

VERTICE BERHAD

(Company No. 765218-V)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Quarter ended			Unaudited Year to date ended		
	30-Jun-19 RM'000	30-Jun-18 RM'000	Change %	30-Jun-19 RM'000	30-Jun-18 RM'000	Change %
Continuing Operations						
Revenue	11,639	4,257	173%	11,639	4,257	173%
Operating expenses	(11,573)	(5,347)	116%	(11,573)	(5,347)	116%
Amortisation & depreciation	(47)	-	-	(47)	-	-
Impairment loss on receivables	-	-	-	-	-	-
PPE written off	-	-	-	-	-	-
Inventories written-off	-	-	-	-	-	-
Inventories written down	-	-	-	-	-	-
Foreign exchange (loss)/gain	-	-	-	-	-	-
Profit/(Loss) from operations	19	(1,090)	-102%	19	(1,090)	-102%
Other operating income	-	-	-	-	-	-
Profit/(Loss) before interest	19	(1,090)	-102%	19	(1,090)	-102%
Interest Expenses	(4)	-	-	(4)	-	-
Interest Income	38	-	100%	38	-	100%
Profit/(Loss) before taxation	53	(1,090)	-105%	53	(1,090)	-105%
Income tax reversal / (expense)	(9)	(1)	-	(9)	(1)	-
Profit/(Loss) for the period from continuing operations	44	(1,091)	-104%	44	(1,091)	-104%
Discontinued Operations						
Loss net of tax, discontinued operations	(3,084)	1,354	-328%	(3,084)	1,354	-328%
Profit/(Loss) for the period	(3,040)	263	-1256%	(3,040)	263	-1256%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss)	(3,040)	263	-1256%	(3,040)	263	-1256%
Total comprehensive income/(loss) attributable to:						
Owners of the Company	(3,198)	177	-	(3,198)	177	-
Non-controlling interests	158	86	-	158	86	-
	(3,040)	263	-	(3,040)	263	-
Earning/(Loss) per share attributable to equity holders of the parent:						
Basic (sen)	-1.69	0.12	-	-1.69	0.12	-
Diluted (sen)	-1.17	0.08	-	-1.17	0.08	-

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 March 2019 and the accompanying explanatory notes attached to the interim consolidated Financial Statements.

VERTICE BERHAD

(Company No. 765218-V)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	As at 30-Jun-19 RM'000 (Unaudited)	As at 31-Mar-19 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,120	2,078
Other investments		9,860	9,860
		<u>11,980</u>	<u>11,938</u>
Current Assets			
Trade receivables	B7 (i)	46,640	69,050
Other receivables, deposits and prepayments	B7 (ii)	13,707	4,554
Contract assets		-	1
Tax recoverable		-	202
Cash and bank balances		5,529	18,096
		<u>65,876</u>	<u>91,903</u>
Asset held for sale		<u>73,761</u>	<u>76,756</u>
Total current assets		<u>139,637</u>	<u>168,659</u>
TOTAL ASSETS		<u>151,617</u>	<u>180,597</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		24,640	51,275
Other payables, deposits and accruals		1,707	977
Borrowings		142	142
		<u>26,489</u>	<u>52,394</u>
Non Current Liabilities			
Borrowings		491	526
Deferred tax liabilities		-	-
		<u>491</u>	<u>526</u>
Total Liabilities		<u>26,980</u>	<u>52,920</u>
Capital and reserves			
Share capital		114,097	114,097
Retained earnings		10,088	13,286
		<u>124,185</u>	<u>127,383</u>
Non-controlling interests		452	294
Total Equity		<u>124,637</u>	<u>127,677</u>
TOTAL EQUITY AND LIABILITIES		<u>151,617</u>	<u>180,597</u>
Net Asset per share (in RM)		<u>0.66</u>	<u>0.67</u>

The unaudited condensed consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to the interim consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019 (THE FIGURES HAVE NOT BEEN AUDITED)

	← Attributable to owners of the Company →					Total Equity RM'000
	← Non-Distributable →		← Distributable →		Non- controlling Interests RM'000	
	Share Capital RM'000	Share Options Reserve RM'000	Retained Earnings RM'000	Total RM'000		
As At 1 April 2019	114,097	-	13,286	127,383	294	127,677
Share option value	-	-	-	-	-	-
Non-exercise of share option	-	-	-	-	-	-
Shares issued during the year	-	-	-	-	-	-
Total comprehensive profit for the period	-	-	(3,198)	(3,198)	158	(3,040)
As At 30 June 2019	<u>114,097</u>	<u>-</u>	<u>10,088</u>	<u>124,185</u>	<u>452</u>	<u>124,637</u>
As At 1 April 2018	74,022	260	18,643	92,925	(241)	92,684
Share option value	-	259	-	259	-	259
Non-exercise of share option	-	-	-	-	-	-
Shares issued during the year	-	-	-	-	-	-
Total comprehensive profit for the period	-	-	177	177	86	263
As At 30 June 2018	<u>74,022</u>	<u>519</u>	<u>18,820</u>	<u>93,361</u>	<u>(155)</u>	<u>93,206</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 March 2019 and the accompanying explanatory notes attached to the interim consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2019

	Unaudited 30-Jun-19 RM'000	Unaudited 30-Jun-18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit /(Loss) before tax from continuing operations	53	(1,090)
Profit /(Loss) before tax from discontinued operations	(3,176)	1,400
Adjustments for:		
Amortisation & depreciation	883	56
Impairment loss/(reversal) on receivables	-	-
Equity share-based payment	-	259
Interest expenses	114	30
Interest income	(107)	(20)
Gain on disposal of a subsidiary	-	(2,179)
Gain on disposal of property, plant & equipment	-	-
Property, plant & equipment written off	3	(10)
Inventories written-off	207	-
Inventories written down	313	462
Unrealised loss/(gain) on foreign exchange	-	7
Operating profit/(loss) before working capital changes	(1,710)	(1,085)
Changes in working capital:		
Decrease/(Increase) in inventories	5,123	(15,221)
Decrease/(Increase) in receivables	11,320	(9,223)
Increase/(Decrease) in payables	(23,186)	20,721
Cash (used in)/from operations	(8,453)	(4,808)
Interest paid	(114)	(30)
Interest received	107	20
Income tax paid	(4,130)	(291)
Cash (used in)/from operating activities	(12,590)	(5,109)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in other investment	-	-
Proceeds from disposal of a subsidiary	-	21,000
Proceeds from disposal of property, plant & equipment	-	-
Purchase of property, plant & equipment	(3,203)	(1,176)
Net cash used in investing activities	(3,203)	19,824
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(98)	(2,524)
Proceeds from issue of share capital	-	-
Proceeds from bank borrowings	801	-
Repayment of BA	(1,735)	(1,873)
Net cash used in financing activities	(1,032)	(4,397)
Net changes in cash and cash equivalents	(16,825)	10,318
Effect of exchange rate changes	-	(7)
Cash and cash equivalents brought forward	33,386	421
Cash and cash equivalents carried forward	16,561	10,732
Continuing operations		
Money market placement	3,200	-
Cash and bank balances	2,329	964
Discontinued operations		
Fixed deposits	8,035	7,000
Cash and bank balances	3,076	3,061
Bank overdrafts	(79)	(293)
	16,561	10,732

The unaudited condensed consolidated Statement of Cash Flow should be read in conjunction with the audited Financial Statements for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to the interim consolidated Financial Statements.

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 first quarter ended 31 March 2020 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 March 2019 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 March 2019, 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 March 2019 was not subject to any qualification.

A3. Seasonal Or Cyclical Factors

The construction business of the Group is not affected by any seasonal or cyclical factors, whereas the fashion retail business is 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 PERIOD ENDED 30 JUNE 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	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Constructions	11,639	4,257	462	77
Investment holdings and others	-	-	(409)	(1,167)
	11,639	4,257	53	(1,090)
Discontinued Operations				
Apparels, footwear & accessories	29,170	32,046	(3,176)	1,658
Beauty & Wellness	-	-	-	-
	29,170	32,046	(3,176)	1,658
Disposal				
Apparels, footwear & accessories	-	18,289	-	(258)
Consolidated	29,170	50,335	(3,176)	1,400

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. Commitments

There were no material capital commitments approved or contracted for as at 30 June 2019, except for the following:-

	As at	As at
	30-Jun-19	31-Mar-19
	RM'000	RM'000
Future minimum lease payment:		
- not later than 1 year	342	54
- later than 1 year and not later than 5 years	421	-
	763	54

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30 June 2019**

	Quarter ended		Changes RM'000	Year To Date Ended		Changes RM'000
	30-Jun-19 RM'000	30-Jun-18 RM'000		30-Jun-19 RM'000	30-Jun-18 RM'000	
Continuing operations						
Revenue from continuing operations - Construction	11,639	4,257	7,382	11,639	4,257	7,382
Profit/(Loss) before taxation	53	(1,090)	1,143	53	(1,090)	1,143
Profit/(Loss) after taxation	44	(1,091)	1,135	44	(1,091)	1,135
Discontinued Operations						
Revenue from discontinued operations - Fashion Retail	29,170	32,046	(2,876)	29,170	32,046	(2,876)
Profit/(Loss) net of tax from discontinued operations	(3,084)	1,354	(4,438)	(3,084)	1,354	(4,438)
Comprehensive income/(loss) attributable to equity holders of the parent	(3,198)	177	(3,375)	(3,198)	177	(3,375)

Current Quarter**(i) Construction**

The construction business recorded a turnover of RM11.6 million in the current quarter which was higher than the preceding year corresponding quarter of RM4.3 million. The revenue in the current period was higher mainly due to projects progressing with higher value of work done.

Profit before tax was recorded at RM0.1 million in the current quarter compared to loss before tax of RM1.1 million in the preceding year corresponding quarter in tandem with increase in revenue.

(ii) Fashion Retail

Fashion retail business revenue achieved RM29.2 million in current quarter compared with RM32.1 million in preceding year corresponding quarter with marginal drop of RM2.9 million; however this segment recorded a loss after tax of RM3.1 million in the current quarter compared to preceding year corresponding quarter profit after tax of RM1.4 million; mainly due to lower sales achieved, higher selling, distribution and payroll expenses incurred.

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30-Jun-19 RM'000	Immediate Preceding Quarter 31-Mar-19 RM'000	Change RM'000	%
Continuing operations				
Revenue from continuing operations - Construction	11,639	44,486	(32,847)	-74%
Profit/(Loss) from operations	19	1,524	(1,505)	-99%
Profit/(Loss) before taxation	53	1,825	(1,772)	-97%
Profit/(Loss) after taxation	44	(71)	115	-162%
Discontinued Operations				
Revenue from discontinued operations - Fashion Retail	29,170	31,494	(2,324)	-7%
Profit/(Loss) net of tax from discontinued operations	(3,084)	(2,373)	(711)	30%
Comprehensive income/(loss) attributable to equity holders of the parent	(3,198)	(2,680)	(518)	19%

The Group recorded the construction revenue of RM11.6 million in the current quarter, representing a decrease RM32.8 million over the immediate preceding quarter, this was mainly due to a project which contributed approximately RM30 million fully executed and completed in the immediate preceding quarter.

The profit before tax in current quarter of RM0.1 million as compared to profit before tax of RM1.8 million in the immediate preceding quarter was mainly due to the lower revenue. The Group's current quarter profit after tax was RM44,000 as compared to loss after tax of RM71,000 in the immediate preceding quarter.

The loss after tax of the fashion retail was RM3.1 million in the current quarter as compared to the immediate preceding quarter of RM2.4 million mainly due to lower sales achieved.

B3. Group's Prospects For Financial Period Ending 30 June 2019

The Group's outstanding order book stands at approximately RM1 billion which includes the PMIP project mentioned below.

The Group's construction arm, Vertice Construction Sdn Bhd, through its 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 within this financial year and it is expected to contribute positively to the financials of the Group.

Based on the above and barring any unforeseen circumstances, Vertice expects to perform satisfactorily in the coming years.

B4. Variance Of Profit Forecast

The Group did not issue any profit forecast or profit guarantee during the current financial year under review.

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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
	30-Jun-19	30-Jun-19
	RM'000	RM'000
Continuing Operations		
Current year tax expense	9	9
Discontinued Operations		
Current year tax expense	18	18
Real Property Gain Tax ("RPGT")	-	-
Deferred tax expenses/(reversal)	(110)	(110)
	(92)	(92)

B6. Group Borrowings and Debt Securities

The Group's borrowings are as follows:-

	Quarter ended 30-June-2019			Quarter ended 30-June-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	-	491	491	-	-	-
	-	491	491	-	-	-

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

B7. Receivables, deposits and prepayments

The ageing analysis of the Group's trade receivables and other receivables breakdown are as follows:-

	As at	As at
	30-Jun-19	31-Mar-19
	RM'000	RM'000
(i) Trade receivables from contracts with customers	47,865	70,275
Less: Impairment losses	(1,225)	(1,225)
	46,640	69,050
(ii) Other receivables	4,997	1,297
Deposits and prepayments	8,592	3,085
Input tax claimable	118	172
	13,707	4,554

B8. 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.

B9. Dividend Proposed

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

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INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019**PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B10. 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

	Current Quarter	Year to Date
	30-Jun-19	30-Jun-19
	RM'000	RM'000
Earnings attributable to owners of the Company	<u>(3,198)</u>	<u>(3,198)</u>
Number of ordinary shares ('000)	188,760	188,760
Adjustment for assumed exercise of warrants ('000)	60,000	60,000
Adjustment for assumed exercise of Share Issuance Scheme ('000)	<u>25,486</u>	<u>25,486</u>
Adjustment for assumed number of ordinary shares issued and issuable ('000)	<u>274,246</u>	<u>274,246</u>
Earnings/(loss) per ordinary share (sen)		
Basic	(1.69)	(1.69)
Diluted	<u>(1.17)</u>	<u>(1.17)</u>

B11. Significant Event Subsequent to Reporting Period

(1) The Group's proposed 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) On 1 July 2019, the Group announced that it had submitted an application to Bursa Securities for the Proposed Private Placement which entails the issuance of up to 25,485,800 Placement Shares, representing not more than 10% of the enlarged issued share capital of the Company after taking into consideration the existing number of issued shares of 188,760,000 shares and assuming full exercise of the outstanding warrants and outstanding SIS options into new Company shares. Subsequently on 17 July 2019, Bursa Securities had approved the listing and quotation of up to 25,485,800 Placement Shares to be issued pursuant to the Proposed Private Placement.

B12. 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	30,546	24 months	5,529	15%	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.

B13. 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 August 2019.