ENDED

	EDCCS			Properties			Total		
	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %
Revenue (note A9)	63,145	71,977	(12.3)	72,303	9,765	640.4	135,448	81,742	65.7
Other income (note A10)	1,596	2,366	(32.5)	49	180	(72.8)	1,645	2,546	(35.4)
Direct cost	(62,678)	(66,659)	(6.0)	(65,963)	(10,851)	507.9	(128,641)	(77,510)	66.0
Segmental profit/(loss) before	2,063	7,684 ✓	(73.2)	6,389	(906) ✓	805.2	8,452	6,778	24.7
Finance cost	(121)	(217)	(44.2)	-	(126)	(100.0)	(121)	(343)	(64.7)
Depreciation and amortisation	(611)	(610)	0.2	-	-	-	(611)	(610)	0.2
Goodwill written off	-	(6,347)	(100.0)	-	(9,320)	(100.0)	-	(15,667)	(100.0)
Inventories written off/down	(597)	(474)	25.9	-	-	-	(597)	(474)	25.9
Reversal of fair value gain on amount due to a former director	(1,006)	-	100.0	-	-	-	(1,006)	-	100.0
Disposal on PPE	-	(2)	(100.0)	-	-	-	-	(2)	(100.0)
Share of results of associates	50	504	(90.1)	-	-	-	50	504	(90.1)
Income tax expenses	(936)	(1,480)	(36.8)	(1,611)	168	(1058.9)	(2,547)	(1,312)	94.1
Segmental net (loss)/profit	(1,158)	(942) ✓	22.9	4,778	(10,184) ✓	146.9	3,620	(11,126)	132.5

The comparative figures have been restated for the financial year ended 31 December 2018. Prior year adjustment was made to account for revenue and cost of sales recognition of certain sale of services.

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 year ended 31 December 2019.

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A12. CARRYING AMOUNT OF REVALUED ASSETS

The Company reviewed the estimated economic useful life of property, plant and equipment (“PPE”). The change in estimate has increased the depreciation charge by RM0.1 million in prior years and resulted in a corresponding decrease in profit in prior years as disclosed in Note A19(c).

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

The Company had on 24 February 2020 entered into a land and development purchase agreement with NCT United Development Sdn Bhd (“NCT United” or “Vendor”) for the proposed acquisition of a parcel of freehold land identified as Lot PT 65076, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan held under HSD 51646, which is currently undergoing an on-going development project known as the Acacia Residences, comprising 428 units of serviced apartments and 50 units of affordable serviced apartments as well as three (3) units of retail lots for a total cash consideration of RM17.0 million (“Proposed Acquisition”). The Proposed Acquisition is subject to the non-interested shareholders’ approval at the forthcoming general meeting and any other relevant authorities and/or parties.

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 other material changes in the composition of the Group for the quarter under review except for the following:

- a) Grand-Flo had on 11 March 2019 announced that Labels Network Sdn. Bhd. (“LNSB”), a wholly-owned subsidiary of Grand-Flo, had entered into a Share Purchase Agreement with Simat Technologies Public Company Limited (“Simat”) for the disposal of LNSB’s 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 (“Simat Labels”), for a cash consideration of THB26,000,000 (equivalent to approximately RM3,309,800). The sale was completed on 18 March 2019.
- b) Grand-Flo had on 14 October 2019 announced that Innoceria Sdn Bhd, a wholly-owned subsidiary of the Company had entered into a conditional joint venture agreement with Pembinaan Maka Cemerlang Sdn Bhd to jointly develop 381 pieces of leasehold land located in Kampar, Perak into a mixed development project comprising single-storey terrace houses and double-storey shop houses (“Proposed Joint Venture”). The Proposed Joint Venture was approved by the non-interested shareholders’ on 9 December 2019.

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A14. CHANGES IN COMPOSITION OF THE GROUP (CONT'D)

- c) The Company had on 18 December 2019 through its wholly-owned subsidiary, Grand-Flo Capital Sdn Bhd (“GFC”), entered into an unconditional Share Sale Agreement with Loyang Ekuiti Sdn Bhd (“the Vendor”), for the acquisition of the remaining 48% equity interest in Jalur Bina Sdn Bhd (“JBSB”) consisting of 480,000 ordinary shares held by the Vendor, for a total cash consideration of RM884,000.00 (“Proposed Acquisition”). The Proposed Acquisition had been completed on 18 December 2019 and became a wholly-owned subsidiary of GFC.

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 31/12/2019 RM'000	Year ended 31/12/2019 RM'000
Management fees to a related party	-	963
Sales to a related party	-	5,367
Purchases from a related party	-	7

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.

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A18. STATUS OF UTILISATION OF PROCEEDS

- a) 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 sale proceeds had been fully utilized as working capital purpose in June 2019.
- b) On 11 March 2019, LNSB had entered into a Share Purchase Agreement with Simat for the disposal of LNSB's entire shareholding comprising 480,000 ordinary shares of THB10.00 each, representing 14.12% of the total issued share capital of Simat Label, for a cash consideration of RM3,309,800 (THB26,000,000). The sale proceeds had been fully utilized as working capital purpose in July 2019.
- c) Grand-Flo had on 18 December 2019 undertook a private placement of 14.5 million new ordinary shares in Grand-Flo at an issuing price of RM0.26 per shares for a total cash consideration of RM3,770,000. RM1,00,000 of the proceeds has been utilized as working capital purposes for the current quarter under review.

A19. PRIOR YEAR ADJUSTMENT ("PYA") AND COMPARATIVE FIGURES

During the current financial year ended 31 December 2019, the Group made prior year adjustments relating to:

- (a) The effects of PYA made in relation to the financial year ended 31 December 2017.
- (b) Adjustment to account for the effect of initial recognition on goodwill
- (c) Adjustment to account for the change in estimate of PPE (Note A12)
- (d) Adjustment to account for revenue and cost of sales recognition of certain sale of services.
- (e) Reclassification of account.

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A19. PRIOR YEAR ADJUSTMENT (“PYA”) AND COMPARATIVE FIGURES (CONT’D)

The financial effects arising from the Group’s PYA are as follows:

	As previously stated					As restated	
	31.12.2018 RM’000	Note (a) RM’000	Note (b) RM’000	Note (c) RM’000	Note (d) RM’000	Note (e) RM’000	31.12.2018 RM’000
As at 31 December 2018							
Consolidated statement of profit and loss							
Revenue	82,091	-	-	-	(349)	-	81,742
Cost of sales	(58,278)	-	(1,040)	-	349	-	(58,969)
Depreciation	(465)	-	-	(145)	-	-	(610)
Other operating expense	(478)	-	(15,667)	-	-	-	(16,145)
Income tax expense	(1,594)	-	249	33	-	-	(1,312)
Consolidated statement of changes in equity							
Retained earnings as at 1 January 2018	55,633	(2,458)	-	-	-	-	53,175
Retained earnings as at 31 December 2018	45,699	(2,458)	(12,956)	(112)	-	-	30,173
Consolidated statement of financial position							
Property, plant and equipment	8,029	-	-	(145)	-	(2,330)	5,554
Investment properties	-	-	-	-	-	2,330	2,330
Goodwill	33,447	(7,442)	(15,667)	-	-	-	10,338
Inventory properties	39,382	9,118	(939)	-	-	-	47,561
Inventories	39,352	932	(101)	-	-	-	40,183
Foreign exchange reserves	920	(590)	-	-	-	-	330
Revaluation reserve	4,597	(324)	-	-	-	-	4,273
Other reserves	1,109	(1,109)	-	-	-	-	-
Deferred tax liabilities	36	3,283	(249)	(33)	-	-	3,037
Redeemable non-convertible preference shares	-	-	-	-	-	13,564	13,564
Non-controlling interest	15,776	3,805	(3,501)	-	-	(13,564)	2,516

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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			Year Ended		
	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %
Revenue	37,429	26,980	38.7	135,448	81,742	65.7
Cost of sales	(30,592)	(20,712)	47.7	(103,845)	(58,969)	76.1
Gross profit	6,837	6,268	9.1	31,603	22,773	38.8
(Loss)/profit before taxation ("LBT"/"PBT")	(1,844)	(13,871)	(86.7)	6,167	(9,814)	162.8
(Loss)/profit after taxation ("LAT"/"PAT")	(2,412)	(14,699)	(83.6)	3,620	(11,126)	132.5

For the quarter ended 31 December 2019

Revenue for the current quarter ended 31 December 2019 increased 38.7% from RM27.0 million in the preceding year's corresponding quarter to RM37.4 million for the current quarter under review mainly due to higher sales from the Property Development division.

The Group's LBT of RM1.8 million for the current quarter was mainly due to the recognition of the property development cost arises from the initial recognition of the goodwill from the Property Development division as disclosed in Note A19 and a one-off reversal of a fair value gain on amount due to a former director upon full settlement in the current quarter under review.

For the year ended 31 December 2019

The Group's revenue for the current year ended 31 December 2019 increased by 65.7% to RM135.4 million as compared to the previous year's corresponding quarter mainly contributed by higher sales from the Property Development division.

As a result of the Group's higher revenue, the Group PBT increased 162.8% to RM6.2 million from LBT of RM9.8 million. Included in the LBT of RM9.8 million in the corresponding year ended 31 December 2018 was a goodwill written off of RM15.67 million from EDCCS and Property Development Division as disclose in Note A11.

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B1. REVIEW OF OVERALL PERFORMANCE (CONT'D)

i) EDCCS

	Quarter Ended			Year Ended		
	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %	31/12/2019 RM'000	31/12/2018 RM'000 (restated)	Changes %
Revenue	14,839	23,903	(37.9)	63,145	71,977	(12.3)
Cost of sales	(11,143)	(17,061)	(34.7)	(44,031)	(50,437)	(12.7)
Gross profit	3,696	6,842	(46.0)	19,114	21,540	(11.3)
(Loss)/profit before taxation ("LBT"/"PBT")	(2,377)	(3,526)	(32.6)	(222)	538	(141.3)
Loss after taxation ("LAT")	(2,641)	(4,600)	(42.6)	(1,158)	(942)	22.9

For the quarter ended 31 December 2019

The EDCCS division recorded revenue and LBT of RM14.8 million and RM2.4 million respectively in the current quarter as compared to RM23.9 million and RM3.5 million respectively in the preceding year's corresponding quarter, decreased by 37.9% and 32.6% respectively.

LBT of RM3.5 million in the preceding year's corresponding quarter was mainly due to a write off of goodwill from an overseas investment compared to LBT of RM2.4 million for the current quarter under review. Included in the LBT of RM2.4 million was a one-off reversal of a fair value gain on amount due to a former director of RM1.0 million.

For the year ended 31 December 2019

The EDCCS division recorded revenue of RM63.1 million and LBT of RM0.2 million for the current year ended 31 December 2019 compared to revenue of RM72.0 million and PBT of RM0.5 million in the corresponding year ended 31 December 2018, representing a decrease in revenue of 12.3% and reduction in PBT of 141.3%. Included in the LBT of RM0.2 million in the current year was a one-off reversal of a fair value gain on amount due to a former director of RM1.0 million and RM0.5 million in the preceding year was a write off of goodwill from an overseas investment of RM6.3 million.

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B1. REVIEW OF OVERALL PERFORMANCE (CONT'D)

ii) Property Development (Cont'd)

	Quarter Ended			Year Ended		
	31/12/2019 RM'000	31/12/2018 RM'000	Changes %	31/12/2019 RM'000	31/12/2018 RM'000	Changes %
Revenue	22,590	3,077	634.2	72,303	9,765	640.4
Cost of sales	(19,449)	(3,651)	432.7	(59,814)	(8,532)	601.1
Gross profit	3,141	(574)	647.2	12,489	1,233	912.9
Profit/(loss) before taxation ("PBT"/"LBT")	533	(10,345)	105.2	6,389	(10,352)	161.7
Profit/(loss) after taxation ("PAT"/"LAT")	229	(10,099)	102.3	4,778	(10,184)	146.9

For the quarter ended 31 December 2019

Property Development division's revenue for the quarter ended 31 December 2019 of RM23.0 million representing an increase of 634.2% were contributed by sales of joint venture residential development project as disclosed in Note A14(b).

For the quarter under review, the division posted PBT of RM0.5 million as compared to the LBT of RM10.3 million in the previous year's corresponding quarter were resulted from higher revenue for the quarter under review and goodwill impairment in the preceding year corresponding quarter.

For the year ended 31 December 2019

Property Development division's revenue for current year ended 31 December 2019 were derived from the sales of joint venture residential development project as disclosed in Note A14(b). As a result of stronger sales, the division posted PBT of RM6.4 million whilst the LBT of RM10.4 million in the preceding year were impacted by the goodwill impairment.

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B2. MATERIAL CHANGES IN QUARTERLY RESULTS

Group	Quarter Ended		
	31/12/2019 RM'000	30/9/2019 RM'000	Changes %
Revenue	37,429	30,234	23.8
Cost of sales	(30,592)	(23,975)	27.6
Gross profit	6,837	6,259	9.2
Loss before taxation ("LBT")	(1,844)	(50)	3588.0
Loss after taxation ("LAT")	(2,412)	(264)	813.6

The Group recorded revenue of RM37.4 million and LBT of RM1.8 million for the current quarter compared to revenue of RM30.2 million and LBT of RM0.1 million in the preceding quarter, representing an increase in revenue of 23.8% and LBT of 3588.0%. This was mainly due to higher recognition of the property development costs and a one-off reversal of a fair value gain on amount due to a former director upon full settlement in the current quarter under review.

EDCCS	Quarter Ended		
	31/12/2019 RM'000	30/9/2019 RM'000	Changes %
Revenue	14,839	12,000	23.7
Cost of sales	(11,143)	(8,642)	28.9
Gross profit	3,696	3,358	10.1
Loss before taxation ("LBT")	(2,377)	(1,485)	60.1
Loss after taxation ("LAT")	(2,641)	(1,383)	91.0

For the current quarter under review, EDCCS division recorded an increase in revenue of 23.7% as compared with the preceding quarter. PBT reduced by 60.1% for the current quarter under review mainly attributed to one-off reversal of fair value gain on amount due to a former director of RM1.0 million upon.

Property Development	Quarter Ended		
	31/12/2019 RM'000	30/9/2019 RM'000	Changes %
Revenue	22,590	18,234	23.9
Cost of sales	(19,449)	(15,333)	26.8
Gross profit	3,141	2,901	8.3
Profit before taxation ("PBT")	533	1,435	(62.9)
Profit after taxation ("PAT")	229	1,119	(79.5)

For the quarter under review, the division posted PBT of RM0.5 million as compared to RM1.4 million in the preceding quarter due to higher recognition of the property development costs.

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B3. COMMENTARY ON PROSPECTS

Moving forward, the Board is optimistic that the Property Development division will continue to contribute positively to the Group's top and bottom line especially with the recent Proposed Acquisition and the joint venture mixed development project as disclosed in Note A13 and A14(b) respectively whilst the EDCCS business is anticipated to remain competitive.

B4. TAXATION

	Quarter ended 31/12/2019 RM'000	Year ended 31/12/2019 RM'000
Estimated income tax :		
Malaysia income tax	581	2,517
Foreign income tax	(13)	30
	<u>568</u>	<u>2,547</u>

The effective tax rate is higher than the statutory tax rate for the quarter under review due to certain expenses which are not deductible for tax purposes.

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 27 FEBRUARY 2020

There were no corporate proposals announced but not completed as at 27 February 2020, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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B6. BORROWINGS

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

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Secured Short-term (due within 12 months):		
Bankers' acceptance / factoring	1,675	-
Term loan	93	126
Hire purchase & lease payables	36	26
	<u>1,804</u>	<u>152</u>
Secured Long-term (due after 12 months):		
Term loan	593	650
	<u>593</u>	<u>650</u>
Total Borrowings	<u>2,397</u>	<u>802</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 at 27 February 2020, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

B8. DIVIDEND

(a) The Board does not recommend any interim dividend for the quarter ended 31 December 2019 of the financial year ending 31 December 2019 (4th quarter 2018: Nil).

(b) For the financial year-to-date, no dividend has been declared (2018: 0.60 sen).

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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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 year as follows:-

	Quarter ended 31/12/2019	Year ended 31/12/2019
Net (loss)/profit attributable to ordinary equity holders of the parent (RM'000)	(2,203)	2,842
Weighted average number of ordinary shares in issue ('000)	471,404	470,980
Basic earnings per share (sen)	<u>(0.47)</u>	<u>0.60</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.

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