

VERTICE BERHAD
(Company No. 765218-V)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2019

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	Unaudited Quarter ended			Unaudited Year to date ended		
	31-Mar-19 RM'000	31-Mar-18 RM'000	Change %	31-Mar-19 RM'000	31-Mar-18 RM'000	Change %
Continuing Operations						
Revenue	43,953	8,104	442%	124,239	26,538	368%
Operating expenses	(41,204)	(7,990)	416%	(122,594)	(32,825)	273%
Amortisation & depreciation	-	-	-	-	-	-
PPE written off	-	-	-	-	-	-
Impairment loss on receivables	(1,225)	-	-	(1,225)	-	-
Inventories written-off	-	-	-	-	-	-
Inventories written down	-	-	-	-	-	-
Foreign exchange (loss)/gain	-	-	-	-	-	-
Profit/(Loss) from operations	1,524	114	1237%	420	(6,287)	-107%
Other operating income	-	-	-	-	-	-
Profit/(Loss) before interest	1,524	114	1237%	420	(6,287)	-107%
Interest Expenses	-	-	-	-	-	-
Interest Income	93	-	100%	284	-	100%
Profit/(Loss) before taxation	1,617	114	1318%	704	(6,287)	-111%
Income tax reversal / (expense)	(1,565)	-	-	(1,566)	(134)	-
Profit/(Loss) for the period from continuing operations	52	114	-54%	(862)	(6,421)	-87%
Discontinued Operations						
Loss net of tax, discontinued operations	(2,444)	178	-1473%	(4,345)	1,889	-330%
Profit/(Loss) for the period	(2,392)	292	-919%	(5,207)	(4,532)	15%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss)	(2,392)	292	-919%	(5,207)	(4,532)	15%
Total comprehensive income/(loss) attributable to:						
Owners of the Company	(2,496)	323		(5,141)	(4,795)	
Non-controlling interests	104	(31)		(66)	263	
	(2,392)	292		(5,207)	(4,532)	

Earning/(Loss) per share attributable to equity holders of the parent:

Basic (sen)	-1.35	0.004	-2.78	-0.06
Diluted (sen)	-1.02	0.004	-2.10	-0.06

The unaudited condensed consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim consolidated Financial Statements.

Due to change in financial year ended from 31 December 2018 to 31 March 2019, the results for the corresponding fifteen (15) months period in prior year were audited from 1 Jan 2017 to 31 December 2017 but the three (3) months period was not audited from 1 Jan 2018 to 31 March 2018.

VERTICE BERHAD
(Company No. 765218-V)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	As at 31-Mar-19 RM'000 (Unaudited)	As at 31-Dec-17 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,078	6,340
Investment properties	-	1,623
Intangible assets	-	247
Other investments	9,860	9,875
Retention Sum	2,939	-
	14,877	18,085
Current Assets		
Inventories	-	53,099
Trade receivables	65,577	15,683
Other receivables, deposits and prepayments	3,895	11,040
Amount due from contract customers	1	1,114
Asset of disposal group classified as held for sales	94,609	59,432
Income tax assets	-	335
Cash and bank balances	18,096	2,429
	182,178	143,132
TOTAL ASSETS	197,055	161,217
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	114,097	74,022
Share option reserve	-	-
Retained earnings	13,345	18,611
	127,442	92,633
Non-controlling interests	294	(272)
Total Equity	127,736	92,361
Non Current Liabilities		
Long term borrowings	526	402
Deferred tax liabilities	-	184
	526	586
Current Liabilities		
Trade payables	47,728	18,441
Other payables	464	10,419
Deposits and Accruals	40	-
Short term borrowings	142	14,780
Bank overdrafts	-	-
Liabilities directly associated with disposal group classified as held for sale	17,852	24,630
Income tax liabilities	-	-
Retention Sum	2,567	-
	68,793	68,270
Total Liabilities	69,319	68,856
TOTAL LIABILITIES AND EQUITY	197,055	161,217
Net Asset per share (in RM)	0.69	0.64

The unaudited condensed consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim consolidated Financial Statements.

VERTICE BERHAD
(Company No. 765218-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	← Attributable to owners of the Company →						Non-controlling Interests RM'000	Total Equity RM'000
	← Non-Distributable →			Distributable				
	Share Capital RM'000	Share Premium RM'000	Share Options Reserve	Retained Earnings RM'000	Total RM'000	Total		
As At 1 January 2018	74,022	-	-	18,611	92,633	(272)	92,361	
Share option value	-	-	-	-	-	-	-	
Non-exercise of share option	-	-	(779)	779	-	-	-	
Shares issued during the year	40,075	-	-	-	40,075	-	40,075	
Total comprehensive profit for the period	-	-	-	(5,266)	(5,266)	566	(4,700)	
As At 31 March 2019	<u>114,097</u>	<u>-</u>	<u>-779</u>	<u>14,124</u>	<u>127,442</u>	<u>294</u>	<u>127,736</u>	

The unaudited condensed consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim consolidated Financial Statements.

Due to change in financial year ended from 31 December 2018 to 31 March 2019, the results for the corresponding fifteen (15) months period in prior year were not presented.

VERTICE BERHAD
(Company No. 765218-V)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2019

	Unaudited 31-Mar-19 RM'000	Unaudited 31-Mar-18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation from continuing operations	704	(6,287)
Adjustments for:		
Amortisation & depreciation	47	-
Impairment loss/(reversal) on receivables	1,225	-
Impairment loss/(reversal) on subsidiaries		
Interest income	(284)	-
Operating profit before working capital changes	1,692	(6,287)
Changes in working capital:		
Decrease/(Increase) in receivables	(68,259)	6,019
Increase/(Decrease) in payables	23,362	1,363
Net changes in disposal group classified as held for sale	23,689	(6,302)
Cash absorbed by operations	(19,516)	(5,207)
Interest received	284	-
Income tax expense paid	(2,126)	-
Net cash from operating activities	(21,358)	(5,207)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in other investment	(500)	-
Purchase of property, plant & equipment	(2,125)	-
Net cash used in investing activities	(2,625)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(92)	-
Proceeds from issue of share capital	40,075	-
Proceeds from bank borrowings	801	-
Net cash used in financing activities	40,784	-
Net changes in cash and cash equivalents	16,801	(5,207)
Effect of exchange rate changes	-	-
Cash and cash equivalents brought forward	1,295	6,502
Cash and cash equivalents carried forward	18,096	1,295
Fixed deposits	-	-
Money market placement	16,328	-
Cash and bank balances	1,768	1,295
Bank overdrafts	-	-
	18,096	1,295

The unaudited condensed consolidated Statement of Cash Flow should be read in conjunction with the audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim consolidated Financial Statements.

Due to change in financial year ended from 31 December 2018 to 31 March 2019, the results for the corresponding fifteen (15) months period in prior year were not audited.

INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

PART A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the fifth quarter ended 31 March 2019 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes.

The accounting policies and methods of computation adopted in these interim financial statements of the Group are consistent with those adopted in the annual audited financial statements for the financial year ended 31 December 2017, included the adoption of all the applicable MFRSs and IC Interpretations that are relevant and effective for the financial period beginning on or after 1 January 2018.

The adoption of the MFRSs and IC Interpretations which are applicable to the Group did not have any significant impact on the interim financial statements of the Group.

A2. Audited Report Of Preceding Annual Financial Statements

The audited financial statements for the financial year ended 31 December 2017 was not subject to any qualification. The Company had changed the financial year end to 31 March 2019 as announced on 27 November 2018.

A3. Seasonal Or Cyclical Factors

The Group's business operations are generally affected by major festive seasons, school holidays and carnival sales.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income Or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature in size or incidence during the current quarter under review.

A5. Material Changes In Estimates

There were no material changes in the estimates of amounts reported that have material effect on the results for the current quarter under review.

A6. Issuances, Cancellations, Repurchases, Resale And Repayments Of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter under review.

A7. Dividend Paid

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

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INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**PART A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134****A8. Segmental Reporting**

The Group's business segmental information for the financial period to date is as follows. There were no disclosure on geographical segment as its revenue from segment other than Malaysia is insignificant.

	Revenue		Profit/(Loss) before tax	
	Year To Date Ended		Year To Date Ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Constructions	124,239	26,538	5,867	(1,735)
Investment holdings and others	-	-	(5,163)	(4,552)
	124,239	26,538	704	(6,287)
Discontinued Operations				
Apparels, footwear & accessories	151,843	134,012	(5,330)	383
Beauty & Wellness	-	208	-	(258)
	151,843	134,220	(5,330)	125
Disposal				
Apparels, footwear & accessories	-	112,212	-	(1,116)
Consolidated	151,843	246,432	(5,330)	(991)

A9. Valuation of Property, Plant and Equipment

The property, plant and equipment of the Group have not been revalued during the current quarter under review.

A10. Changes In The Composition of The Group

There were no material changes to the composition of the Group for the current quarter under review.

A11. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities, either secured or unsecured and contingent assets of the Group as at the end of the current quarter.

A12. Material Capital Commitments

There were no material capital commitments approved or contracted for as at 31 March 2019.

INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group's Results For The Current Quarter and Year-To-Date Ended 31 March 2019

	Quarter ended		Changes	Year To Date Ended		Changes
	31-Mar-19	31-Mar-18		31-Mar-19	31-Mar-18	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from continuing operations	43,953	8,104	35,849	124,239	26,538	97,701
Revenue from discontinued operations	31,494	32,403	(909)	151,843	134,220	17,623
Profit/(Loss) before taxation	1,617	114	1,503	704	(6,287)	6,991
Profit/(Loss) after taxation	52	114	(62)	(862)	(6,421)	5,559
Profit/(Loss) net of tax from discontinued operations	(2,444)	178	(2,622)	(4,345)	1,889	(6,234)
Comprehensive income/(loss) attributable to equity holders of the parent	(2,496)	323	(2,819)	(5,141)	(4,795)	(346)

Current Quarter

(i) Group

Group revenue increased by RM35.8 million from RM8.1 million in the preceding year corresponding quarter to RM43.9 million in the current quarter from the construction business. As for the fashion retail business, it recorded marginal decrease of revenue of RM0.9 million.

Group profit before tax increased by RM1.5 million in the current quarter recorded at RM1.6 million as compared to preceding year corresponding quarter of RM0.1 million.

The profit after tax for the current quarter is RM0.1 million mainly due to tax provision for the financial year.

The fashion retail, however, recorded a net of tax loss of RM2.4 million in the current quarter compared to preceding year corresponding quarter of RM0.2 million in profit after tax mainly due to higher sales and distribution expenses, depreciation charges and payroll related cost.

(ii) Construction

The construction business achieved a turnover of RM43.9 million which was substantially higher than the preceding year corresponding quarter of RM8.1 million. This was mainly due to the on-going projects progressing with higher value of work done and thus higher progress billings and also commencement of new projects.

Gross profit margin was 8.6% as compared to 12.5% in the preceding year corresponding quarter mainly due to higher profit margin generated from infrastructure project. Profit before tax was recorded at RM1.6 million as compared to RM0.1 million in the preceding year corresponding quarter, despite an impairment loss on receivables of RM1.2 million in current quarter.

During the quarter under review, the construction business has secured two additional contracts with contract values ranging from RM10.0 million to RM21.0 million for infrastructure works at East Coast.

(iii) Fashion Retail

Current quarter fashion retail business revenue achieved RM31.5 million in current quarter compared with RM32.4 million in preceding corresponding quarter with marginal dropped of RM0.9 million; however this segment recorded a loss after tax of RM2.4 million in comparison quarter of profit after tax of RM0.2 million; mainly due to higher sale and distribution expenses, depreciation charges and payroll related cost.

Year-to-date

(i) Group

The Group's revenue for the construction business was RM124.2 million in the current year, an increase of RM97.7 million representing an increase of 368.2% from RM26.5 million in the preceding corresponding year. The discontinued fashion retail business was RM151.8 million in the current year, recorded an increase of RM17.6 million.

The Group profit before tax recorded at RM0.7 million during the year as compared to loss before tax of RM6.3 million in preceding corresponding year mainly due to the higher revenue. With the higher revenue from the construction business, the Group recorded a lower loss after tax at RM0.9 million in the current year as compared to previous corresponding year of RM6.4 million, mainly due to a strong contribution from the construction division of PBT RM5.9million.

(ii) Construction

The construction business segment recorded revenue of RM124.2 million due to higher value of work done of the projects on hand and commencement of new projects despite the termination of SUKE and Gambang project during the year, with a gross profit margin of 7.2%. Profit before tax was RM5.9 million in current year as compared to loss before tax of RM1.7 million recorded in the preceding corresponding year. This better result was achieved due to higher volume of progress work done and work commencement for a few contracts secured in the current financial year.

(iii) Fashion Retail

The discontinued business recorded an increase revenue from RM134.2 million to RM151.8 million. . The loss after tax of the fashion retail was RM4.3 million in the current year as compared to previous corresponding period recorded profit after tax of RM1.9 million mainly due to lower pricing which increased sales volume, higher sale and distribution expenses, depreciation, inventory written down and payroll related expenses in the current year.

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(Company No. 765218-V)

INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B2. Variation Of Results For The Current Quarter Against Immediate Preceding Quarter

	Current Quarter 31-Mar-19 RM'000	Immediate Preceding Quarter 31-Dec-18 RM'000	Change RM'000	%
Revenue from continuing operations	43,953	21,393	22,560	105%
Revenue from discontinued operations	31,494	31,815	(321)	-1%
Profit/(Loss) from operations	1,518	455	1,063	234%
Profit/(Loss) before taxation	1,617	560	1,057	189%
Profit/(Loss) after taxation	52	560	(508)	-91%
Profit/(Loss) net of tax from discontinued operations	(2,444)	266	(2,710)	-1019%
Comprehensive income/(loss) attributable to equity holders of the parent	(2,496)	241	(2,737)	-1136%

The Group recorded the construction revenue of RM43.9 million in the current quarter, representing a increase of 105% or RM22.6 million over the immediate preceding quarter. The increase was mainly due to the completion of two projects in Q4. As for the fashion retail, achieved a revenue RM31.5 million with marginal drop of RM0.3 million.

The gross profit margin for construction for the current quarter was 8.6% as compared to immediate preceding quarter of 9.4% mainly due to higher profit margin achieved for one of the special roofing job in spite of lower revenue in the immediate preceding quarter.

The higher profit before tax in current quarter of RM1.6 million as compared to RM0.6 million in the immediate preceding quarter mainly due to higher revenue in Q5. The Group's current quarter profit after tax was RM0.1 million as compared to profit after tax of RM0.6 million in the immediate preceding quarter.

The loss after tax of the fashion retail was RM2.4 million in the current quarter as compared to previous corresponding period quarter of RM0.3 million mainly due to inventory written down and payroll related expenses in the current year.

B3. Group's Prospects For Financial Year Ending 31 March 2019

In view of the increasingly tough business conditions and environment in the retail fashion business, the Group has on 18 February 2019 obtained approval from its shareholders to disposed 60% equity interest in Kumpulan Voir Sdn Bhd ("KVSB") for a total cash consideration of approximately RM32.62 million, to alleviate the financial burden of the Group in terms of earnings, gearing and to redirect the utilisation of resources to improve the returns to shareholders.

The Group's construction arm, Vertice Construction Sdn Bhd, through its wholly-owned subsidiary, Buildmarque Construction Sdn Bhd, was awarded a contract worth RM815 million for the construction of a by-pass from Bandar Baru Ayer Hitam connecting to Lebuhraya Tun Dr Lim Chong Eu (Package 2 of the Penang Mega Infrastructure Project) ("PMIP") in August 2018. The project is targeted to commence construction on 1 September 2019 and it is expected to contribute positively to the financials of the Group.

The Group will continue with its diversification into infrastructure and property investment to provide additional streams of earnings which is expected to enhance the Group's profitability and returns on shareholders' funds.

B4. Variance Of Profit Forecast

The Group did not issue any profit forecast for the current financial year.

INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

**PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD**

B5. Income Tax Expense

The breakdown of income tax expense is as follows:-

	Current Quarter	Year to Date
	31-Mar-19	31-Mar-19
	RM'000	RM'000
<u>Continuing Operations</u>		
Current year tax expense	1,565	1,566
<u>Discontinued Operations</u>		
Current year tax expense	35	95
Real Property Gain Tax ("RPGT")	-	32
Deferred tax expenses/(reversal)	(163)	(1,183)
	(128)	(1,056)

The RPGT arose from the disposal of a property unit in Penang in the previous financial year.

B6. Group Borrowings and Debt Securities

The Group's borrowings are as follows:-

	Quarter ended 31-March-2019			Quarter ended 31-March-2018		
	Secured Debt	Unsecured Debt	Total	Secured Debt	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Short-term borrowings</u>						
Finance lease liabilities	-	142	142	-	-	-
	-	142	142	-	-	-
<u>Long-term borrowings</u>						
Finance lease liabilities	-	526	526	-	-	-
	-	526	526	-	-	-

The Group does not have any foreign currency borrowings as at 31 March 2019. All borrowings indicated above are denominated in Ringgit Malaysia.

B7. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B8. Dividend Proposed

No dividend has been declared during the current quarter under review.

INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B9. Earnings Per Share ("EPS")

Basic EPS

The basic earnings per share of the Group is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

	Current Quarter Year to Date	
	31-Mar-19	31-Mar-19
	RM'000	RM'000
Earnings attributable to owners of the Company	(2,496)	(5,141)
Weighted average number of ordinary shares ('000)	184,785	184,785
Adjustment for assumed exercise of warrants ('000)	60,000	60,000
Adjustment for assumed exercise of Share Issuance Scheme ('000)	-	-
Adjustment weighted average number of ordinary shares issued and issuable ('000)	<u>244,785</u>	<u>244,785</u>
Earnings/(loss) per ordinary share (sen)		
Basic	(1.35)	(2.78)
Diluted	<u>(1.02)</u>	<u>(2.10)</u>

B10. Significant Event Subsequent to Reporting Period

(1) The Group's proposed on disposal of 60% equity interest in Kumpulan Voir Sdn Bhd ("KVSb") for a total cash consideration of approximately RM32.62 million to Mr Seow (Executive Deputy Chairman) and provision of financial assistance of RM13.1 million corporate guarantee for the banking facilities procured by KVSb were approved by shareholders during an EGM on 18 February 2019. The parties to the SPA have mutually agreed for extension of time on the fulfillment of conditions precedent.

(2) The Group has, through its joint venture company (JV Co), Buildmarque Construction Sdn Bhd (a 50:50 JV Co owned by Vertice Construction Sdn Bhd and Vizione Construction Sdn Bhd, a wholly-owned subsidiary of Vizione Holdings Berhad) on 31 January 2019 accepted the Letter of Award and its supplemental letter of award from Consortium Zenith Construction Sdn Bhd for the proposed construction of a by-pass from Bandar Baru Air Itam connecting to Lebuhraya Tun Dr Lim Chong Eu (ie. Package 2 of the Penang Mega Infrastructure Project) for a fixed contract sum of RM815.00 million. The proposal was approved by shareholders during an EGM on 21 March 2019.

B11. Status of Corporate Proposal Announced

The status of utilisation of the proceeds raised from the corporate proposal since Quarter 3, 2018 is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Yet to be utilised amount RM'000	%	Explanation (if "Yet to be utilised" is 5% or more)
(i) Construction project expenditure	36,075	16,301	24 months	19,774	55%	Note 1
(ii) Working capital	3,000	3,000	12 months			
(iii) Expenses to private placement	1,000	1,000	Immediate			

Note 1 : The corporate proposal has been completed as announced on 19 March 2019, raising a total of RM40.08mil. The proceeds allocated for construction project expenditure has a timeframe for utilisation until 23 September 2020.

B12. Authorization For Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 May 2019.