

NEXGRAM HOLDINGS BERHAD
(Company No. 660055-H)
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 JANUARY 2020**

NEXGRAM HOLDINGS BERHAD

Company No. 660055-H

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 JANUARY 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JANUARY 2020 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 JANUARY 2019 RM	CURRENT YEAR TO-DATE 31 JANUARY 2020 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2019 RM
Revenue		8,937,769	15,000,654	20,941,106	26,651,520
Operating expenses		(9,837,044)	(13,155,104)	(20,504,481)	(24,546,885)
(Loss)/profit from operations		(899,275)	1,845,550	436,625	2,104,635
Depreciation		(187,502)	(215,734)	(364,302)	(432,883)
Share of (loss)/profit from an associate		(69,717)	(173,817)	69,899	80,907
Finance costs		(481,664)	(1,043,188)	(1,415,785)	(2,024,713)
Interest income		66,390	45,186	178,660	106,263
(Loss)/profit before taxation		(1,571,768)	457,997	(1,094,903)	(165,791)
Taxation	B5	(142,010)	(6,845)	(118,520)	29,856
(Loss)/profit for the period		(1,713,778)	451,152	(1,213,423)	(135,935)
Other comprehensive loss, net of tax					
Foreign currency translation		(2,122,670)	(4,298,091)	(2,141,936)	(8,587,070)
Loss on fair value changes of available-for-sale financial assets		-	(1,033,452)	-	(2,576,982)
Total comprehensive loss for the period, net of tax		(3,836,448)	(4,880,391)	(3,355,359)	(11,299,987)
(Loss)/profit for the period attributable to:					
Equity holders of the Company		(1,638,470)	251,544	(1,571,285)	(711,641)
Non-controlling interests		(75,308)	199,608	357,862	575,706
(Loss)/profit for the period		(1,713,778)	451,152	(1,213,423)	(135,935)
Total comprehensive loss attributable to:					
Equity holders of the Company		(3,761,140)	(5,079,999)	(3,713,221)	(11,875,693)
Non-controlling interests		(75,308)	199,608	357,862	575,706
Total comprehensive loss for the period		(3,836,448)	(4,880,391)	(3,355,359)	(11,299,987)
Earnings per share attributable to equity holders of the Company:-					
- Basic (sen)	B12	(0.08)	0.01	(0.08)	(0.04)
- Diluted (sen)		-	0.01	-	-

(The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2019 and the accompanying Notes to the Unaudited Interim Financial Report on pages 5 to 23)

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(Incorporated in Malaysia)

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ENDED 31 JANUARY 2020**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AT 31 JANUARY 2020 (UNAUDITED) RM	AT 31 JULY 2019 (AUDITED) RM
ASSETS		
Non-current assets		
Property, plant and equipment	5,810,233	5,735,894
Investment properties	10,100,000	10,100,000
Goodwill on consolidation	49,671,186	49,671,186
Investment in associate	1,032,849	923,453
Investment in quoted shares	9,075,047	9,161,614
Inventories	46,562,436	46,562,436
Total non-current assets	122,251,751	122,154,583
Current assets		
Inventories	2,259,858	2,317,955
Receivables	26,339,881	13,506,581
Tax recoverable	135,590	804,340
Amount owing by an associate	27,903	787,436
Fixed deposits with licensed banks	13,992,482	12,413,325
Cash and bank balances	7,231,880	5,356,120
Assets held for sale	12,400,000	79,400,000
Total current assets	62,387,594	114,585,757
Total assets	184,639,345	236,740,340
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to owners of the parent:		
Share capital	200,719,923	200,719,923
Reserves	24,389,778	854,715
Accumulated losses	(77,932,042)	(76,360,757)
Shareholders' funds	147,177,659	125,213,881
Non controlling interests	7,959,583	7,556,828
Total equity	155,137,242	132,770,709
LIABILITIES		
Non-current liabilities		
Loans and borrowings	4,248,732	4,145,102
Deferred tax liabilities	585,289	638,892
Total non-current liabilities	4,834,021	4,783,994
Current liabilities		
Payables	12,578,800	30,006,248
Amount owing to directors	3,946,864	13,807,655
Loans and borrowings	7,640,112	54,856,014
Tax payables	502,306	515,720
Total current liabilities	24,668,082	99,185,637
Total liabilities	29,502,103	103,969,631
Total equity and liabilities	184,639,345	236,740,340
Net assets per share attributable to ordinary equity holders of the Company (sen)	7.106	6.045

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 July 2019 and the accompanying Notes to the Unaudited Interim Financial Report on pages 5 to 23)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
 ENDED 31 JANUARY 2020

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	<----- Attributable to owners of the parent ----->										Total RM	Non-controlling interests RM	Total equity RM
	Non-Distributable												
	Share capital RM	Share premium RM	Warrants reserve RM	Revaluation reserve RM	Fair value reserve RM	Capital reserve RM	Treasury share RM	Irredeemable Convertible Preference Share RM	Translation reserve RM	Accumulated loss RM			
At 1 August 2019	200,719,923	-	6,281,395	583,543	(1,024,008)	-	(245,000)	-	(4,741,215)	(76,360,757)	125,213,881	7,556,828	132,770,709
Transaction with owners:													
- Issuance of Irredeemable Convertible Preference Share	-	-	-	-	-	-	-	23,454,665	-	-	23,454,665	-	23,454,665
- Foreign currency translation	-	-	-	-	-	-	-	-	2,222,334	-	2,222,334	-	2,222,334
Total transactions with owners	-	-	-	-	-	-	-	23,454,665	2,222,334	-	25,676,999	-	25,676,999
Loss for the financial period	-	-	-	-	-	-	-	-	-	(1,571,285)	(1,571,285)	402,755	(1,168,530)
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(2,141,936)	-	(2,141,936)	-	(2,141,936)
Total comprehensive loss for the financial period	-	-	-	-	-	-	-	-	(2,141,936)	(1,571,285)	(3,713,221)	402,755	(3,310,466)
At 31 January 2020	<u>200,719,923</u>	<u>-</u>	<u>6,281,395</u>	<u>583,543</u>	<u>(1,024,008)</u>	<u>-</u>	<u>(245,000)</u>	<u>23,454,665</u>	<u>(4,660,817)</u>	<u>(77,932,042)</u>	<u>147,177,659</u>	<u>7,959,583</u>	<u>155,137,242</u>
At 1 August 2018, previously stated	98,050,724	5,460,724	6,281,395	-	701,637	94,156,725	(245,000)	(245,000)	(32,788,953)	(24,350,502)	147,266,750	8,118,058	155,384,808
Prior year adjustment	-	-	-	-	(701,637)	-	-	-	29,370,151	(29,878,977)	(1,210,463)	-	(1,210,463)
Adjustment on initial application of MRFS 9, net of tax	-	-	-	-	-	-	-	-	-	(1,121,370)	(1,121,370)	(677,787)	(1,799,157)
At 1 August 2018, restated	<u>98,050,724</u>	<u>5,460,724</u>	<u>6,281,395</u>	<u>-</u>	<u>-</u>	<u>94,156,725</u>	<u>(245,000)</u>	<u>(245,000)</u>	<u>(3,418,802)</u>	<u>(55,350,849)</u>	<u>144,934,917</u>	<u>7,440,271</u>	<u>152,375,188</u>
Transaction with owners:													
- Transfer in accordance with Section 618(2) of the Companies Act, 2016	99,617,449	(5,460,724)	-	-	-	(94,156,725)	-	-	-	-	-	-	-
- Realisation of revaluation reserve	-	-	-	(51,901)	-	-	-	-	-	-	(51,901)	-	(51,901)
- Issuance of ordinary shares	3,051,750	-	-	-	-	-	-	-	-	-	3,051,750	-	3,051,750
Total transactions with owners	102,669,199	(5,460,724)	-	(51,901)	-	(94,156,725)	-	-	-	-	2,999,849	-	2,999,849
Loss for the financial year	-	-	-	-	-	-	-	-	-	(21,009,908)	(21,009,908)	116,557	(20,893,351)
Other comprehensive loss for the year	-	-	-	635,444	(1,024,008)	-	-	-	(1,322,413)	-	(1,710,977)	-	(1,710,977)
Total comprehensive loss for the financial year	-	-	-	635,444	(1,024,008)	-	-	-	(1,322,413)	(21,009,908)	(22,720,885)	116,557	(22,604,328)
At 31 July 2019	<u>200,719,923</u>	<u>-</u>	<u>6,281,395</u>	<u>583,543</u>	<u>(1,024,008)</u>	<u>-</u>	<u>(245,000)</u>	<u>(245,000)</u>	<u>(4,741,215)</u>	<u>(76,360,757)</u>	<u>125,213,881</u>	<u>7,556,828</u>	<u>132,770,709</u>

(The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 July 2019 and the accompanying Notes to the Unaudited Interim Financial Report on pages 5 to 23)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	CUMULATIVE QUARTER	
	CURRENT YEAR TO-DATE 31 JANUARY 2020	PRECEDING YEAR TO-DATE 31 JANUARY 2019
	RM	RM
Cash flows from operating activities		
Loss before taxation	(1,094,903)	(165,791)
Adjustments for non-cash flow:		
Non-cash items	137,245	(1,503,909)
Finance costs	1,415,785	2,024,713
Interest income	<u>(178,660)</u>	<u>(106,263)</u>
Operating profit before working capital changes	279,467	248,750
Changes in working capital:		
Net change in current assets	(12,767,272)	1,232,837
Net change in current liabilities	<u>(16,667,915)</u>	<u>2,114,700</u>
Cash generated from operations	(29,155,720)	3,596,287
Interest paid	(1,415,785)	(2,024,713)
Tax paid	(307,496)	(64,998)
Tax refund	955,139	-
Net cash (used in)/generated from operating activities	<u>(29,923,862)</u>	<u>1,506,576</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(440,155)	(125,472)
Purchase of land held for property development	-	(197,409)
Proceeds from disposal of property, plant and equipment	67,000,000	6,876
Dividend received	158,672	-
Interest received	178,660	-
Placement of fixed deposits	<u>(1,579,157)</u>	<u>-</u>
Net cash generated from/(used in) investing activities	<u>65,318,020</u>	<u>(316,005)</u>
Cash flows from financing activities		
Issuance of irredeemable convertible preference share	23,454,665	-
Issuance of share	-	3,051,750
Interest received	-	106,263
Repayment to director	(10,423,040)	(1,448,509)
Advances to director	562,249	955,269
Drawdown of hire purchase creditors	419,808	-
Repayment of hire purchase creditors	(405,490)	(537,755)
Placement of fixed deposit	-	(2,496,247)
Repayment of borrowings	-	(223,679)
Drawdown of borrowings	20,052	-
Repayment of term loans	<u>(47,008,553)</u>	<u>(677,273)</u>
Net cash used in financing activities	<u>(33,380,309)</u>	<u>(1,270,181)</u>
Net decrease in cash and cash equivalents	2,013,849	(79,610)
Cash and cash equivalents at 1 Aug	<u>4,267,165</u>	<u>4,696,012</u>
Cash and cash equivalents at end of period	<u><u>6,281,014</u></u>	<u><u>4,616,402</u></u>
Cash and cash equivalents comprise of :-		
Cash and bank balances	7,231,880	5,570,764
Bank overdraft	<u>(950,866)</u>	<u>(954,362)</u>
	<u><u>6,281,014</u></u>	<u><u>4,616,402</u></u>

(The Unaudited Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 July 2019 and the accompanying Notes to the Unaudited Interim Financial Report on pages 5 to 23)

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NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134 INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 “Interim Financial Reporting” and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the latest audited financial statements of Nexgram Holdings Berhad (“Nexgram” or the “Company”) and its subsidiaries (“Group”) for the financial year ended 31 July 2019.

The accounting policies adopted by the Group in these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 July 2019.

At the beginning of the current financial year, the Group and the Company adopted MFRSs and amendments to MFRSs which are mandatory for the financial periods beginning on or after 1 August 2019.

Standards issued but not yet effective

The Group and the Company has not applied the following MFRSs that have been issued by the Malaysian Accounting Standard Board (“MASB”) but are not yet effective for the Group and the Company:

MFRSs effective for annual periods beginning on or after 1 August 2020

- Amendment to MFRS 3, Business Combinations - Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards

MFRSs effective for annual period beginning on or after 1 August 2021

- MFRS 17, Insurance Contracts

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual period beginning on 1 August 2021 as it is not applicable to the Group and the Company.

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A1. Basis of preparation (cont'd)

The initial application for the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period or prior period financial statements of the Group and of the Company except MFRS 16, Leases.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

A2. Qualification of financial statements

There was no audit qualification reported in the audited financial statements of the Group for the financial year ended 31 July 2019.

A3. Seasonal or cyclical factors

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the current quarter under review.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A5. Material changes in estimates

There were no changes in the nature and amount of estimates reported in prior financial years that have a material effect in the current quarter under review.

A6. Debts and equity securities

There were no issuance, repurchase, cancellation, resale, and repayment of debt and equity securities of the Company for the current quarter under review except following:

On 1 November 2019, the Company undertake a settlement debt owing to a director, Tuan Haji Mazru bin Mat Yusof ("Tuan Haji Mazru"), as well as selected creditors,, Ozura Firstlogix Sdn. Bhd. ("Ozura") and Capital Day Holdings Sdn. Bhd. ("Capital"). Total debts amounting to RM23,454,665/- will be settled through the issuance of 2,345,466,465 Irredeemable Convertible Preference Share ("ICPS") at an issue price of

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A6. Debts and equity securities (cont'd)

RM0.01 each pursuant to 3 separate settlement agreements on 30 August 2019 (“Settlement Agreements”) in the following manner:-

Director/Creditor	Debt owed by the Group (RM)	No. of ICPS to be issued
Tuan Haji Mazru	10,110,871	1,011,087,071
Ozura	12,543,794	1,254,379,394
Capital	800,000	80,000,000
Total	23,454,665	2,345,466,465

Salient term of the ICPS

The ICPS are convertible into new Conversion Shares with the following conversion modes:-

- i. 2 ICPS for every 1 Conversion Share (“Conversion Mode 1); or
- ii. 1 ICPS together with the payment of RM0.01 for every 1 Conversion Share (Conversion Mode 2)

Under Conversion Mode 1, a total of 1,172,733,232 Conversion Shares may be issued upon full conversion of the OCPS. Under Conversion Mode 2, a total of 2,345,466,465 Conversion Shares may be issued upon full conversion of the ICPS.

On 6 December 2019, all the conditions precedent in relation to the debt settlement have been fulfilled and the debt settlement was completed by allotment and issuance of ICPS to the director and selected creditors.

A7. Dividend paid

There was no dividend paid during the current quarter under review.

A8. Segmental information

The segmental analysis of revenue and profit before taxation of the Group for the financial period ended 31 January 2020 is tabulated below:

Segment	ICT RM	Property Investments RM	Logistics RM	Elimination RM	Total RM
Revenue	12,262,901	1,545,387	7,517,518	(384,700)	20,941,106
Profit/(loss) before taxation	279,053	(1,641,890)	267,934	-	(1,094,903)

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A9. Valuation of property, plant and equipment

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

A10. Valuation of investment properties

The Group did not revalue any of its investment properties during the current quarter under review.

A11. Material events subsequent to the end of the quarter

As at the date of the report, being the latest practicable date of this Report, there is no material events subsequent to the quarter ended 31 January 2020.

A12. Changes in composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 January 2020.

A13. Contingent assets or liabilities

Save as disclosed below, the Company does not have any contingent assets or liabilities as at the date of the report.

	RM
<u>Contingent liability :</u>	
Corporate guarantee granted to subsidiary companies	<u>11,115,276</u>

A14. Capital commitments

There were no capital commitments during the period under review.

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**ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING
REQUIREMENTS OF BURSA SECURITIES**

B1. Review of performance

	Individual Period (2 nd Quarter)		Changes %	Cumulative Period		Changes %
	Current Quarter	Preceding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31 Jan 2020 RM'000	31 Jan 2019 RM'000		31 Jan 2020 RM'000	31 Jan 2019 RM'000	
Revenue	8,938	15,001	(40.42)	20,941	26,652	(21.43)
Operating (Loss)/profit	(899)	1,846	(>100)	437	2,105	(79.25)
(Loss)/profit before interest and tax	(1,156)	1,456	(>100)	142	1,753	(91.89)
(Loss)/profit before tax	(1,572)	458	(>100)	(1,095)	(166)	>100
(Loss)/profit after tax	(1,714)	451	(>100)	(1,213)	(136)	>100
(Loss)/profit attributable to Ordinary Equity Holders of the parent	(1,638)	252	(>100)	(1,571)	(712)	>100

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B1. Review of performance (cont'd)

(a) Performance of the current quarter/ period against the preceding year corresponding quarter/ period

The Group recorded revenue of RM8.9 million in the current 3-months financial period ended 31 January 2020 as compared to RM15.0 million reported in the previous year corresponding period. The Group's revenue decreased by 40.42% mainly due to decrease in revenue from logistic division and a group of subsidiaries involve in dealing with a wide-ranging choice of security and video surveillance equipment. The drastic decrease in revenue for logistic division due to the provision of handling, stock piling, receiving and loading of dry bulk cargo (i.e. bauxite and iron ore) services at Batu Pahat Jetty which was badly affected by outbreak of Covid-19.

The Group recorded a loss before taxation of RM1.6 million for the current 3-months financial period ended 31 January 2020 as compared to a profit before taxation of RM0.5 million reported in the preceding year corresponding period. The increase in loss before taxation recorded in the current quarter was mainly attributed by the decrease in revenue from logistic division and a group of subsidiaries involve in dealing with a wide-ranging choice of security and video surveillance equipment. Increasing in legal fee also attributing to the loss increase during this quarter.

(b) Performance of the financial year-to-date against preceding year corresponding period

The Group's revenue of RM20.9 million in the current 6-months financial period ended 31 January 2020 as compared to RM26.7 million reported in the previous year corresponding period. The Group's revenue decreased by 21.43% mainly due to decrease in revenue from logistic division and a group of subsidiaries involve in dealing with a wide-ranging choice of security and video surveillance equipment. The drastic decrease in revenue for logistic division due to the provision of handling, stock piling, receiving and loading of dry bulk cargo (i.e. bauxite and iron ore) services at Batu Pahat Jetty which was badly affected by outbreak of Covid-19.

The Group recorded a loss before taxation of RM1.1 million for the current 6-months financial period ended 31 January 2020 as compared to a loss before taxation of RM0.2 million reported in the preceding year corresponding period. The increase in loss before taxation recorded in the current quarter was mainly attributed by the decrease in revenue from a group of subsidiaries involve in dealing with a wide-ranging choice of security and video surveillance equipment.

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	Current Quarter 31 Jan 2020 RM'000	Immediate Preceding Quarter 31 Oct 2019 RM'000	Changes %
Revenue	8,938	12,003	(25.54)
Operating (loss)/profit	(899)	1,336	(>100)
(Loss)/profit before interest and tax	(1,156)	1,299	(>100)
(Loss)/profit before tax	(1,572)	477	(>100)
(Loss)/profit after tax	(1,714)	500	(>100)
(Loss)/profit attributable to Ordinary Equity Holders of the parent	(1,638)	67	(>100)

For the current quarter ended 31 January 2020, the Group recorded revenue of RM8.9 million as compared to RM12.0 million recorded in the previous quarter ended 31 October 2019. The Group's revenue decreased by 25.54% due to the decrease of sales in logistic division and a group of subsidiaries involve in dealing with a wide-ranging choice of security and video surveillance equipment. The drastic decrease in revenue for logistic division due to the provision of handling, stock piling, receiving and loading of dry bulk cargo (i.e. bauxite and iron ore) services at Batu Pahat Jetty which was badly affected by outbreak of Covid-19.

The Group recorded a loss before taxation of RM1.6 million for the current quarter ended 31 January 2020 as compared to profit before taxation of 0.5 million recorded in the previous quarter ended 31 October 2019. The loss increase in this quarter mainly due to decrease in revenue in logistic division and a group of subsidiaries involve in dealing with a wide-ranging choice of security and video surveillance equipment.

B2. Current year's prospect

The Management views that year 2020 will continue to be a challenging year due to the current economic and politics issues taken part in Malaysia. The ICT division involves the trading and distribution of security and video surveillance equipment via its 70%-owned subsidiary, Sensorlink Holdings Sdn. Bhd. ("Sensorlink"). The principal products of Sensorlink and its subsidiaries ("Sensorlink Group") comprise security and video surveillance equipment under house-brand, Centrix and various established third-party

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B2. Current year's prospect (cont'd)

brands. The Sensorlink Group has approximately 800 customers, ranging from individuals, government and corporations from the commercials, retails, housing and financial sectors.

Sensorlink Group is currently exploring various options to promote and generate demand for its principal products, including but not limited to:

- (i) maintain good relationships with existing customers and business partners such as its suppliers of security and video surveillance equipment to secure recurrent and referral sales/ projects;
- (ii) participate in relevant exhibitions, seminars and conferences to generate brand and product awareness;
- (iii) conduct product training and provide after-sales services such as technical support, troubleshooting assistance, warranties and repair services to its users and customers as part of the Group's marketing and promotional initiatives for its products and services;
- (iv) collaborate with technology providers to develop innovative video surveillance applications; and
- (v) develop new sales channels to create business synergy and cross selling strategies.

As of our logistics division involves the provision of handling, stock piling, receiving and loading of dry bulk cargo (i.e. bauxite, iron ore, manganese ore and etc.) services at Kuantan Port, Kemaman Port, Johor Port and Batu Pahat jetty via its 51%-owned subsidiary, Transeaways Shipping Sdn. Bhd. ("Transeaways Shipping"). Transeaways Shipping also provides a total logistics solution for containerised cargo which involves forwarding, freighting and haulage service at Kuantan Port, Johor Port and Tanjung Pelepas Port. Transeaways Shipping's customers comprise multinational corporations at Gebeng Industrial Area in Kuantan, Paka Industrial Park in Kertih and Pasir Gudang Industrial area in Johor as well as companies that are involved in the various industries including oil and gas, chemicals, manufacturing and mining. Transeaways Shipping intends to explore the following various initiatives to expand its logistics services, including but not limited to:

- (i) Transeaways Shipping's office is located in Kuantan, Pahang. In order to expand its domestic coverage, Transeaways Shippings intends to improve its network coverage by strengthening its geographical presence by securing new additional contracts as well as setting up a logistics center and depot in Johor and Kelantan to cater to a wider customer base;

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- (ii) Transeaways Shipping intends to provide additional value-added customer support services such as marine insurance application for cargo, co-packing and repacking of cargo, issuance and checking of shipping-related documents such as packing list and draft bill of lading as well as logistics training program to customers' logistics staff. This will enable Transeaways Shipping to improve its customer support services levels; and
- (iii) Transeaways Shipping intends to provide temporary and long-term warehousing storage with secured storage facilities as well as the service of cargo loading/stuffing into containers. This will provide customers with convenience and flexibility for shipping arrangements.

B3. Variance of actual profit from forecast profit

The Group has not published or issued any profit forecast for the current period and financial year as at the date of the report.

B4. Profit before tax is stated after charging/ (crediting):

	Quarter ended 31.01.20 <u>RM</u>	Year to date 31.01.20 <u>RM</u>
Depreciation of property, plant and equipment	187,502	364,302
Interest expense	481,664	1,415,785
Interest income	(66,390)	(178,660)
Realised gain on foreign exchange	(18,103)	(30,971)

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B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to-date	Preceding year corresponding period
	31.01.20 RM	31.01.19 RM	31.01.20 RM	31.01.19 RM
Current period's provision	(144,152)	-	(144,152)	-
Deferred tax provision	2,142	(6,845)	25,632	29,856
Total	(142,010)	(6,845)	(118,520)	29,856

B6. Status of corporate proposals and utilisation of proceeds

There were no other corporate proposals announced by the Company as at the date of the report except the following:

- a) Proposed disposal of eleven (11) storey stratified office building, Nexgram Tower

On 31 December 2018, Coconut Three Sdn. Bhd., a wholly-owned subsidiary of the Company has entered into a Sale and Purchase Agreement (“SPA”) with IMS Development Sdn. Bhd. (“IMS”) for the disposal of 11 storey stratified office building located at Kuala Lumpur for a total consideration of RM67,000,000/-.

On 23 August 2019, an Extraordinary General Meeting (“EGM”) of the Company was held for the purpose to obtain approvals of all relevant parties and/or authorities Coconut Three Sdn. Bhd. to dispose Nexgram Tower to IMS for a cash consideration of RM67,000,000/- and upon such terms and conditions as set out in the sale and purchase agreement (“SPA”) dated on 31 December 2018.

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B6. Status of corporate proposals and utilisation of proceeds (cont'd)

The proceed arising from the disposal of RM67,000,000/- are intended to be utilised as follows:-

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended timeframe for utilisation
Repayment of bank borrowings	48,800	48,156	Within six (6) months
Provision of payment of judgement sum to Spacious Glory Sdn Bhd	12,500	-	Within six (6) months
Retention of rental and utilities deposits paid by Nexgram Tower's tenants	1,000	894	Within six (6) months
Payment to non-trade creditors	1,600	1,091	Within six (6) months
Working capital	2,800	3,126	Within six (6) months
Expenses in relation to the Proposed Disposal	300	384	Within one (1) months
Total	67,000	53,651	

B7. Borrowings and debt securities

Save as disclosed below, the Group does not have any loan outstanding or created, convertible debt securities, mortgages or charges outstanding as at 31 July 2019.

Secured borrowings	Payable within 12 months (RM)	Payable after 12 months (RM)
Denominated in: Malaysian Ringgit	7,270,825	4,248,732

The above borrowings are in the Malaysian currencies. There has been no default on payment of either interest and/or principal sum, in respect of the abovementioned borrowings throughout the past one (1) financial year.

B8. Off balance sheet financial instruments

The Group does not have any off balance sheet financial instruments as at the date of the report.

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B9. Material litigation

There is no material litigation as at the date of the report except following:

a) Legal suit with Spacious Glory Sdn. Bhd.

Kuala Lumpur High Court Suit No. WA-22NCC-291-07/2017: Spacious Sdn. Bhd. (“Plaintiff”) vs Nexgram Land Sdn. Bhd. (currently know as Coconut Three Sdn. Bhd. (“CTSB”)) (“Defendant”)

CTSB, a wholly-owned subsidiary of the Company had on 18 July 2017 received a sealed Writ of Summons dated on 13 July 2017 (“the Writ”) and Statement of Claim dated on 12 July 2017 from the Plaintiff’s solicitor claiming the sum of RM12,500,000/- from the Defendant.

The Plaintiff is claiming RM12,500,000/- from the Defendant, being the purchase consideration for the sale and purchase of 770,000 ordinary shares, representing 70% equity interest in Blue Hill Development Sdn. Bhd. (“BHD”) by the Defendant from the Plaintiff pursuant to the Sale and Purchase Agreement (“SPA”) dated on 15 April 2016.

The claim had been categorically denied and disputed by the Defendant and Defendant had at the same time on 21 August 2017 filed a counter-claim against the Plaintiff for breach of warranties especially with regard to the no-litigations (current or future, written or verbal, and apparent, contingent or threatened) confirmation made by its director during the due diligence exercise prior to signing of the SPA of the shares in BHD between Plaintiff and the Defendant.

The claim and counterclaim were tried in the Kuala Lumpur High Court on 4 June 2018 to 6 June 2018. On 20 July 2018, the High Court allowed Plaintiff’s claim for RM12,500,000/- plus interest in the original action. The High Court also allowed Defendant’s claim for misrepresentation in the counterclaim action but did not grant the relief sought by the Defendant to (amongst others) terminate the SSA for misrepresentation.

Defendant has appealed against the High Court’s decision and appeal is fixed for hearing on 9 October 2019. The Appellant had on 7 October 2019 filed a Notice of Motion to Stay the Appeal.

On 15 October 2019, a physical Case Management to fix the hearing date for the Notice of Motion for a stay of Appeal as well as the Appeal proper. The Court of Appeal has fixed that the hearing of both Motion for a Stay of Appeal as well as the Appeal proper on 16 December 2019. On 11 December 2019 the Appellant filed the Appellant’s 2nd Motion for a Stay of Appeal. On 16 December 2019 the Appellant withdrawn the 1st Motion for Stay and requested from the Court to reply to the

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B9. Material litigation (cont'd)

There is no material litigation as at the date of the report except following:

a) Legal suit with Spacious Glory Sdn. Bhd. (cont'd)

Affidavit in Reply filed by the First Respondent in respect of the Appellant's 2nd Motion for a Stay of Appeal. The Court of Appeal then fixed the hearing of Appellant's 2nd Motion for a Stay of Appeal on 17 January 2020. On 17 January 2020 the Court of Appeal dismissed the Appellant's 2nd Motion for a Stay of Appeal and fixed the Appeal proper on 27 March 2020. Following the Movement Control Order (MCO) issued by the Malaysian Government from 18 to 31 March 2020, as preventive measure to control the widespread of COVID 19 pandemic the Court of Appeal had vacated the hearing of the Appeal proper and 27 March 2020 had been made a case management date by e-review to fix a new hearing date.

On 27 March 2020, the Court of Appeal has fixed on 28 August 2020 as the hearing of the Appeal proper.

b) Legal suit with TCIM Sdn. Bhd.

Kuala Lumpur Session Court Suit No. WA-B52NCC-363-06/2019: TCIM Sdn. Bhd. ("Plaintiff") vs Kontrek Anugerah Sdn. Bhd. and Nexgram Holdings Berhad ("Defendants")

By Writ of Summon dated 19 June 2019, the Plaintiff had commenced legal action against the Defendants claiming for an outstanding sum of RM460,048/-, service charge of RM11,150/- and interest of 10% per annum on the amount outstanding and service charge until full payment, for default of payment under hire purchase facilities to purchase of five (5) machineries by Kontrek Anugerah Sdn. Bhd.. The hire purchase facilities are guarantee by Nexgram Holdings Berhad as Guarantor.

The Plaintiff, the Defendants and Coconut Three Sdn. Bhd. have entered into a Settlement Agreement dated on 14 October 2019 to settle the outstanding amount. Pursuant thereto, the Plaintiff had withdrawn the Suit on 25 October 2019 with a liberty to file afresh and with no order as to cost.

c) Legal suit with BMW Credit (M) Sdn. Bhd.

Kuala Lumpur Session Court Suit No. WA-A52NCC-1594-06/2019: BMW Credit (M) Sdn. Bhd. ("Plaintiff") vs Coconut Three Sdn. Bhd. and How Han Lun ("Defendants")

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B9. Material litigation (cont'd)

c) Legal suit with BMW Credit (M) Sdn. Bhd. (cont'd)

Coconut Three Sdn. Bhd. and How Han Lun (ex-director of Nexgram) had received a seal Writ of Summons dated on 25 June 2019 (“the Writ”) from the Plaintiff’s solicitor claiming for a sum of RM233,955/- (including the interest of 8% per annum on the amount outstanding until full payment) for default of payment under hire purchase facility. The second Defendant is a Guarantor to such hire purchase facility.

On 25 September 2019, the Court has given its decision against the first Defendant based on the Plaintiff’s application for summary judgement since there was no affidavit in reply filed by the first Defendant. The Defendant’s solicitors have been served with the Sealed Judgment and Sealed Order dated 25 September 2019.

On 14 January 2020, the vehicle has been sold for RM150,000 via Public Auction. The remaining outstanding amounted to RM119,263.43 will be pay via thirty (30) months of instalment.

d) Legal suit with Lau Tian Kit

(i) Kuala Lumpur High Court Suit No. WA-22NCC-439-10/2018: Coconut Three Sdn. Bhd. (“Plaintiff”) vs Lau Tian Kit (“Defendant”)

The Plaintiff had on 11 August 2018 filed a Writ and Statement of Claim dated on 9 August 2018 in Kuala Terengganu High Court against the Defendant to claim for compensation for breach of Profit Guarantee Agreement dated on 14 April 2016 (“Profit Guarantee Agreement”) given by the Defendant to the Plaintiff in which Blue Hill Development Sdn. Bhd. had failed to achieve RM2,000,000/- post-tax profit and instead incurring a loss of RM5,250,311/- as at 31 July 2017.

In Statement of Claim, the Plaintiff is claiming from the Defendant the following:-

1. the sum of RM7,250,311/- be paid by the Defendant to the Plaintiff;
2. interest at the rate of 5% per annum on the sum of RM7,250,311/- to be calculated from 30 September 2017 up to the date of the full settlement by the Defendant;
3. costs of the action on solicitors-client basis be paid by Defendant to the Plaintiff; and
4. further and/or other relief that the Court deems just and/or suitable and/or fair.

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B9. Material litigation (cont'd)

d) Legal suit with Lau Tian Kit. (cont'd)

On 20 September 2018, the Plaintiff had filed a Notice of Application for Summary Judgment against the Defendant. The Plaintiff had then served the unsealed Notice of Application and Affidavit in Support dated on 19 September 2018 and the sealed Notice of Application on 24 September 2018.

Subsequently, by the consent of both the Plaintiff and Defendant, the Plaintiff had withdrawn its application for Summary Judgment and the Defendant had withdrawn its application for striking out and the full trial took place on 14 January 2019. Oral clarification before the Honourable Judicial Commissioner was fixed on 31 May 2019, before the decision to be pronounced by the Court.

On 19 June 2019, the Court dismissed Plaintiff's Claim with cost on the basis that the audited financial statement used by the Plaintiff to refer to the post-tax profit under the Profit Guarantee Agreement of Blue Hill Development Sdn. Bhd. is the audited financial statement dated 31 July 2017 and not the audited financial statement dated 30 September 2017 which should be the basis of the Claim.

The Plaintiff has on 16 July 2019 filed an appeal in the Court of Appeal Putrajaya.

Court of Appeal Putrajaya Appeal No. W-02(NCC)(W)-1308-07/2019: Coconut Three Sdn. Bhd. ("Plaintiff") vs Lau Tian Kit ("Defendant")

The Plaintiff has filed a Notice of Appeal on 16 July 2019 in the Court of Appeal and the case management is fixed for e-review on 5 September 2019. The Court of Appeal has fixed on 4 October 2019 as at the next case management by e-review to fix the hearing date for the appeal.

On 4 October 2019, the Court of Appeal has fixed 30 June 2020 as the hearing of the appeal.

(ii) Kuala Lumpur High Court Suit No. WA-22NCC-440-10/2018: Coconut Three Sdn. Bhd. and Nexgram Holdings Berhad ("Plaintiffs") vs Lau Tian Kit ("Defendant")

The Plaintiffs had on 20 August 2018 filed a Writ and Statement of Claim against the Defendant amongst other things for minority shareholder oppression, refusal to allow access to accounting records of Blue Hill Development Sdn. Bhd. ("BHD") and for writing on behalf of second Plaintiff to Bursa Malaysia Securities Berhad on various litigations matters involving BHD.

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B9. Material litigation (cont'd)

d) Legal suit with Lau Tian Kit (cont'd)

In the Statement of Claim, the Plaintiffs are seeking, inter alia, the following relieves against the Defendant:-

1. the Defendant to allow an approved auditor to be appointed by the Plaintiffs to access and inspect and take copies of all accounting records and documents of BHD;
2. damages in the sum of RM7,000,000/- or such other sum from the Defendant as the Court thinks fit to the Plaintiffs for refusal to provide the audited financial statement to the Plaintiffs;
3. damages in the sum of RM6,000,000/- or such other sum as the Court thinks fit to the second Plaintiff as compensation for writing to Bursa Malaysia Securities Berhad without the authorisation of the Board of Directors of the second Plaintiff which had caused damage to the second Plaintiff;
4. Defendant is strictly prohibited whether personally or through any of his companies or through his solicitors or his advisors at any time, to write or communicate the matters pertaining to BHD which is within the jurisdictions of the Board of Directors of Coconut Three Sdn. Bhd. or the second Plaintiff to any party without the prior written approval of the Board of Directors of the respective Plaintiffs;
5. equitable compensation, other loss and damages to be assessed;
6. interest on all sum found to be due to the Plaintiffs at such rates and for such periods of time as the Court thinks fit; and
7. such further or other relief as the Honourable Court deems fit.

The Defendant has filed an application to strike out the Plaintiffs' action and the Court fixed 11 January 2019 for hearing of application for striking out. On 21 February 2019, the Court dismissed the Defendant's application to strike out and fixed on 8 May 2019 and 9 May 2019 for full trial. The Court subsequently fixed 18 September 2019 for decision hearing.

The Court has dismissed the Plaintiffs' application with cost. The Plaintiff's solicitors is in the midst of filing the Notice of Appeal and will be doing so by 17 October 2019.

Court of Appeal Putrajaya Appeal No. W-02(NCC)(W)-1910-10/2019: Coconut Three Sdn. Bhd. and Nexgram Holdings Berhad ("Appellants") vs Lau Tian Kit ("Defendant")

The Plaintiff's solicitor has filed the Notice of Appeal on 17 October 2019. The Court has fixed on 5 December 2019 for case management date. However, the Court of Appeal has fixed on 10 February 2020 for case management by e-

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B9. Material litigation (cont'd)

d) Legal suit with Lau Tian Kit (cont'd)

review. The Respondent had on 30 January 2020 filed a Notice of Motion to strike out the Appeal by reason that the Notice of Appeal was served on the Respondent out of time. On 9 February 2020 the Appellants filed Notice of Motion for an extension of time to serve the Notice of Appeal to the Respondent.

The Court of Appeal has fixed both Applications for hearing simultaneously on 7 April 2020.

e) Legal suit Leing Ti Kang vs. Lau Tian Kit [Original Action] Lau Tian Kit and Spacious Sdn. Bhd. vs Coconut Three Sdn. Bhd., Nexgram Holding Berhad, Mazru Bin Mat Yusof and 5 Others

Kuala Lumpur High Court Suit No. WA-22NCC-210-04/2019: Leing Ti Kang vs. Lau Tian Kit [Original Action] (1) Lau Tian Kit and (2) Spacious Sdn. Bhd. vs (1) Coconut Three Sdn. Bhd. (“CTSB”), (2) Nexgram Holding Berhad (“NHB”), (3) Mazru Bin Mat Yusof (“MMY”) and 5 Others [Counter-Claim]

This is a suit initiated by one Leing Ti Kang who claim to be the beneficial owner of the entire shareholding in the Spacious Glory Sdn Bhd which he claims had already been transferred by Lau Tian Kit to his nominees in late 2016. Leing Ti Kang is also seeking for the appointment of his nominees as directors in the Spacious Glory Sdn Bhd to be perfected as he claims Lau Tian Kit had resigned as director on 1.12.2016.

Lau Tian Kit entered a defence to the claim and at the same time together with Spacious Glory Sdn Bhd filed a counter-claim against eight defendants in which CTSB, NHB and MMY have been included.

The Plaintiffs in the Counter-Claim have made an application to enter Judgment in Default Against all 8 Defendants for failure to enter appearance and defence. On 19 February 2020 the First, Second and 3rd Defendant filed a Notice of Application for an Extension of Time to file Defence and Counter-Claim. On 21 February 2020 the Fourth, Fifth, Sixth, Seventh and Eight Defendant filed a Notice of Application for an Extension of Time to file Defence and Counter-Claim.

All three applications have been fixed for hearing on 10 April 2020.

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B9. Material litigation (cont'd)

f) Legal Suit with Justin Faye & Partners

Kuala Lumpur High Court Writ Summons No. WA-28NCC-167-02/2020 Winding Up Petition Served on Coconut Three Sdn Bhd (Respondent) by Justin Faye & Partners (Petitioner)

On 7 February 2020, the Respondent (a wholly-owned subsidiary of the Company) has been served with a winding-up petition ("Petition") by the Petitioner.

On 18 February 2020, the Petitioner has served the Respondent the Summon in Chambers in relation to an application to appoint private liquidator.

Both the Petition and Summon in Chambers is fixed for case management on 2 March 2020 at the Kuala Lumpur High Court. The hearing of the case is fixed on 7 April 2020.

However, the Respondent is in the midst of communicating with the Petitioner to settle out of Court.

B10. Dividend

There is no dividend declared for the current quarter under review.

B11. Earnings per share

(a) Basic

Basic earnings per shares is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	Current Quarter	Current Year to date
Profit attributable to ordinary equity holders of the Company (RM)	(1,638,470)	(1,571,285)
Weighted average number of shares	2,071,204,480	2,071,204,480
Basic earnings per shares (sen)	0.08	0.08

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Diluted earnings per shares is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue and issuable during the period.

	Current Quarter	Current Year to date
Profit attributable to ordinary equity holders of the Company (RM)	(1,638,470)	(1,571,285)
Weighted average number of shares	2,071,204,480	2,071,204,480
Effects of dilution in outstanding warrants	-	-
Adjusted weighted average number of ordinary shares in issue and issuable	2,071,204,480	2,071,204,480
Diluted earnings per shares (sen)	N/A	N/A