

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2017**

	Note	Quarter Ended			Year-To-Date Ended		
		31/12/2017 RM	31/12/2016 RM	Changes %	31/12/2017 RM	31/12/2016 RM	Changes %
Revenue	A9	30,453,593	21,738,043	40.1	104,035,297	120,277,634	(13.5)
Cost of sales		(24,354,297)	(15,346,760)	58.7	(80,031,639)	(90,126,662)	(11.2)
Gross profit		6,099,296	6,391,283	(4.6)	24,003,658	30,150,971	(20.4)
Other income	A10	7,370,024	198,593	3,611.1	12,990,578	883,526	1,370.3
Administrative expenses		(4,441,787)	(3,379,088)	31.4	(13,731,382)	(14,328,430)	(4.2)
Selling and distribution expenses		(998,162)	(503,069)	98.4	(3,475,297)	(4,119,283)	(15.6)
Depreciation and amortisation		(83,414)	(386,311)	(78.4)	(1,502,959)	(2,846,458)	(47.2)
Other operating expenses		(2,404,365)	(1,115,580)	115.5	(3,224,899)	(10,956,952)	(70.6)
Profit/(loss) from operations		5,541,592	1,205,828	359.6	15,059,700	(1,216,626)	1,337.8
Finance costs		(203,989)	(1,679,417)	(87.9)	(835,843)	(2,250,517)	(62.9)
Share of results of associates, net of tax		51,689	536,785	(90.4)	813,523	869,327	(6.4)
Profit/(loss) before tax		5,389,292	63,196	8,427.9	15,037,380	(2,597,816)	678.8
Income tax expense	B4	435,235	(247,602)	275.8	(526,252)	(2,887,406)	(81.8)
Profit/(loss) for the period		5,824,527	(184,405)	3,258.5	14,511,127	(5,485,222)	364.5
Other comprehensive income/(loss):							
Items that may be subsequently reclassified to profit or loss:							
Revaluation surplus		944,408	-	-	944,408	-	-
Tax effect on revaluation surplus		(85,962)	-	-	(85,962)	-	-
Exchange translation differences		266,144	(141,027)	288.7	(585,382)	(974,784)	(39.9)
Total comprehensive income/(loss)		6,949,117	(325,432)	2,235.3	14,784,191	(6,460,006)	328.9
Profit/(loss) attributable to:							
Owners of the Company		5,586,738	(563,595)	1,091.3	13,178,619	(9,723,921)	235.5
Non-controlling interest		237,789	379,189	(37.3)	1,332,508	4,238,699	(68.6)
Profit/(loss) for the period		5,824,527	(184,405)	3,258.5	14,511,127	(5,485,222)	364.5
Total comprehensive income/(loss) attributable to:							
Owners of the Company		6,711,328	(704,622)	1,052.5	13,451,683	(10,698,705)	225.7
Non-controlling interest		237,789	379,189	(37.3)	1,332,508	4,238,699	(68.6)
Total comprehensive income/(loss)		6,949,117	(325,432)	2,235.3	14,784,191	(6,460,006)	328.9
Earnings/(loss) Per Share attributable to owners of the Company:							
	Note	Sen per share	Sen per share		Sen per share	Sen per share	
Basic	B9	1.18	(0.12)		2.78	(2.01)	
Diluted	B9	-	-		-	-	

The above unaudited condensed consolidated statement of profit or loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	As at 31/12/2017 RM	As at 31/12/2016 RM (Audited)
Assets			
Property, plant and equipment	A12	8,350,022	13,306,846
Investment in associate, quoted		-	11,629,247
Investment in associate, unquoted		1,355,925	718,172
Other investment, unquoted		14,794	15,204
Development costs		-	1,813,059
Goodwill on consolidation		33,447,524	34,126,122
Deferred tax assets		-	339,000
Non-current assets		43,168,265	61,947,650
Property development cost		47,854,766	81,272,845
Inventories		28,271,678	6,010,694
Accrued billings		3,781,857	11,216,282
Trade receivables		28,990,571	22,341,257
Other receivables		2,267,960	2,880,249
Amount due from directors		-	3,563,019
Amount due from related party		36,227	78,000
Tax recoverable		1,568,705	777,654
Dividend receivable		1,060,831	1,060,831
Fixed deposit with licensed banks		19,988,117	1,693,174
Cash and bank balances		11,987,751	12,956,623
Current assets		145,808,463	143,850,628
Total assets		188,976,728	205,798,278
Equities and liabilities			
Share capital	A6	62,849,846	48,311,571
Share premium	A6	-	14,538,275
Treasury shares, at cost	A7	(2,006,102)	(1,497,290)
Other reserves		1,109,451	1,109,451
Foreign exchange fluctuation reserve		806,312	1,391,694
Revaluation reserve	A12	4,548,634	6,160,852
Retained earnings		55,623,145	40,021,750
Equity attributable to owners of the Company		122,931,286	110,036,303
Non-controlling interest		37,413,504	42,030,530
Total equity		160,344,790	152,066,833
Long-term borrowings	B6	1,800,671	8,309,693
Deferred tax liabilities		88,168	1,091,691
Non-current liabilities		1,888,839	9,401,384
Trade payables		13,200,050	26,587,772
Other payables		8,613,872	4,444,048
Amount due to directors		-	8,000
Amount due to related parties		116,942	2,002,632
Short-term borrowings	B6	4,499,801	10,900,094
Tax payable		312,434	387,515
Current liabilities		26,743,099	44,330,061
Total liabilities		28,631,938	53,731,445
Total equity and liabilities		188,976,728	205,798,278
		Sen	Sen
Net assets per share attributable to owners of the Company		25.45	22.78
Net tangible assets per share		18.52	15.34

The above unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 2017**

NOTE	Attributable to owners of the Company					Distributable				
	Share Capital RM	Share Premium RM	Treasury Shares RM	Other Reserves RM	Foreign Exchange Fluctuation Reserve RM	Revaluation Reserve RM	Retained Earnings RM	Total RM	Non Controlling Interest (NCI) RM	Total Equity RM
Balance as at 1 January 2016	48,311,571	14,538,275	(1,098,173)	1,109,451	2,366,478	6,160,852	52,138,989	123,527,443	22,751,871	146,279,314
Total Comprehensive income/(loss) for the year	-	-	-	-	(974,784)	-	(9,723,921)	(10,698,705)	4,238,699	(6,460,006)
<i>Transactions with owners:</i>										
Shares repurchased	-	-	(394,070)	-	-	-	-	(394,070)	-	(394,070)
Transaction costs	-	-	(5,047)	-	-	-	-	(5,047)	-	(5,047)
Issuance of preference shares	-	-	-	-	-	-	-	-	15,079,960	15,079,960
Dividend paid	-	-	-	-	-	-	(2,393,318)	(2,393,318)	(40,000)	(2,433,318)
Total transactions with owners	-	-	(399,117)	-	-	-	(2,393,318)	(2,792,435)	15,039,960	12,247,525
Balance as at 31 December 2016	48,311,571	14,538,275	(1,497,290)	1,109,451	1,391,694	6,160,852	40,021,750	110,036,303	42,030,530	152,066,833
Balance as at 1 January 2017	48,311,571	14,538,275	(1,497,290)	1,109,451	1,391,694	6,160,852	40,021,750	110,036,303	42,030,530	152,066,833
Total Comprehensive income/(loss) for the year	-	-	-	-	(585,382)	-	13,178,619	12,593,237	1,332,508	13,925,745
<i>Transactions with owners:</i>										
Realisation of revaluation reserve on disposal of property, plant and equipment	-	-	-	-	-	(2,422,776)	2,422,776	-	-	-
Revaluation reserve	-	-	-	-	-	810,558	-	810,558	-	810,558
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(333,534)	(333,534)
Shares repurchased	-	-	(503,464)	-	-	-	-	(503,464)	-	(503,464)
Transaction costs	-	-	(5,348)	-	-	-	-	(5,348)	-	(5,348)
Redeemed of preference shares	-	-	-	-	-	-	-	-	(5,616,000)	(5,616,000)
Transfer in accordance with Section 618(2) of the Companies Act 2016	A6 14,538,275	(14,538,275)	-	-	-	-	-	-	-	-
Total transactions with owners	14,538,275	(14,538,275)	(508,812)	-	-	(1,612,218)	2,422,776	301,746	(5,949,534)	(5,647,788)
Balance as at 31 December 2017	62,849,846	-	(2,006,102)	1,109,451	806,312	4,548,634	55,623,145	122,931,286	37,413,504	160,344,790

The above 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 2016 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 2017**

	12 MONTHS ENDED 31/12/2017 RM	12 MONTHS ENDED 31/12/2016 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	15,037,380	(2,597,816)
Adjustments for:-		
Amortisation of development costs	1,013,846	1,080,719
Amortisation of other investment	410	410
Bad debts written off	-	3,773
Depreciation of Property, Plant and Equipment ("PPE")	488,703	1,765,329
Gain on disposal investment	(333,533)	(13,446)
Gain on disposal of associate	(12,348,072)	180,743
Loss on disposal of a subsidiary	1,169,352	3,773,646
Development cost written off	1,619,956	-
Goodwill written off	678,598	4,636,472
Impairment loss on other & trade receivables	917,897	237,422
Interest income	(293,509)	(185,212)
Inventories written off	695,801	1,588,663
Inventories written down	-	629,535
Interest expense	835,843	2,250,517
PPE written off	177,961	19,288
Reversal of impairment loss on trade receivables	-	(3,822)
Share of results of associates, net of tax	(813,523)	(869,327)
Unrealised gain on foreign exchange	-	(11,999)
	<hr/>	<hr/>
Operating profit before working capital changes	8,847,110	12,484,895
Property development activities	33,418,079	(23,735,089)
Inventories	(22,956,786)	2,332,273
Trade and other receivables	(7,836,243)	20,659,649
Trade and other payables	(12,235,329)	(11,743,656)
Directors	3,563,019	1,143,291
Related parties	(962,596)	6,854,970
Progress billing / Accrued billing	7,434,425	(6,934,721)
	<hr/>	<hr/>
CASH FROM OPERATIONS	9,271,679	1,061,612
Tax paid	<u>(1,246,349)</u>	<u>(3,827,619)</u>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<hr/> <u>8,025,330</u>	<hr/> <u>(2,766,007)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Advances from associates	-	105,077
Repayment to directors	(8,000)	(1,392,040)
Net cash inflow from disposal of subsidiary	700,000	1,320,715
Development costs incurred	(820,743)	(737,998)
Interest received	293,509	185,212
Proceeds from disposal of associate	25,169,801	1,125,142
Dividend received from associates companies	-	38,652
Proceeds from disposal of PPE	4,500,000	51,519
Uplift of fixed deposit	-	970,960
Purchase of property, plant and equipment (Redemption)/subscriptions of the redeemable non-convertible preference shares in subsidiaries by non-controlling interest	(79,514) (5,616,000)	 (447,466) 15,079,960
	<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES	<hr/> <u>24,139,053</u>	<hr/> <u>16,299,733</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(835,843)	(1,639,780)
Net repayment of term loan and short term borrowing	(12,688,370)	(5,692,902)
Purchase of treasury shares	(503,464)	(394,070)
Repayment of hire purchase and finance lease payables	(220,945)	(896,484)
Dividend paid to shareholders	-	(2,393,318)
Dividend paid to non-controlling interest	-	(40,000)
Share issuance expenses	(5,348)	(5,047)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	<hr/> <u>(14,253,970)</u>	<hr/> <u>(11,061,601)</u>
Effect of foreign exchange translation	<u>(85,654)</u>	<u>(875,567)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,824,759	1,596,558
Foreign exchange fluctuation reserve	(498,688)	(163,457)
CASH AND CASH EQUIVALENTS B/F	14,649,797	12,716,477
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS C/	<hr/> <u>31,975,868</u>	<hr/> <u>14,149,578</u>
NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise:		
Cash and bank balances	11,987,751	12,956,623
Fixed deposit with licensed banks	19,988,117	1,693,174
Less: Overdraft	-	(500,219)
	<hr/> <u>31,975,868</u>	<hr/> <u>14,149,578</u>

The above unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2017**

PART A – EXPLANATORY NOTES PERSUANT TO FRS 134

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

This condensed consolidated financial statements (*Condensed Report*) has been prepared in accordance with Financial Reporting Standards (*FRSs*) 134 *Interim Financial Reporting*, International Accounting Standard (*IAS*) 34 *Interim Financial Reporting* and the requirement of the Companies Act 2016 in Malaysia, where applicable.

This Condensed Report has also been prepared in accordance with paragraph 9.22 (Appendix 9B part A) of the Main Market listing requirement of Bursa Malaysia Securities Berhad (*Bursa Securities*).

This Condensed Report should be read in conjunction with Grand-Flo Berhad (*Grand-Flo*, the *Company* or the *Group*) audited consolidated financial statements for the financial year ended (*YE*) 31 December 2016. The explanatory notes attached to the Condensed Report provide an explanation of event and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

The accounting policies and methods of computation adopted for this Condensed Report is consistent with those adopted in the annual financial statements for the financial year ended 31 December 2016 except for the adoption of the following new FRSs, amendments to FRSs and IC Interpretations that are effective for financial statements effective from 1 January 2017, as disclosed below:

Amendments to FRS effective 1 January 2017	
Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRS 12	Annual Improvements to FRS Standards 2014-2016 Cycle

The adoption of the above amendments to FRSs does not have any significant impact to the Group.

The Group has not applied the following new FRSs, new interpretations and Amendments to FRSs that have been issued by the MASB which are not yet effective for the Group.

MFRSs and IC Interpretations	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2017**

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2016 was not subject to any qualification.

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

There were no unusual items during this quarter.

A4. SEASONAL OR CYCLICAL FACTORS

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

A5. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter results.

A6. SHARE CAPITAL AND SHARE PREMIUM

Included in share capital is share premium amounting to RM14,538,275 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

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 financial period ended 31 December 2017 save for the following:-

Details of treasury shares held

	Number of Treasury Shares
Balance as at 30 September 2017	7,268,800
Repurchased during the quarter ended 31 December 2017	701,200
Balance as at 31 December 2017	<u>7,970,000</u>

A8. DIVIDEND PAID

There was no dividend paid during the quarter under review.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2017**

A9. OPERATING REVENUE

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR THE QUARTER

	Malaysia			Others [#]			Total		
	31/12/2017	31/12/2016	Changes	31/12/2017	31/12/2016	Changes	31/12/2017	31/12/2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Major segments:									
EDCCS* & Labels	20,189	14,210	42.1	3,318	4,322	(23.2)	23,507	18,532	26.8
Properties	6,947	3,206	116.7	-	-	-	6,947	3,206	116.7
Total revenue	27,136	17,416	55.8	3,318	4,322	(23.2)	30,454	21,738	40.1

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR YEAR-TO-DATE

	Malaysia			Others [#]			Total		
	31/12/2017	31/12/2016	Changes	31/12/2017	31/12/2016	Changes	31/12/2017	31/12/2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Major segments:									
EDCCS* & Labels	62,055	54,807	13.2	11,807	13,084	(9.8)	73,862	67,891	8.8
Properties	30,173	52,387	(42.4)	-	-	-	30,173	52,387	(42.4)
Total revenue	92,228	107,194	(14.0)	11,807	13,084	(9.8)	104,035	120,278	(13.5)

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

Based on an exchange rate of HKD100 : RM51.80, being the middle rate quoted by the Bank Negara Malaysia ("BNM") as at 29 December 2017.

A10. OTHER INCOME

	Quarter Ended			Year-To-Date Ended		
	31/12/2017	31/12/2016	Changes	31/12/2017	31/12/2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Interest income	151	65	132.3	294	185	58.9
Gain/(loss) on foreign exchange	(31)	(44)	(29.5)	79	147	(46.3)
Gain on disposal of property plant & equipment ("PPE")	6	7	(14.3)	6	34	(82.4)
Net gain on disposal of an associate	7,193	-	-	12,348	-	-
Rental income	35	61	(42.6)	136	404	(66.3)
Miscellaneous income	16	110	(85.5)	128	114	12.3
Total other income	7,370	199	3603.5	12,991	884	1369.6

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2017**

A11. OTHER SEGMENTAL INFORMATION

OPERATING SEGMENT BY PRODUCT FOR THE QUARTER

	EDCCS & Labels			Properties			Total		
	31/12/2017 RM'000	31/12/2016 RM'000	Changes %	31/12/2017 RM'000	31/12/2016 RM'000	Changes %	31/12/2017 RM'000	31/12/2016 RM'000	Changes %
Revenue (note A9)	23,507	18,532	26.8	6,947	3,206	116.7	30,454	21,738	40.1
Other income (note A10)	7,369	191	3758.1	1	8	(87.5)	7,370	199	3603.5
Direct cost	(23,389)	(16,855)	38.8	(6,306)	(749)	741.9	(29,695)	(17,604)	68.7
Segment profit/(loss)	7,487	1,868	300.8	642	2,465	(74.0)	8,129	4,333	87.6
Finance cost	(178)	(381)	(53.3)	(26)	(1,298)	-	(204)	(1,679)	(87.8)
Depreciation and amortisation	(83)	(386)	(78.5)	-	-	-	(83)	(386)	(78.5)
Inventories written off/down	(301)	(2,218)	(86.4)	-	-	-	(301)	(2,218)	(86.4)
Impairment on other & trade receivables	(859)	(237)	262.4	-	-	-	(859)	(237)	262.4
Disposal on PPE	(175)	(19)	821.1	-	-	-	(175)	(19)	821.1
Share of results of associates	52	537	(90.3)	-	-	-	52	537	(90.3)
Loss on disposal of subsidiary	(1,169)	-	-	-	-	-	(1,169)	-	-
Income tax expenses	585	(130)	550.0	(150)	(385)	(61.0)	435	(515)	184.5
Segmental profit/(loss) after taxation	5,359	(966)	654.8	466	782	(40.4)	5,825	(184)	3265.8

OPERATING SEGMENT BY PRODUCT FOR YEAR-TO-DATE

	EDCCS & Labels			Properties			Total		
	31/12/2017 RM'000	31/12/2016 RM'000	Changes %	31/12/2017 RM'000	31/12/2016 RM'000	Changes %	31/12/2017 RM'000	31/12/2016 RM'000	Changes %
Revenue (note A9)	73,862	67,891	8.8	30,173	52,387	(42.4)	104,035	120,278	(13.5)
Other income (note A10)	12,913	861	1399.8	78	23	239.1	12,991	884	1369.6
Direct cost	(70,886)	(73,214)	(3.2)	(26,617)	(39,892)	(33.3)	(97,503)	(113,106)	(13.8)
Segment profit/(loss)	15,889	(4,462)	456.1	3,634	12,518	(71.0)	19,523	8,056	142.3
Finance cost	(810)	(952)	(14.9)	(26)	(1,297)	(98.0)	(836)	(2,249)	(62.8)
Depreciation and amortisation	(1,503)	(2,846)	(47.2)	-	-	-	(1,503)	(2,846)	(47.2)
Inventories written off/down	(696)	(2,218)	(68.6)	-	-	-	(696)	(2,218)	(68.6)
Impairment on other & trade receivables	(918)	(237)	287.3	-	-	-	(918)	(237)	287.3
Disposal on PPE	(178)	(19)	836.8	-	-	-	(178)	(19)	836.8
Share of results of associates	814	689	18.1	-	-	-	814	689	18.1
Loss on disposal of subsidiary	(1,169)	(3,774)	(69.0)	-	-	-	(1,169)	(3,774)	(69.0)
Income tax expenses	296	(198)	249.5	(822)	(2,689)	(69.4)	(526)	(2,887)	(81.8)
Segmental profit/(loss) after taxation	11,725	(14,017)	183.6	2,786	8,532	(67.3)	14,511	(5,485)	364.6

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A11. OTHER SEGMENTAL INFORMATION (CONT'D)

Other than the items mentioned above which have been included in the statement of comprehensive income, there were no other income including investment income, provision for and write off of receivables and inventories, gain or loss on disposal of unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter ended 31 December 2017.

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 2016 except:-

- a) During the quarter ended 30 September 2017, Labels Network Sdn. Bhd. (NSB), a wholly-owned subsidiary of Grand-Flo entered into a Sale and Purchase Agreement for the disposal of property which resulted a loss on disposal of RM0.2 million. The loss on disposal of property is determined by comparing the proceeds from disposal with the carrying amount of property and is recognised as expense in the income statements. The amounts included in the revaluation surplus reserve are then transferred to retained earnings.
- b) As at 31 December 2017, a valuation surplus of RM0.8 million arising from appraisal of land and building was credited to Revaluation Reserve in equity.

Other than the above, 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

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 material changes in the composition of the Group for the financial period ended 31 December 2017 for the current quarter under review except for the following:-

- a) Grand-Flo had on 19 October announced to Bursa securities that the Company proposed disposal of entire shareholding comprising 48,899,373 Simat Shares, representing approximately 12.31% equity interest in Simat, at a disposal price of Thai Baht (THB) 2.70 per shares for a total cash consideration of THB132,028,307 (equivalent to approximately RM16,715,840) (Proposed Disposal of Simat Shares);

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

The Proposed Disposal of Simat Shares had been completed on 9 November 2017 and Simat ceased to be an associate company of Grand-Flo.

- b) LNSB had on 19 October 2017 entered into a Share Sale Agreement with Mr. Tan Huai Wei and Mr. Hong Han Sua for the disposal of the Company's entire shareholding comprising 240,000 ordinary shares and representing 80% of the issued and paid-up share capital of Kopacklabels (Pg) Sdn Bhd (~~(KPSB)~~) for a cash consideration of RM700,000.00. (~~(Proposed Disposal of KPSB Shares)~~)

The Proposed Disposal of KPSB Shares had been completed on 7 November 2017 and KPSB ceased to be a subsidiary company of Grand-Flo.

A15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets of the Group during the quarter under review.

A16. CAPITAL COMMITMENTS

There were no material commitments as at the end of the current quarter under review.

A17. RELATED PARTY TRANSACTIONS

There were no related party transactions which would have a material impact on the financial position and the business of the Group during the current quarter under review except for the following:-

	Quarter ended 31/12/2017 RM'000	Year-To-Date ended 31/12/2017 RM'000
Management fees to a related party	92	752
Sales to a related party	53	401
Purchase from a related party	1	37

The above related party transactions are recurrent transactions of a revenue or trading nature and are at arm's length entered in the ordinary course of business on terms not more favourable to the related party than those generally available to the public.

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A18. STATUS OF UTILISATION OF PROCEEDS

- a) Grand-Flo had on 20 June 2017 and 23 June 2017 disposed of 5.79% of share investment (23,000,000 ordinary shares of Baht 1.00 each) in Simat for a total cash consideration of RM9,150,776 (THB76,590,000). The sale proceeds had been used to repay a 2-year term loan of RM7,500,000. The status of utilisation of the sale proceeds is as follows:

	Projected proceeds utilisation RM'000	Actual proceeds utilisation RM'000	Balance RM'000
Utilisation up to 31.12.2017			
Working Capital	1,651	1,651	-
2-year term loan	7,500	7,500	-
Total	9,151	9,151	-

- b) Grand-Flo had on 19 October 2017, 3 November 2017 and 7 November 2017 disposed of entire shareholding comprising 48,899,373 Simat Shares, representing approximately 12.31% equity interest in Simat, at a disposal price of THB2.70 per shares for a total cash consideration of RM16,019,025 (THB132,028,307). The status of utilisation of the sale proceeds is as follows:

	Projected proceeds utilisation RM'000	Actual proceeds utilisation RM'000	Balance RM'000
Utilisation up to 31.12.2017			
Working Capital	16,019	-	16,019
Total	16,019	-	16,019

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PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MAIN MARKET

B1. REVIEW OF OVERALL PERFORMANCE

	Quarter Ended			Year-To-Date Ended		
	31/12/2017 RM'000	31/12/2016 RM'000	Changes %	31/12/2017 RM'000	31/12/2016 RM'000	Changes %
Revenue	30,454	21,738	40.1	104,035	120,278	(13.5)
Cost of sales	(24,354)	(15,347)	58.7	(80,032)	(90,127)	(11.2)
Gross profit	6,100	6,391	(4.6)	24,003	30,151	(20.4)
Profit/(loss) before taxation ("PBT"/"LBT")	5,389	63	8454.0	15,037	(2,598)	678.8
Profit/(loss) after taxation ("PAT"/ "LAT")	5,825	(184)	3265.8	14,511	(5,485)	364.6

The Group recorded revenue of RM30.5 million (2016: RM21.7 million) and PBT of RM5.4 million (2016: RM0.1 million) for the quarter under review.

The Group's revenue for the current quarter ended 31 December 2017 increased by 40.1% to RM30.5 million as compared to the previous year's corresponding quarter mainly contributed by stronger sales in the Properties and EDCCS segments due to improved demand for both segments.

The Group's PBT of RM5.4 million for the current quarter ended 31 December 2017 was increased by 8454.0% as compared to the previous year's corresponding quarter of RM0.1 million. The current quarter's PBT included a gain on disposal of associates of RM7.2 million, a charge of impairment of subsidiaries of RM1.2 million and a charge of impairment of other receivable of RM0.7 million. Had the gain and impairments been excluded, the PBT would have been RM0.1 million.

B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS

i) EDCCS & Labels

	Quarter Ended			Year-To-Date Ended		
	31/12/2017 RM'000	31/12/2016 RM'000	Changes %	31/12/2017 RM'000	31/12/2016 RM'000	Changes %
Revenue	23,507	18,532	26.8	73,862	67,891	8.8
Cost of sales	(18,767)	(13,586)	38.1	(56,099)	(52,524)	6.8
Gross profit	4,740	4,946	(4.2)	17,763	15,367	15.6
Profit/(loss) before taxation ("PBT"/"LBT")	4,773	(970)	592.1	11,429	(13,812)	182.7
Profit/(loss) after taxation ("PAT"/ "LAT")	5,359	(966)	654.8	11,725	(14,017)	183.6

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B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS (CONT'D)

i) EDCCS & Labels (cont'd)

For the current quarter under review, EDCCS and labels division recorded an increase in revenue of 26.8% as compared with the previous year's corresponding quarter. This was mainly contributed by strong sales in certain public utilities, FMCG and semi-conductors sectors of Grand-Flo's EDCCS segment.

The division posted a PBT of RM4.8 million as compared to the PBT of RM1.7 million in preceding quarter mainly due to a gain on disposal of associates of RM7.2 million, a charge of impairment of subsidiaries of RM1.2 million and a charge of impairment of other receivable of RM0.7 million.

With the exclusion of the gain and impairments, the LBT would have been RM1.0 million for the current quarter as compared to PBT of RM1.7 million in the preceding quarter.

ii) Property Development

	Quarter Ended			Year-To-Date Ended		
	31/12/2017 RM'000	31/12/2016 RM'000	Changes %	31/12/2017 RM'000	31/12/2016 RM'000	Changes %
Revenue	6,947	3,206	116.7	30,173	52,387	(42.4)
Cost of sales	(5,587)	(1,761)	217.3	(23,933)	(37,603)	(36.4)
Gross profit	1,360	1,445	(5.9)	6,240	14,784	(57.8)
Profit before taxation ("PBT")	616	1,033	(40.4)	3,608	11,214	(67.8)
Profit after taxation ("PAT")	466	782	(40.4)	2,786	8,532	(67.3)

Property development division's revenue for the quarter under review/financial year-to-date was mainly derived from the progress billings of The Glades and Vortex Business Park which was completed in 2017.

For the quarter under review, the division posted PBT of RM0.6 million as compared with PBT of RM1.3 million in the preceding quarter. The lower PBT was attributable to less progress billings recognised in the quarter under review.

B3. COMMENTARY ON PROSPECTS

Going forward, the Board is optimistic that the EDCCS segment will contribute significantly to the Group, driven mainly by foreseeable higher software content and hardware provisions to government-linked entities, retail and Fast-Moving Consumer Goods (FMCG).

The board is confident that property development division will remain profitable in the next financial year.

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B4. TAXATION

	Quarter ended 31/12/2017 RM'000	Year-To-Date ended 31/12/2017 RM'000
Estimated income tax :		
Malaysia income tax	509	(366)
Foreign income tax	(74)	(160)
	435	(526)

The Group's effective tax rate for the current quarter is lower than the statutory tax rate of 24% mainly due to the reversal of deferred tax liabilities arises from the disposal of property, plant and equipment.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the quarter.

B5. STATUS OF CORPORATE PROPOSALS AS AT 26 FEBRUARY 2018

There were no corporate proposals announced but not completed as at 26 February 2018, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

B6. BORROWINGS

The borrowings of the Company as at 31 December 2017 were as follows:-

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	3,570	6,629
Overdraft	-	500
Term loan	809	3,636
Hire purchase & Lease payables	121	135
	4,500	10,900
Secured Long-term (due after 12 months):		
Term loan	1,792	8,094
Hire purchase & Lease payables	9	216
	1,801	8,310
Total Borrowings	6,301	19,210

There was no unsecured borrowing for the current quarter. All borrowings were denominated in Ringgit Malaysia.

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B6. BORROWINGS (CONT'D)

The effective annual interest rates at the reporting date for borrowings are as follows:-

	2017	2016
	%	%
Bankers' Acceptance	3.83 . 5.49	3.83 . 5.49
Overdraft	7.00 . 7.25	7.00 . 7.25
Term loan	3.75 . 8.10	3.75 . 8.10
Hire purchase & Lease payables	<u>2.40 . 3.61</u>	<u>2.40 . 3.61</u>

B7. MATERIAL LITIGATION

The Directors are not aware of any material litigations or claims against the Group and Company as 26 February 2018, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

B8. PROPOSED DIVIDEND PAYABLE

There was no dividend proposed in respect of the current financial year during the financial period under review.

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 period as follows:-

	Quarter Ended 31/12/2017	Year-To-Date Ended 31/12/2017
Net profit attributable to ordinary equity holders of the parent (RM 000)	5,587	13,179
Weighted average number of ordinary shares in issue (000)	475,378	474,622
Basic earnings per share (sen)	<u>1.18</u>	<u>2.78</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.