

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 31 MARCH 2020**

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 2019. 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 2019.

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 2019, except for the adoption of the following MFRS:

Descriptions	Effective for annual periods commencing on or after
Revised Conceptual Framework	1 January 2020
Amendments to MFRS 3 Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	1 January 2020

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

a) Revised Conceptual Framework (cont'd)

The main effects of the adoption of the aforementioned standards and amendments to standards are summarised as below:

The following Standards have been amended to update the references and quotations in these Standards according to the revised Conceptual Framework:

Amendments to:	
MFRS 2	Share-Based Payment
MFRS 3	Business Combinations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 14	Regulatory Deferral Accounts
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 134	Interim Financial Reporting
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
IC Interpretation 132	Intangible Assets - Web Site Costs

b) Amendments to MFRS 3 Business Combinations - Definition of a Business

Amendments to MFRS 3 'Business Combination' clarify the definition of a business to assist the entity to determine whether a transaction should be accounted for as a business combination or as an asset acquisition where an acquirer does not recognise goodwill in an asset acquisition.

c) Amendments to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform

The amendments clarify the disclosure which an entity needs to make for hedging relationships to which it applies the exception as set out in paragraph 6.8.4 – 6.8.12 of MFRS 9 or paragraphs 102D – 102N of MFRS 139.

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

d) Amendments to MFRS 101 'Presentation of Financial Statements' and MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'

The amendments clarify the definition of 'Material' and to align the definition used in the revised Conceptual Framework and the standards themselves. The definition of 'material' is refined by including 'obscuring information' to respond to concerns that the effect of including immaterial information should not reduce the understandability of a financial statements.

The adoption of these amendments do not have any material financial impact to the Group.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2019 was not subject to any qualification.

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

The Coronavirus (Covid-19) outbreak was identified in Wuhan, China in December 2019. The World Health Organisation ("WHO") has declared the outbreak a Public Health Emergency of International Concern on 30 January 2020 and subsequently WHO declared the Covid-19 outbreak as global pandemic on 11 March 2020.

Following the WHO's declaration, Malaysia Government has on 16 March 2020 imposed the Movement Control Order ("MCO") starting from 18 March 2020 to restrain the spread of Covid-19 outbreak in Malaysia. The emergence of the Covid-19 outbreak since early 2020 has brought economic uncertainties in Malaysia and markets in which the Group and the Company operate.

In view of the uncertainty of the macro-economic conditions, the Group is unable to reasonably quantify the related financial effects for the period ended 31 March 2020 to be disclosed in current quarterly results. The Group will continuously monitor and to take appropriate and timely measures to minimise any impact of the outbreak that might arises.

A4. SEASONAL OR CYCLICAL FACTORS

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

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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

For the quarter ended 31 March 2020, there is no issuance of any new ordinary shares. The issued and paid-up share capital of the Company remains at RM66,619,846.

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 2020 save for the following:

Details of treasury shares held

	Number of Treasury Shares
Balance as at 1 Jan 2020	12,698,000
Repurchased during the quarter ended 31 March 2020	4,329,400
Balance as at 31 March 2020	17,027,400

A8. DIVIDEND PAID

During the quarter ended 31 March 2020, there was no dividend declared or paid by the Company.

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A9. OPERATING REVENUE

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR THE QUARTER AND PERIOD ENDED

	Malaysia			Others [#]			Total		
	31/3/2020	31/3/2019	Changes	31/3/2020	31/3/2019	Changes	31/3/2020	31/3/2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Major segments:									
EDCCS*	11,773	20,426	(42.4)	1,925	3,343	(42.4)	13,698	23,769	(42.4)
Properties	11,655	20,434	(43.0)	-	-	-	11,655	20,434	(43.0)
Total revenue	23,428	40,860	(42.7)	1,925	3,343	(42.4)	25,353	44,203	(42.6)

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

[#] Based on an exchange rate of HKD100 : RM55.485, being the closing rate quoted by the Bank Negara Malaysia ("BNM") as at 31 March 2020.

A10. OTHER INCOME

	Quarter and Period Ended		
	31/3/2020	31/3/2019	Changes
	RM'000	RM'000	%
Interest income	42	145	(70.7)
Net gain on disposal of an associate	-	997	(100.0)
Rental income	35	29	20.0
Miscellaneous income	4	27	(84.6)
Total other income	81	1,198	(93.2)

A11. OTHER SEGMENTAL INFORMATION

OPERATING SEGMENT BY PRODUCT FOR THE QUARTER AND PERIOD ENDED

	EDCCS			Properties			Total		
	31/3/2020	31/3/2019	Changes	31/3/2020	31/3/2019	Changes	31/3/2020	31/3/2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Revenue (note A9)	13,698	23,769	(42.4)	11,655	20,434	(43.0)	25,353	44,203	(42.6)
Other income (note A10)	65	1,187	(94.5)	16	11	49.1	81	1,198	(93.2)
Direct costs	(15,036)	(21,927)	(31.4)	(9,579)	(16,934)	(43.4)	(24,616)	(38,861)	(36.7)
Segmental (loss)/profit before	(1,274)	3,029	(142.0)	2,092	3,511	(40.4)	819	6,540	(87.5)
Finance cost	(54)	(17)	219.0	-	(71)	(100.0)	(54)	(88)	(38.4)
Depreciation and amortisation	(109)	(114)	(4.2)	(0.1)	-	-	(109)	(114)	(4.1)
Inventories written off/down	-	(81)	(100.0)	-	-	-	-	(81)	(100.0)
Share of results of associates	-	50	(100.0)	-	-	-	-	50	(100.0)
Fair value loss on investment held at fair value through profit or loss	(127)	-	-	-	-	-	(127)	-	-
Income tax expenses	2	(491)	100.5	(484)	(742)	(34.7)	(482)	(1,233)	(60.9)
Segmental net (loss)/profit	(1,562)	2,376	(165.7)	1,608	2,698	(40.4)	46	5,074	(99.1)

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A11. OTHER SEGMENTAL INFORMATION (CONT'D)

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 and exceptional items for the current quarter and year ended 31 March 2020.

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 2019. 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

Proposed Disposal

On 15 May 2020, the Group had entered into a sale and purchase agreement ("SPA") with Mr. Liu Si Ca and Ms. Leung Fung Shan to dispose of its 100% equity stake in Grand-Flo (HK) Limited (Company No.: 743969) comprising 5,400,000 shares for a total cash consideration of HK\$6,500,000 (equivalent to approximately RM3,635,593). The SPA has become unconditional following the fulfillment of all the conditions precedent stipulated in the SPA and the Completion Date of the SPA has taken place on 27 May 2020, the same date of receipt of the payment of 1st tranche of Disposal Consideration.

Private Placement

On 28 May 2020, the Group had fixed the issue price for 6,042,000 Placement Shares at RM0.24 per placement share, being the second tranche of the private placement. Subsequently, on 5 June 2020, the Group has completed the listing and quotation for the 6,042,000 placement share on the Main Market of Bursa Securities.

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.

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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 31/03/2020 RM'000
Purchases from a related party	27

A18. STATUS OF UTILISATION OF PROCEEDS

a) Grand-Flo had on 18 December 2019 undertook a private placement of 14,500,000 new ordinary shares in Grand-Flo at an issuing price of RM0.26 per share for a total cash consideration of RM3,770,000. The proceeds have been fully utilized as working capital purposes in the current quarter under review.

b) On 5 June 2020, the Group had completed the listing and quotation for the 6,042,000 placement shares at an issuing price of RM0.24 per share for a total cash consideration of RM1,450,080 on the Main Market of Bursa Securities.

The details of utilisation of proceeds from the said private placement exercises were as follows:

Details of Utilisation	Amount of Proceeds	Amount Utilised	Amount Unutilised
Property Development Activities	5,188,280	4,120,000	1,068,280
Expenses related to Professional Fees	31,800	31,800	-
	5,220,080	4,151,800	1,068,280

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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		
	31/3/2020 RM'000	31/3/2019 RM'000	Changes %
Revenue	25,353	44,203	(42.6)
Cost of sales	(19,292)	(32,976)	(41.5)
Gross profit	6,061	11,227	(46.0)
Profit before taxation ("PBT")	528	6,307	(91.6)
Profit after taxation ("PAT")	46	5,074	(99.1)

For the quarter ended 31 March 2020

Revenue for the current quarter ended 31 March 2020 decreased 42.6% from RM44.2 million in the preceding year's corresponding quarter to RM25.4 million for the current quarter under review. This is mainly due to lower sales from EDCCS division and lower revenue recognition from property development division. This results in lower PBT, a decrease by 91.6% in the current quarter as compared to the same period last financial year.

i) EDCCS

	Quarter and Period Ended		
	31/3/2020 RM'000	31/3/2019 RM'000	Changes %
EDCCS			
Revenue	13,698	23,769	(42.4)
Cost of sales	(10,032)	(17,159)	(41.5)
Gross profit	3,666	6,610	(44.5)
(Loss)/profit before taxation ("LBT"/"PBT")	(1,564)	2,867	(154.6)
(Loss)/profit after taxation ("LAT"/"PAT")	(1,562)	2,376	(165.7)

For the quarter ended 31 March 2020

The EDCCS division recorded revenue and LBT of RM13.7 million and RM1.6 million respectively in the current quarter as compared to revenue and PBT of RM23.8 million and RM2.9 million respectively in the preceding year's corresponding quarter, decreased by 42.4% and 154.6% respectively. LBT of RM1.6 million recorded in the current quarter is due mainly to lower sales recorded. In addition, in the same period in last financial year, the division posted a one-off gain of RM1.0 million from disposal of an associated company. Excluding the one-off gain from disposal of the associated company of RM1.0 million, the division posted a PBT of RM1.9 million.

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

ii) Property Development

PROPERTY	Quarter and Period Ended		
	31/3/2020 RM'000	31/3/2019 RM'000	Changes %
Revenue	11,655	20,434	(43.0)
Cost of sales	(9,260)	(15,817)	(41.5)
Gross profit	2,395	4,617	(48.1)
Profit before taxation ("PBT")	2,092	3,440	(39.2)
Profit after taxation ("PAT")	1,608	2,698	(40.4)

For the quarter ended 31 March 2020

Property Development division's revenue for the quarter ended 31 March 2020 of RM11.7 million represents a decrease of 43.0% due to lower revenue recognition following lower sales recorded in the same quarter. As a result, the division posted PBT of RM2.1 million as compared to the PBT of RM3.4 million in the previous year's corresponding quarter.

B2. MATERIAL CHANGES IN QUARTERLY RESULTS

Group	Quarter Ended		
	31/3/2020 RM'000	31/12/2019 RM'000	Changes %
Revenue	25,353	34,526	(26.6)
Cost of sales	(19,292)	(28,460)	(32.2)
Gross profit	6,061	6,067	(0.1)
Profit/(loss) before taxation ("PBT"/"LBT")	528	(2,326)	122.7
Profit/(loss) after taxation ("PAT"/"LAT")	46	(2,606)	101.8

The Group recorded revenue of RM25.4 million and PBT of RM0.5 million for the current quarter compared to revenue of RM34.5 million and LBT of RM2.3 million in the preceding quarter, representing a decrease in revenue of 26.6% but an increase in PBT by 122.7%. This was mainly due to lower sales recorded by the EDCCS division and lower revenue recognition from the property development division.

In the preceding quarter, the Group posted a LBT following a 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. Excluding the one-off reversal of a fair value gain on amount due to a former director of RM1.0 million, the Group posted a LBT of RM1.3 million.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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B2. MATERIAL CHANGES IN QUARTERLY RESULTS (CONT'D)

i) EDCCS

	Quarter Ended		
	31/3/2020 RM'000	31/12/2019 RM'000	Changes %
EDCCS			
Revenue	13,698	14,858	(7.8)
Cost of sales	(10,032)	(11,127)	(9.8)
Gross profit	3,666	3,731	(1.8)
Loss before taxation ("LBT")	(1,564)	(2,329)	32.8
Loss after taxation ("LAT")	(1,562)	(2,432)	35.8

For the current quarter under review, EDCCS division recorded a marginal decrease in revenue of 7.8% as compared with the preceding quarter in tandem with slight decrease in sales in the current quarter under review.

LBT decreased by 32.8% for the current quarter under review due mainly to lower operating costs. In addition, preceding quarter recorded a one-off reversal of a fair value gain on amount due to a former director upon full settlement. Excluding the one-off reversal of a fair value gain on amount due to a former director of RM1.0 million, the division posted a LBT of RM1.3 million.

ii) Property Development

	Quarter Ended		
	31/3/2020 RM'000	31/12/2019 RM'000	Changes %
Property Development			
Revenue	11,655	19,669	(40.7)
Cost of sales	(9,260)	(17,333)	(46.6)
Gross profit	2,395	2,336	2.6
Profit before taxation ("PBT")	2,092	3	700.8
Profit/(loss) after taxation ("PAT"/"LAT")	1,608	(174)	1025.2

For the quarter under review, the division posted revenue of RM11.7m as compared to RM19.7m in the preceding quarter, i.e. 40.7% lower attributable to lower revenue recognition following lower sales during the quarter.

In the preceding quarter, the division posted a thin PBT despite higher sales following higher recognition of property development costs in the same quarter.

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B3. COMMENTARY ON PROSPECTS

Moving forward, the Board is cautiously 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 as disclosed in Note B5 and the joint venture residential development project in Kampar whilst the EDCCS business is anticipated to remain competitive.

B4. TAXATION

	Quarter and period ended 31/03/2020
	<i>RM'000</i>
Estimated income tax:	
Malaysia income tax	(484)
Foreign income tax	<u>2</u>
	<u>(482)</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% (2019: 24%) of the estimated assessable profit for the quarter and the year.

B5. STATUS OF CORPORATE PROPOSALS AS AT 18 JUNE 2020

On 24 February 2020, the Company entered into a land and development purchase agreement with NCT United Development Sdn Bhd 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 undertaking an ongoing 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 RM17.00 million (“Proposed Acquisition”). The Proposed Acquisition has been approved by the non-interested shareholders’ at the extraordinary general meeting held on 18 June 2020.

Save from the above Proposed Acquisition and the Private Placement as disclosed in Note A13, there were no corporate proposals announced but not completed as at 18 June 2020, 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 2020 were as follows:

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Secured Short-term (due within 12 months):		
Bankers' acceptance / factoring	1,661	1,675
Term loan	126	92
Hire purchase & lease payables	435	514
	<u>2,222</u>	<u>2,281</u>
Secured Long-term (due after 12 months):		
Term loan	529	594
Hire purchase & lease payables	629	621
	<u>1,158</u>	<u>1,215</u>
Total Borrowings	<u>3,380</u>	<u>3,496</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:

	31/03/2020	2019
	%	%
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 18 June 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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- (a) The Board does not recommend any interim dividend for the quarter ended 31 March 2020 of the financial year ending 31 December 2020.
- (b) For the financial year ended 31 December 2019, the Board recommended a final share dividend via a distribution of treasury shares on the basis of one (1) treasury share for every thirty (30) existing ordinary shares for shareholders' approval at the forthcoming Annual General Meeting. The current quarter financial statements do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

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 31/03/2020
Net profit attributable to ordinary equity holders of the parent (RM'000)	46
Weighted average number of ordinary shares in issue ('000)	484,723
Basic earnings per share (sen)	<u>0.01</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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