1 SUMMARY INFORMATION

THE FOLLOWING IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.

1.1 HISTORY AND NATURE OF BUSINESS

Incorporation

Grand-Flo was incorporated on 26 February 2003 in Malaysia as a private limited company under the Act with the name of Excellent Breakthrough Sdn Bhd. On 17 June 2003, the Company changed its name to Indigenous Solution Sdn Bhd. Subsequently, on 1 December 2003, the Company changed its name to Grand-Flo Solution Sdn Bhd. It was converted into a public limited company on 10 February 2004 and assumed its present name. On 14 May 2004, Grand-Flo was granted the MSC status by MDC. Pursuant to the MSC Status, the Company has submitted an application for Pioneer Status under Section 4A of the Promotion of Investments (Amendment) Act 1986.

History and Principal Activities

The history of the business of the Group goes back to 1996 when two of the Promoters, Tan Bak Hong and Tan Bak Leng, founded the integrated EDCCS solutions business under GFES. The founders noted that business processes of various industries in Malaysia were heavily dependent upon manual data collection system, which cannot produce critical data on time and which are laborious and error prone to operate. With their business knowledge in the area, the founders envisioned the promising potential for the EDCCS solutions business in Malaysia to increase efficiency of organisations. In summary, the founders recognised that there is a significant untapped potential for the automation of business processes of various industries in Malaysia.

Grand-Flo is principally engaged in the business of providing IT solutions and investment holding whilst its subsidiary companies are principally involved in the provision of integrated EDCCS solutions using bar coding and RF technologies.

Auto-ID hardware such as bar code and RFID reading equipment, hand-held computers and RF data communications systems are part of the Group's integrated EDCCS solutions. These equipments are used for front-end data capture transaction systems in assets logistics, distribution and transportation, factory automation as well as other applications. Currently, the Group has been appointed as an authorized distributor for various leading Auto-ID suppliers, which include Intermec Technologies Corporation and Handheld Products Inc. (formerly known as Welch Allyn).

The Group aims to be a leading EDCCS solutions provider in SEA, establishing itself in the local market initially, using Malaysia as the platform for future growth and expansion in the region including but not limited to the following countries:-

(i) Thailand;
(ii) Singapore;
(iii) Indonesia;
(iv) Vietnam; and
(v) Philippines.

The Group's clients include companies in the manufacturing, FMCG, warehousing, logistics, government and healthcare industries, that usually employ ERP systems. The Group's business essentially provides customised integrated EDCCS solutions for automated data collection and collation to the aforementioned industries. The Group's business has been growing since its incorporation.

Users of the Group's solutions include established multi-national companies, local conglomerates and government bodies.

The Group's ability to continually develop new integrated EDCCS solutions and improve on its existing products in response to changes in technological development will be a key factor to good growth in revenue. The Group is moving towards becoming a multi-solution company offering a wide range of integrated EDCCS solutions.

New Foreign Ventures

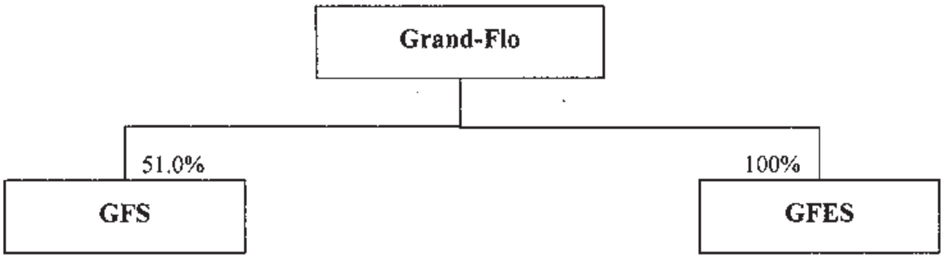
Grand-Flo has incorporated a 51.0% owned subsidiary company in Singapore, i.e. GFS on 11 March 2004, which commenced operations on 15 March 2004. Grand-Flo also intends to acquire a substantial equity interest in a company in Thailand. The incorporation of the foreign subsidiary and the intentions to acquire a company in Thailand are part of the strategy of the Group to be a leading EDCCS solutions provider in SEA.

The Grand-Flo Group consists of Grand-Flo and the following subsidiary companies:-

Name of company	Date and place of incorporation	Equity interest (%)	Paid-up share capital as at 27 September 2004	Principal Activities
GFES	3 January 1996 Malaysia	100.0	RM500,000	Provision of integrated EDCCS solutions
GFS	11 March 2004 Singapore	51.0	SGD50,000	Provision of integrated EDCCS solutions

Group Structure

The Grand-Flo Group's corporate structure is depicted below:-



Further details on the business overview are provided in Section 4.3 of this Prospectus.

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1.2 EDCCS AND R&D

1.2.1 EDCCS

The Group delivers integrated EDCCS solutions, which assist the business processes of an organisation by automating its data collection and collation processes. The aforementioned integrated EDCCS solutions can be integrated with and complement the ERP systems of businesses by providing real time information and increased data accuracy. The integrated EDCCS solutions of the Group provides the following benefits to its customers:-

(i) The customers can make better-informed decisions based on up-to-date accurate information on inventories and resources, and enable them to streamline operations for better use of time, people, inventory and resources. The system improves efficiency and reduces paperwork giving the companies the ability to improve efficiency and increase output; and

(ii) It gets the ERP systems out of historical data mode and into real-time mode i.e. unlocks the full benefits of ERP systems.

Further details on EDCCS solutions developed by the Grand-Flo Group are set out in Section 4.3.3.1 of this Prospectus.

1.2.2 R&D

The Board of Grand-Flo believes that:-

(i) R&D is crucial to the Group becoming a leading integrated EDCCS solutions provider in SEA; and

(ii) the possession of strong R&D capabilities is important to the Group's continued success and its ability to develop new integrated EDCCS solutions and to improve on its existing products in response to changes in technological development.

Hence, the Group has identified the key R&D strategies of the Grand-Flo Group, amongst others, increasing its R&D manpower, training and resources, keeping abreast of new technologies and market trends and investing in businesses with technologies or R&D or forming strategic alliances.

Further details on R&D of the Grand-Flo Group are set out in Section 4.3.9 of this Prospectus.

1.3 TECHNOLOGY

The history of technology employed by Grand-Flo can be summarised in the following chronological orders:-

(i) Simple data collection application using DOS/Text-based OS which can be done by batch application only;

(ii) Advance data collection application using Windows OS which can be done by batch or wireless/real-time application;

(iii) Collation of data collected using latest Windows open system as Grand-Flo's R&D platform which can be customised to requirements of vertical industries;

(iv) One-stop solution that can provide system study/consultancy, software, hardware, middleware, testing and application training, inclusive of system support and maintenance contracts; and

(v) R&D towards RFID application in Auto ID.

The Group currently uses the latest technology platforms in the market for both software and hardware in the development of its in-house solutions. The development tools used by the Company are compatible with most of the world leading ERP softwares. Premised on this, the EDCCS solutions developed by the Group can be integrated with ERP softwares using bar coding and RF technologies.

The EDCCS solutions developed by the Group are also highly scalable and in modular form. The founders foresee that the RFID technology would be widely used in the future. Moving forward, the Group is gearing towards using the next generation of products in RFID technology. The Group will explore opportunities to further integrate the application of the said RFID technology into its EDCCS solutions. Due to the cost prohibitive factor, RFID technology is currently not widely utilized in various industries. Nevertheless, in the event the aforesaid cost prohibitive factor can be overcome in the future, the RFID technology is expected to proliferate and to be used commonly.

Generally, the Group's in-house proprietary solutions are generally protected under the copyright laws in Malaysia. As such, the Group does not register its rights in and to its solutions with any local regulators. Nevertheless, the Group has adopted and built a proper documentation base for all its in-house solutions. Source codes and products are secured and backed up within a common repository with access and change control.

Further details on technology employed and to be employed by the Grand-Flo Group are set out in Section 4.3.16 of this Prospectus.

1.4 GROWTH AND PROSPECTS

The Group's integrated EDCCS solutions can be integrated with and complement world-leading ERP systems such as SAP, Baan, JD Edward, Oracle and Solomon used by various industries, which include amongst others, the manufacturing, FMCG, warehousing, logistics, government and healthcare industries. In addition, the Group's integrated EDCCS solutions can be sold on a stand-alone basis without integrating with the ERP system. In this respect, the growth of the Group's business is essentially dependent upon the growth of:-

(i) the Auto-ID Collection market; and
(ii) the ERP software industry.

Auto-ID Collection market

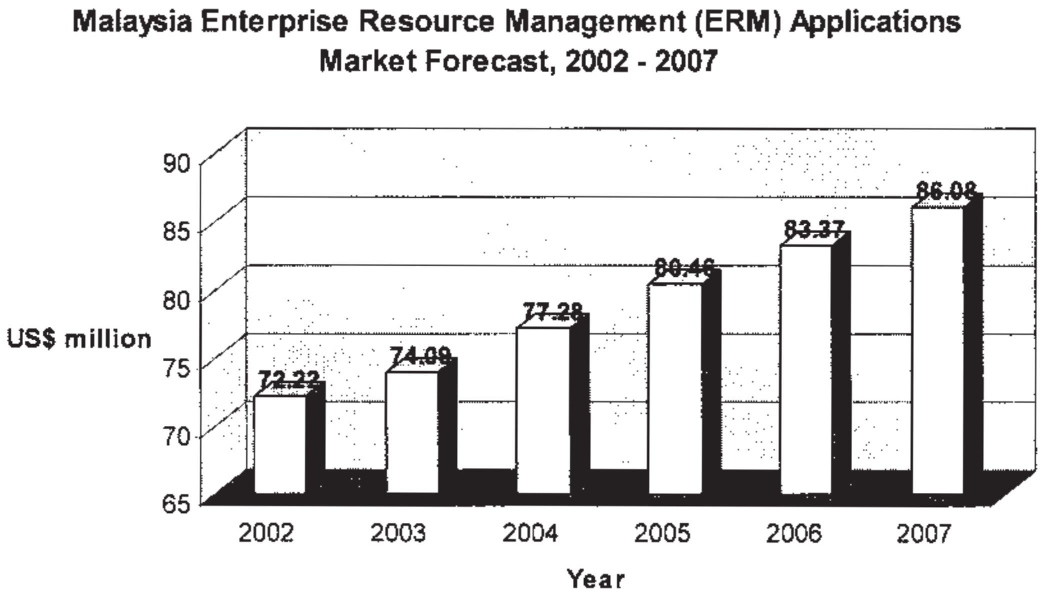
The Board believes that the Auto-ID Collection market is a growing market. Based on the Board's estimate, the Asia Pacific Auto-ID Collection market is expected to reach approximately RM2 billion by the year 2005.

Along the implementation of AFTA by 2005, local-based manufacturers in Malaysia are required to be more competitive in the regional market place. This may trigger the acceleration of IT expenditure amongst local-based manufacturers. In fact, it is possible that companies will need to "arm" themselves by investing in the latest IT solution to achieve efficiencies and costs savings. The Group is expected to reap the benefits of this trend.

1 SUMMARY INFORMATION (Cont'd)

ERP software industry

According to IDC in its report done for Q4 2003 titled, "Malaysia ERM Applications Forecast and Analysis, 2002-2007", IDC estimated that the ERM applications market in Malaysia was valued at US$72.2 million (RM274.36 million) in 2002. IDC also forecasted that this market would grow to reach US$86.1 million (RM327.18 million) by 2007, following a compounded annual growth rate of 3.6% between 2002 and 2007. The Malaysian ERM software market forecast from 2002 to 2007 (figures denominated in US$ millions) is as follows:-



(Source: IDC, Q4 2002)

The above information was sourced from the IDC's report dated February 2004 and the report was not prepared for inclusion in this Prospectus.

Based on the Board's estimate, a majority of the users of ERP system have yet to implement the EDCCS solution. The Board believes that EDCCS solutions can get the ERP systems out of historical data mode and into real-time mode (by providing real time information and increased data accuracy) i.e. unlock the full benefits of ERP systems. In this respect, it presents a promising untapped potential for the Group's integrated EDCCS solutions.

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1.5 RISK FACTORS

Applicants for the Issue Shares should carefully consider the following risk factors (which are not exhaustive), in addition to the other information contained in this Prospectus before applying for the Issue Shares. For a detailed commentary on the risk factors, please refer to Section 3 of this Prospectus:-

(A) BUSINESS RISKS

(i) Dependence on key personnel;
(ii) No prior market for the Company's shares;
(iii) Management of future growth;
(iv) Expansion to foreign markets and its related risks thereon;
(v) Material defects liability;
(vi) Intellectual property issues;
(vii) System and security disruptions;
(viii) Breakout of fire, energy crisis and other emergencies;
(ix) Interest risks;
(x) Borrowing covenants and restrictions;
(xi) Foreign currency risk; and
(xii) MSC status.

(B) RISKS RELATING TO INDUSTRY

(i) Barriers to entry and competition; and
(ii) Technology.

(C) OTHER RISKS

(i) Control by certain substantial shareholders;
(ii) Political, economic and legislative considerations;
(iii) Forward looking statements;
(iv) Delay in or abortion of the Public Issue; and
(v) Termination of Underwriting Agreement.

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1 SUMMARY INFORMATION (Cont'd)

1.6 FINANCIAL HIGHLIGHTS

1.6.1 Historical Financial Information

There were no audit qualifications for the financial years/period under review. The summary of the proforma consolidated audited results of the Grand-Flo Group for the past five (5) FYE 31 December 1999 to 2003 and six (6) month period ended 30 June 2004 is as follows:-

	← Financial year ended 31 December →					Six (6) month period ended 30 June
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	5,326	8,983	7,690	8,515	11,227	6,961
Profit from operations	438	398	430	805	1,570	1,280
Non-operating income	9	69	84	86	54	11
EBITDA	447	467	514	891	1,624	1,291
Less: Finance cost	(9)	(12)	(11)	(46)	(49)	(38)
Depreciation	(61)	(68)	(71)	(98)	(160)	(89)
Amortisation of investment	-	(1)	(1)	(1)	(1)	(11)
PBT	377	386	431	746	1,414	1,153
Less: Taxation	(14)	(120)	(138)	(225)	(410)	(314)
PAT	363	266	293	521	1,004	839
Minority interests	-	-	-	-	-	2
Profit attributable to shareholders	363	266	293	521	1,004	841
Number of ordinary shares of RM0.10 each in issue* ('000)	28,160	28,160	28,160	28,160	28,160	28,160
Gross EPS* (sen)	1.34	1.37	1.53	2.65	5.02	4.09
Net EPS* (sen)	1.29	0.95	1.04	1.85	3.57	2.99

Notes:-

* *Based on enlarged share capital after the Acquisition of GFES but before Subscription and Public Issue.*

(i) *The proforma consolidated results of the Group for the five (5) FYE 31 December 2003 and six (6) month period ended 30 June 2004 are prepared for illustrative purposes only and are based on the audited financial statements of Grand-Flo, GFES and GFS.*

(ii) *There are no extraordinary or exceptional items in respect of all the financial years/period under review.*

For more details on the financial information, please refer to Sections 6 and 13 of this Prospectus.

1 SUMMARY INFORMATION (Cont'd)

1.7 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004

The following summary of proforma consolidated balance sheets of Grand-Flo Group as at 30 June 2004 are provided for illustrative purposes only to show the effects of the Dividend Payment, Acquisition of GFES, Subscription, Public Issue and the shares to be issued pursuant to the exercise of ESOS, with the assumption that these transactions were completed on 30 June 2004.

		Proforma I	Proforma II	Proforma III	Proforma IV	Proforma V
	As at 30 June 2004 (RM)	After Dividend Payment and Acquisition of GFES (RM)	After Proforma I and Subscription (RM)	After Proforma II and Public Issue (RM)	After Proforma III and utilisation of proceeds (RM)	After Proforma IV and ESOS (RM)
Plant and equipment	29,765	700,290	700,290	700,290	2,200,290	2,200,290
Other Investments	-	63,926	63,926	63,926	63,926	63,926
Development cost	99,291	99,291	99,291	99,291	1,099,291	1,099,291
	129,056	863,507	863,507	863,507	3,363,507	3,363,507
Current Assets						
Inventory	34,621	1,394,081	1,394,081	1,394,081	1,394,081	1,394,081
Trade receivables	29,212	2,794,948	2,794,948	2,794,948	2,794,948	2,794,948
Other receivables	31,600	292,237	292,237	292,237	292,237	292,237
Fixed deposit with a licensed bank	-	550,578	550,578	550,578	550,578	550,578
Cash and bank balances	72,731	325,747	1,009,752	7,009,752	4,509,752	5,759,752
	168,164	5,357,599	6,041,596	12,041,596	9,541,596	10,791,596
Current Liabilities						
Trade payables	25,400	1,356,751	1,356,751	1,356,751	1,356,751	1,356,751
Other payables	13,423	461,913	461,913	461,913	461,913	461,913
Amount due to related party	195,635	-	-	-	-	-
Short term borrowings	-	1,060,019	1,060,019	1,060,019	1,060,019	1,060,019
Taxation	7,400	378,121	378,121	378,121	378,121	378,121
	241,858	3,256,804	3,256,804	3,256,804	3,256,804	3,256,804
Net Current Assets/(Liabilities)	(73,694)	2,100,787	2,784,792	8,784,792	6,284,792	7,534,792
	55,362	2,964,294	3,648,299	9,648,299	9,648,299	10,898,299
Financed by:-						
Share capital	2	2,815,995	3,500,000	5,000,000	5,000,000	5,250,000
Share premium	-	-	-	4,500,000	4,500,000	5,500,000
Retained profits	4,316	4,316	4,316	4,316	4,316	4,316
Foreign exchange fluctuation reserve	(3,413)	(3,413)	(3,413)	(3,413)	(3,413)	(3,413)
Shareholders' equity	905	2,816,898	3,500,903	9,500,903	9,500,903	10,750,903
Long term liabilities	-	48,939	48,939	48,939	48,939	48,939
Deferred taxation	-	44,000	44,000	44,000	44,000	44,000
Minority interests	54,457	54,457	54,457	54,457	54,457	54,457
	55,362	2,964,294	3,648,299	9,648,299	9,648,299	10,898,299
Number of Grand-Flo Shares in issue	20	28,159,950	35,000,000	50,000,000	50,000,000	52,500,000
NTA per share (sen)	(491,930.0)	9.7	9.7	18.8	16.8	18.4

For notes to the Proforma Balance Sheets of Grand-Flo, please refer to Section 14 of this Prospectus.

1.8 PRINCIPAL STATISTICS RELATING TO THE SUBSCRIPTION AND PUBLIC ISSUE

(i) Share capital

Authorised:-	
100,000,000 Grand-Flo Shares	RM10,000,000
Issued and paid-up:-	
28,159,950 Grand-Flo Shares credited as fully paid up	RM2,815,995
To be issued pursuant to the Subscription:-	
6,840,050 Grand-Flo Shares	RM684,005
To be issued pursuant to the Public Issue:-	
15,000,000 Grand-Flo Shares	RM1,500,000
Enlarged issued and paid-up share capital	RM5,000,000

(ii)	**Issue Price per Issue Share**	RM0.50
(iii)	**Market capitalisation of Grand-Flo based on the Issue Price**	RM25,000,000

(iv) Proforma NTA

Proforma consolidated NTA as at 30 June 2004 after the Public Issue and utilisation of proceeds for the estimated listing expenses thereof (RM'000)	RM9,402
Proforma consolidated NTA per Grand-Flo Share (based on the enlarged issued and paid-up share capital after the Public Issue)	18.8 sen

(v) Classes of shares and ranking

There is only one class of shares in Grand-Flo namely ordinary shares of RM0.10 each. The Subscription Shares and the Issue Shares will rank pari passu in all respects with the other existing issued and paid-up Grand-Flo Shares including voting rights and all dividends that may be declared subsequent to the date of allotment of the Issue Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Grand-Flo Shares in the Company shall, in proportion to the amount paid-up on the Grand-Flo Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in the event of liquidation of the Company, any surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder shall have one vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Grand-Flo Share held. A proxy may but need not be a member of the Company.

1 SUMMARY INFORMATION (Cont'd)

1.9 PROCEEDS FROM THE SUBSCRIPTION AND PUBLIC ISSUE AND PROPOSED UTILISATION

The gross proceeds from the Subscription amounting to RM684,005 will accrue entirely to the Company and will be utilised for working capital purposes.

The gross proceeds from the Public Issue amounting to RM7,500,000 will accrue entirely to the Company and will be utilised as follows:-

Utilisation	RM	Expected time frame for utilisation
Expansion plan to Singapore, Thailand and overseas markets	500,000	End 2006
Setting up and renovation of headquarters	1,500,000	Mid 2005
R&D expenses	1,000,000	End 2006
Working capital	3,000,000	End 2006
Estimated listing expenses	1,500,000	End 2004
Total	**7,500,000**	

Note:- In the event that funds are not fully utilised as intended, the remaining will be accrued to its working capital requirements.

Full details of the proposed utilisation are set out in Section 2.7 of this Prospectus.

1.10 DIRECT AND INDIRECT SHAREHOLDINGS OF PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL

1.10.1 Promoters, Substantial Shareholders and Directors Shareholdings

The shareholdings of the promoters, substantial shareholders and directors are as follows:-

	Nationality/ Place of incorporation	Designation/ Principal activity	Before the Subscription and Public Issue ◄— Shareholding —► Direct	%	Indirect	%	After the Subscription and Public Issue ^ ◄— Shareholding —► Direct	%	Indirect	%
Promoters										
Tan Bak Hong	Malaysian	Chairman/ Managing Director	844,808	3.00	14,079,975[*1]	50.00	844,808	1.69	17,052,011[*1]	34.10
Tan Bak Leng	Malaysian	Executive Director	7,603,181	27.00	-	-	7,603,181	15.21	-	-
Moi Ming Huei	Malaysian	Executive Director	2,815,993	10.00	-	-	3,300,000	6.60	-	-
Lim Soon Seong	Malaysian	Executive Director	-	-	-	-	1,800,000	3.60	-	-
Grand-Flo Corp	Malaysia	Investment holding and providing management services to the subsidiary companies	14,079,965	50.00	-	-	17,052,001	34.10	-	-

1 SUMMARY INFORMATION (Cont'd)

	Nationality/ Place of incorporation	Designation/ Principal activity	Before the Subscription and Public Issue ← Shareholding → Direct	%	Indirect	%	After the Subscription and Public Issue ^ ← Shareholding → Direct	%	Indirect	%
Substantial Shareholders										
Tan Bak Hong	Malaysian	Chairman/ Managing Director	844,808	3.00	14,079,975*1	50.00	844,808	1.69	17,052,011*1	34.10
Tan Bak Leng	Malaysian	Executive Director	7,603,181	27.00	-	-	7,603,181	15.21	-	-
Moi Ming Huei	Malaysian	Executive Director	2,815,993	10.00	-	-	3,300,000	6.60	-	-
Tan Chuan Hock	Malaysian	Non-Independent Non-Executive Director	2,815,993	10.00	-	-	5,000,000	10.00	-	-
Grand-Flo Corp	Malaysia	Investment holding and providing management services to the subsidiary companies	14,079,965	50.00	-	-	17,052,001	34.10	-	-
Yap Li Li	Malaysian	Vice President, Operations	10	*	14,924,773 *2	53.00	10	*	17,896,809*2	35.79
Directors										
Tan Bak Hong	Malaysian	Chairman/ Managing Director	844,808	3.00	14,079,975*1	50.00	844,808	1.69	17,052,011*1	34.10
Tan Bak Leng	Malaysian	Executive Director	7,603,181	27.00	-	-	7,603,181	15.21	-	-
Moi Ming Huei	Malaysian	Executive Director	2,815,993	10.00	-	-	3,300,000	6.60	-	-
Lim Soon Seong	Malaysian	Executive Director	-	-	-	-	1,800,000	3.60	-	-
Tan Chuan Hock	Malaysian	Non-Independent Non-Executive Director	2,815,993	10.00	-	-	5,000,000	10.00	-	-
Tan Weng Chuan	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Yu Chee Sing	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-

Notes:-

* *Negligible.*

^ *Assume the eligible substantial shareholders and directors take up their respective entitlements to the pink form shares allocation and no exercise of ESOS options.*

*1 *Deemed interested by virtue of his shareholdings in Grand-Flo Corp and his spouse's, Yap Li Li, shareholdings in Grand-Flo.*

*2 *Deemed interested by virtue of her shareholdings in Grand-Flo Corp and her spouse's, Tan Bak Hong, shareholdings in Grand-Flo.*

1 SUMMARY INFORMATION (Cont'd)

1.10.2 Key Personnel Shareholdings

The shareholdings of the key personnel of the Group are as follows:-

	Nationality	Designation	Before the Subscription and Public Issue ◄— Shareholding —► Direct	%	Indirect	%	After the Subscription and Public Issue^ ◄— Shareholding —► Direct	%	Indirect	%
Key Personnel										
Tan Bak Hong	Malaysian	Chairman/ Managing Director	844,808	3.00	14,079,975*1	50.00	844,808	1.69	17,052,011*1	34.10
Tan Bak Leng	Malaysian	Executive Director	7,603,181	27.00	-	-	7,603,181	15.21	-	-
Moi Ming Huei	Malaysian	Executive Director	2,815,993	10.00	-	-	3,300,000	6.60	-	-
Lim Soon Seong	Malaysian	Executive Director	-	-	-	-	1,800,000	3.60	-	-
Yap Li Li	Malaysian	Vice President, Operations	10	*	14,924,773*2	53.00	10	*	17,896,809*2	35.79
Lim Peik Gan	Malaysian	Finance Executive	-	-	-	-	250,000	0.50	-	-
Lue Lek Huat	Malaysian	Senior Project Consultant	-	-	-	-	200,000	0.40	-	-
Ismail Azizi	Malaysian	Project Manager	-	-	-	-	150,000	0.30	-	-
Tan Gim Ling	Malaysian	System Consultant	-	-	-	-	122,000	0.24	-	-
Harold Kong Ee Hin	Malaysian	Application Consultant	-	-	-	-	100,000	0.20	-	-
Mark Chan Chun Jet	Malaysian	Account Manager	-	-	-	-	50,000	0.10	-	-
Koo Khee Leong	Malaysian	System Consultant	-	-	-	-	30,000	0.06	-	-
Toh Yik Sing	Malaysian	System Consultant	-	-	-	-	30,000	0.06	-	-

Notes:-

* *Negligible.*

^ *Assume the key personnel take up their respective entitlements to the pink form shares allocation and no exercise of ESOS options.*

*1 *Deemed interested by virtue of his shareholdings in Grand-Flo Corp and his spouse's, Yap Li Li, shareholdings in Grand-Flo.*

*2 *Deemed interested by virtue of her shareholdings in Grand-Flo Corp and her spouse's, Tan Bak Hong, shareholdings in Grand-Flo.*

Detailed information on the Promoters, substantial shareholders, Directors and key personnel are set out in Section 8 of this Prospectus.

1.11 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENT

(i) Working Capital

The Board is of the opinion that, after taking into account the cashflow position, the banking facilities available and the net proceeds from the Subscription and Public Issue, the Company will have adequate working capital for a period of twelve (12) months from the date of issue of this Prospectus.

(ii) Borrowings

As at 27 September 2004, being the last practicable date prior to the printing of this Prospectus, the Group's total outstanding borrowings amounted to RM2,209,652 consisting of banker acceptance, bank overdrafts, hire purchase and term loan obligations, of which RM1,020,040 is short term and RM1,189,612 is long term. The interest rates for the above borrowings are in the range of between 1.25% and 7.1%.

The Grand-Flo Group has not reported any default on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

(iii) Material Litigation

As at 27 September 2004, being the latest practicable date prior to the printing of this Prospectus, the Group is not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial performance and position of the Group and the Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially affect the position and business of the Group.

(iv) Contingent Liabilities

There are no contingent liabilities incurred by the Group as at 27 September 2004, being the latest practicable date prior to the printing of this Prospectus.

(v) Material Capital Commitment

Save as disclosed in Section 2.7 and the outstanding borrowing amounting to approximately RM1.5 million for the acquisition of properties referred to in Sections 11.1 and 16.8, the Group has no material capital commitment as at 27 September 2004, being the latest practicable date prior to the printing of this Prospectus.

1.12 FUTURE FINANCIAL INFORMATION

Due to the uncertain nature and inherent risks of the Group's business, no future financials are included in this Prospectus.

2 PARTICULARS OF THE SUBSCRIPTION AND PUBLIC ISSUE

2.1 OPENING AND CLOSING OF APPLICATION

Application will be accepted from 10.00 a.m. on 15 October 2004 and will remain open until 5.00 p.m. on 22 October 2004 or such other later date or dates as the Board and the Underwriter may in their absolute discretion mutually decide. Late applications will not be accepted.

2.2 IMPORTANT DATES

The indicative timing of events leading up to the Listing is set out below:-

Event	Tentative Date
Subscription of the Subscription Shares	15 October 2004
Opening of Application for the Issue Shares	15 October 2004
Closing of Application for the Issue Shares	22 October 2004
Balloting Date	26 October 2004
Despatch of Notices of Allotment of the Subscription Shares and Issue Shares to the Interested Subscribers and successful applicants	2 November 2004
Listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market	3 November 2004

These dates are tentative and subject to changes which may be necessary to facilitate implementation procedures. The application for the Issue Shares will close at the date stated above or such later date as the Board and Kenanga at their absolute discretion may jointly decide.

Should the date of closing of Application for the Issue Shares be extended, the dates for despatch of Notices of Allotment of the Subscription Shares and Issue Shares to the Interested Subscribers and successful applicants and the Listing will be extended accordingly. In the event the date of closing of Application for the Issue Shares is extended, applicants will be notified of such further extension by way of advertisements placed in widely circulated English and Bahasa Malaysia newspapers.

2.3 SHARE CAPITAL

Authorised:- 100,000,000 Grand-Flo Shares	RM10,000,000
Issued and paid-up:- 28,159,950 Grand-Flo Shares credited as fully paid up	RM2,815,995
To be issued pursuant to the Subscription:- 6,840,050 Grand-Flo Shares	RM684,005
To be issued pursuant to the Public Issue:- 15,000,000 Grand-Flo Shares	RM1,500,000
Enlarged issued and paid-up share capital	RM5,000,000
Issue Price per Grand-Flo Share to the Public	RM0.50

There is only one (1) class of shares in the Company namely ordinary shares of RM0.10 each. The Subscription Shares and Issue Shares will upon allotment rank pari passu in all respects with one another and all other existing issued and fully paid-up Grand-Flo Shares including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of allotment of the Subscription Shares and Issue Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Grand-Flo Shares shall, in proportion to the amount paid-up on the Grand-Flo Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in the event of liquidation of the Company, any surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Grand-Flo Share held. A proxy may but need not be a member of the Company.

2.4 PARTICULARS OF THE SUBSCRIPTION AND PUBLIC ISSUE

2.4.1 Subscription

The subscription of 6,840,050 new Grand-Flo Shares at par by the Interested Subscribers by way of cash is as follows:-

Interested Subscriber	No of Grand-Flo Shares
Moi Ming Huei	184,007
Lim Soon Seong	1,500,000
Tan Chuan Hock	2,184,007
Grand-Flo Corp	2,972,036
Total	6,840,050

The Subscription is an integral part of the internal restructuring of Grand-Flo which has been approved by the SC and Bursa Securities on 20 August 2004 and 23 August 2004 respectively.

The Subscription Shares to be issued pursuant to the Subscription will rank pari passu in all respects with the then existing shares of Grand-Flo. Grand-Flo has received irrevocable undertakings from the above Interested Subscribers to subscribe for the above Grand-Flo Shares.

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2 PARTICULARS OF THE SUBSCRIPTION AND PUBLIC ISSUE (Cont'd)

2.4.2 Public Issue

The Public Issue is an invitation by Grand-Flo to the public to subscribe for the Issue Shares at the Issue Price.

The Issue Shares are made available for subscription by individuals, companies, societies, co-operatives and institutions by way of private placement and public offer as follows:-

		No of Issue Shares to be allocated
(i)	Eligible directors, employees and business associates of the Group	2,500,000
(ii)	General Public:-	
	(a) by way of private placement; and	10,500,000
	(b) by way of public offer	2,000,000
Total		15,000,000

The basis of allocation to be determined shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market in the Grand-Flo Shares. To meet shareholding spread requirements, the final allocation to any single applicant shall not breach 5% or more of the enlarged issued and paid-up share capital of the Company upon Listing, regardless of the amount of Issue Shares applied for.

The Issue Shares in respect of Section 2.4.2(i) above are allocated to eligible directors, employees and business associates of the Group. Based on the criteria approved by the Board, there are 43 directors, employees and business associates who are eligible and are interested in taking up the reserved Issue Shares. All of the 2,500,000 Issue Shares have been allocated to eligible and interested directors, employees and business associates based on their respective position, number of years of service and number of years of relationship with the Group.

The details of the allocation of the Issue Shares to Directors under Section 2.4.2(i) are as follows:-

	Allocation of Issue Shares
Moi Ming Huei	300,000
Lim Soon Seong	300,000

In the event any of the Issue Shares under Section 2.4.2(i) above is not taken up by the eligible directors, employees and business associates of the Grand-Flo Group, such Issue Shares will be made available for application by investing public under Section 2.4.2(ii)(b) by way of a public offer.

In the event of an under-subscription of the public offer under section 2.4.2(ii)(b) above, such unsubscribed Issue Shares may be transferred from the public offer tranche and allocated by way of private placement, and vice versa.

The minimum number of Grand-Flo Shares to be subscribed for the purpose of the Public Issue is 15,000,000 ordinary shares being 100% of the Grand-Flo Shares available under the Public Issue.

The Issue Shares under Section 2.4.2(i) and (ii)(b) above have been underwritten by the Underwriter in compliance with the Listing Requirements. The Placement Agent has received irrevocable undertakings from selected investors to subscribe for the Issue Shares under Section 2.4.2(ii)(a) above.

2.5 PURPOSE OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:-

(i) To obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of Grand-Flo onto the MESDAQ Market;

(ii) To provide Grand-Flo with access to the capital market to raise funds for future expansion and growth;

(iii) To provide an opportunity for Malaysian investors and institutions, eligible employees, directors and business associates of the Group and the public to participate in the continuing growth of the Company; and

(iv) To enhance the stature of the Company in marketing its products and services and to maintain its existing work force and attract new skilled IT professionals.

2.6 PRICING OF THE PUBLIC ISSUE

The Issue Price was determined and agreed upon by the Company and Kenanga as Adviser and Underwriter, after taking into account, inter-alia, the following:-

(i) The Company's financial and operating history and conditions as described in Sections 6 and 4.3 of this Prospectus;

(ii) The industry overview, future plans and strategies and outlook of the Company as described in Sections 5, 4.3 and 7 of this Prospectus; and

(iii) The Company's proforma consolidated audited NTA per Grand-Flo Share as at 30 June 2004 (after adjustment for the Public Issue and utilisation of proceeds for the estimated listing expenses thereof) of 18.8 sen.

Investors should form their own views on the valuation of the Issue Shares before deciding to invest in the Issue Shares.

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2 PARTICULARS OF THE SUBSCRIPTION AND PUBLIC ISSUE (Cont'd)

2.7 PROCEEDS FROM THE SUBSCRIPTION AND PUBLIC ISSUE AND PROPOSED UTILISATION

The gross proceeds from the Subscription amounting to RM684,005 will accrue entirely to the Company and will be utilised for working capital purposes.

The gross proceeds from the Public Issue amounting to RM7,500,000 will accrue entirely to the Company and the Company shall bear all expenses relating to the Listing. The proceeds are proposed to be utilised as follows:-

Utilisation	RM	Expected time frame for utilisation
Expansion plan to Singapore, Thailand and overseas markets	500,000	End 2006
Setting up and renovation of headquarters	1,500,000	Mid 2005
R&D expenses	1,000,000	End 2006
Working capital	3,000,000	End 2006
Estimated listing expenses	1,500,000	End 2004
Total	**7,500,000**	

Note:- *In the event that funds are not fully utilised as intended, the remaining will be accrued to its working capital requirements.*

i. Expansion plan to Singapore, Thailand and overseas markets

The Company proposes to allocate approximately RM0.5 million for business expansion and market development overseas. The Group aims to be a leading EDCCS solutions provider in SEA, establishing itself in the local market initially, using Malaysia as the platform for future growth and expansion in the region. The allocated proceeds are expected to be applied mainly towards meeting the costs for setting up the Group's presence in certain overseas markets. In this regard, the Group has set up a subsidiary in Singapore and intends to acquire a substantial equity interest in a company in Thailand.

ii. Setting up and renovation of headquarters

The Group has acquired an office premise, which is to be used as a new headquarters. It is proposed that RM1.0 million of the proceeds would be utilised to settle the financing of the purchase cost of the new headquarters including incidental costs such as legal fees and stamp duty.

An additional allocation amounting to RM0.5 million of the funds raised from the listing exercise is intended for renovation of the Group's new headquarters, which include purchases of fixed assets such as office equipments, computer equipments and furniture.

The setting up of this new headquarters would enable the Group to have a better image, station all key management in a central location and would allow the Group to plan its work space requirements more efficiently. Currently, the operations of the Group are located in rented premises, which would cause the Group to have space limitations for the Group to expand its operations.

iii. R&D expenses

The Group intends to channel more resources to the R&D activities of the Group. Hence, an allocation of RM1.0 million from the proceeds is to be utilised for recruitment of R&D staff, training and resources and development of new applications/solutions. The Group would benefit from an expansion of product range and is constantly looking into the development of new applications/solutions. This is to ensure continuous growth in sales and in line with the Group's strategy towards achieving a multi-solution company. Further details on the R&D strategy of the Group are set out in Section 4.3.9 of this Prospectus. From 30 June 2004 to 27 September 2004, the Group has spent approximately RM33,000 for its R&D activities.

iv. Working Capital

The Company proposes to allocate RM3.0 million to meet its working capital requirements. The working capital portion will be used to defray operating expenses such as staff salaries, marketing, advertisement and promotion, traveling, etc.

v. Estimated listing expenses

The estimated listing expenses incidental to the listing and quotation for the entire enlarged issued and paid-up share capital of Grand-Flo on the MESDAQ Market, to be borne by the Company, are as follows:-

	RM
Professional fees	550,000
Bursa Securities' perusal fee and listing fees	35,000
Prospectus perusal and registration fees	15,500
Advertising & printing costs	250,000
Underwriting, placement and brokerage	300,000
Issuing House	50,000
Miscellaneous & contingencies	299,500
Total	1,500,000

2.7.1 Financial impact from the utilisation of proceeds

The financial impact and benefits from the proceeds of the Public Issue include, inter-alia, the following:-

(i) To increase the revenues and earnings of the Group through expansion of the Group's business operations both locally and overseas;

(ii) To set up a new headquarters. Grand-Flo Group would also locate its R&D division and its key management to this new headquarters. The setting up of this new headquarters would enable the Group to have a better image, station all key management in a central location and would allow the Group to plan its work space requirements more efficiently. Currently, the operations of the Group are located in rented premises, which would cause the Group to have space limitations for the Group to expand its operations; and

(iii) To further increase the Group's ability and facility for its product development and enhancement activities to keep abreast with its competitors and in order to maintain its competitive edge in the EDCCS solutions market.

The abovementioned benefits are expected to enhance the earnings of the Group in the future. In addition, the Public Issue will raise approximately RM3.0 million for working capital, which is expected to improve the liquidity and cash flow position of the Group.

2.8 BROKERAGE, UNDERWRITING AND PLACEMENT COMMISSIONS

2.8.1 Brokerage Fee

Brokerage fee relating to the Issue Shares will be paid by the Company at the rate of one percent (1%) of the Issue Price of RM0.50 per Issue Share in respect of successful applications, which bear the stamps of Kenanga, a member company of Bursa Securities or the Issuing House.

2.8.2 Underwriting Commission

Kenanga, as the Underwriter, has agreed to underwrite 4,500,000 of the Issue Shares, which are made available for application by eligible directors, employees and business associates and general public. Underwriting commission is payable by the Company at the rate of one and a half percent (1.5%) per Issue Share at the Issue Price for the aggregate value of the Grand-Flo Shares underwritten by Kenanga.

2.8.3 Placement Commission

Kenanga has arranged for the placement of the Issue Shares at a rate of one percent (1.0%) per Issue Share at the Issue Price for the aggregate value of the Grand-Flo Shares that have been placed out by Kenanga.

A management fee is payable by the Company to Kenanga, at a rate of half percent (0.5%) per Issue Share at the Issue Price for the aggregate value of Grand-Flo Shares under the private placement.

2.8.4 Salient Provisions of the Underwriting Agreement

An extract of the salient provisions of the Underwriting Agreement are as follows:-

Terms defined in the Underwriting Agreement shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

Closing Date:	Refers to the last date for the receipt of the application for the Public Issue which shall be within seven (7) business days from the date of the issuance of the Prospectus or such other date as may be extended by the Company Provided that such extended date shall not exceed two (2) months from the date of the Underwriting Agreement and shall only be granted subject to the consent of the Underwriter.
Public Shareholding Spread:	The requirement imposed by Bursa Securities that the Company must, following the Public Issue, have at least 25% of its issued and paid-up capital in the hands of a minimum number of 200 Public shareholders holding not less than 100 shares each.

CLAUSE 4. CONDITIONS PRECEDENT

4.01 The obligations of the Underwriter under this Agreement shall be conditional upon:

(a) upon the Company's application, the SC having approved the Prospectus and Bursa Securities having agreed in principle on or prior to the Closing Date to the listing of and quotation for all the issued ordinary share capital of the Company on the MESDAQ Market of Bursa Securities on terms satisfactory to the Underwriter and the Underwriter being reasonably satisfied that such listing and quotation will be granted three (3) business days (or such other period as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and receipt of confirmation from Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;

(b) there not having been, on or prior to the Closing Date, in the opinion of the Underwriter (whose opinion is final and binding) any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which in the opinion of the Underwriter (whose opinion is final and binding) is material in the context of the issuance of the Issue Shares or the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations, warranties or undertakings contained in this Agreement as though they had been given or made on such date;

(c) upon the Company's application, the registration with the SC and lodgment with the Registrar of Companies of the Prospectus together with copies of all documents required by the SC Act and the issue by the SC of the relevant certificate of registration;

(d) the Public Shareholding Spread is met;

(e) the issuance of the Prospectus within one (1) month from the date of this Agreement or such other date as the Parties may mutually agree upon in writing;

(f) the delivery to the Underwriter prior to the date of issuance of the Prospectus of:-

(i) a certified true copy by an authorised officer of the Company of the memorandum and articles of association of the Company and all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue and authorising the execution of this Agreement and the issuance of the Prospectus; and

(ii) a certificate in the form or substantially in the form contained in the Second Schedule dated the day of the Prospectus signed by the duly authorized officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 3.01 of the Underwriting Agreement (which sets out certain representations and warranties by the Company as a condition of the agreement of the Underwriter to underwrite the Underwritten Shares;

(g) the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change of condition or circumstances subsequent to the date of this Agreement that would or may have an adverse effect on the performance or financial position of the Company or any of its subsidiaries;

(h) the Underwriter having been satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 7.03 of the Underwriting Agreement (including the commission payable to the Underwriter and other expenses associated with the Underwritten Shares and/or the Underwriting Agreement);

(i) the Public Issue is not being prohibited by any statute, order rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;

(j) the Underwriter having been satisfied that the Company has complied and that the Public Issue is in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements thereto;

(k) the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the SC Act in relation to the Public Issue and the lodgement of the Prospectus with the Registrar of Companies on or before its release under the Public Issue;

(l) the offering of the Issue Shares having been approved by the SC and Bursa Securities (approval as regards the listing of the entire issued and paid up share capital of the Company) and or any other relevant authority or authorities, and such approvals remaining valid and not having been revoked or withdrawn; and

(m) this Agreement having been duly executed by all Parties and stamped.

If any of the conditions stipulated in Clause 4.01 above are not satisfied on or before the Closing Date and if after the Closing Date it shall become apparent to the Underwriter that the Public Shareholding Spread has not been met, the Underwriter shall thereupon be entitled, to terminate this Agreement by notice in writing to the Company and in that event the Parties hereto shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Company shall remain liable for the payment of the Underwriting Commission and of all other costs and expenses including but not limited to those referred to in Clause 7.03 of the Underwriting Agreement (including the commission payable to the Underwriter and other expenses associated with the Underwritten Shares and/or the Underwriting Agreement).

CLAUSE 5. FORCE MAJEURE

Notwithstanding anything herein contained the Underwriter may at any time be entitled to terminate its obligations under this Agreement with a notice in writing delivered to the Company on the occurrence of all or any of the matters stated in this Clause 5 on or before the Closing Date if the success of the Public Issue is, in the opinion of the Underwriter (whose opinion is final and binding), seriously jeopardised by:-

(a) any Government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriter (whose opinion is final and binding) seriously affects or will seriously affect the business and/or financial position of the Company; or

(b) any change or any development involving a prospective change in national or international monetary, financial (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriter prejudice materially the success of the Public Issue and its distribution or sale (whether in the primary or in respect of dealings on the secondary market); or

(c) any breach of the representations, warranties and undertakings referred to in Clause 3 of the Underwriting Agreement or withholding of information of a material nature from the Underwriter; or

(d) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which in the opinion of the Underwriter have or is likely to have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company; or

(e) any event or series of events beyond the reasonable control of the Underwriter (including without limitation acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting hereof; or

(f) the imposition of any moratorium, suspension or material restriction on trading in securities generally in Bursa Securities due to exceptional financial circumstances or otherwise.

On delivery of such a notice by the Underwriter to the Company and confirmation of such a notice by facsimile or by hand, this Agreement shall be terminated and the obligations of the Underwriter under this Agreement shall be discharged accordingly. In the event of such termination under this Clause 6, the Company shall bear all the cost and expenses incurred under this Agreement including but not limited to those stated in Clause 7.03 of the Underwriting Agreement (including the commission payable to the Underwriter and other expenses associated with the Underwritten Shares and/or the Underwriting Agreement).

CLAUSE 6. TERMINATION

6.01 Notwithstanding anything herein contained, the Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if in the reasonable opinion of the Underwriter, there shall have occurred, happened or come into effect, any of the following circumstances, on or before the Closing Date:-

(a) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 of the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or

(b) there is failure on the part of the Company to perform any of its obligations herein contained; or

(c) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company, the success of the Public Issue, or the distribution or sale of the Issue Shares; or

(d) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company; or

(e) any government requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial condition or business or operations of the Company, and/or the prospects or future financial condition or business or operations of the Company; or

(f) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the MESDAQ Market of Bursa Securities due to exceptional financial circumstance or otherwise; or

(g) there shall have occurred, or happened any of the following circumstances:-

(i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

(ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue, or the distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

6.02 Upon any such notice(s) being given pursuant to Clause 6.01, the Underwriter shall be released and discharged from its obligations hereunder whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable for the payment of the Underwriting Commission and in respect of its obligations and liabilities under Clause 7.03 of the Underwriting Agreement (including the commission payable to the Underwriter and other expenses associated with the Underwritten Shares and/or the Underwriting Agreement) for the payment of costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies, and for any antecedent breach.

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3 RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE GROUP AS OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE ISSUE SHARES.

(A) BUSINESS RISKS

(i) Dependence on key personnel

The Group's continued success will depend substantially upon the abilities and continued efforts of Tan Bak Hong, its Managing Director and the senior management team. The Group relies heavily on the above-mentioned as they bring along their extensive knowledge and experience in the business. The loss of the Managing Director or senior management staff may adversely affect the Group's performance.

The Group's future success will also depend upon its ability to attract and retain a sufficient number of highly skilled employees. The Group mitigates this risk by continuing to hire personnel as and when necessary to accommodate any increase in the size of the Group's operations. The Board believes that by offering a competitive salary package, training and conducive working environment, the risk should be further mitigated. Recognising the importance of its human resource, efforts have been taken to groom younger members of the management team to ensure a smooth transition to the senior management team.

(ii) No prior market for the Company's shares

Prior to the Public Issue, there was no public market for the Grand-Flo Shares. There can be no assurance that an active market can develop for the Grand-Flo Shares upon the Listing or if developed, that such a market can be sustained. The Issue Price has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and conditions, the prospects of the industry in which the Company operates, the Company's R&D capability and technology, the management of the Company and prevailing economic and market conditions. There can be no assurance that the Issue Price will correspond to the price at which Grand-Flo Shares will trade on the MESDAQ Market upon or subsequent to its Listing.

(iii) Management of future growth

The Group is currently experiencing a period of growth and has projected in its 5-year development plan rapid expansion and further growth. The management of the growth will depend on its ability to improve its operational, financial and other internal systems and to train, recruit, motivate and manage its employees. If the Group is unable to achieve the anticipated performance levels, its business and financial performance may be adversely affected.

(iv) Expansion to foreign markets and its related risk thereon

The Group has intentions to expand its operations to countries such as Thailand, Singapore, Indonesia, Vietnam, Philippines and other foreign markets. However, there can be no assurance that the Group will be able to successfully penetrate the aforementioned new markets. Furthermore, such future expansion could expose the Group to foreign economic, political, legislative and other risks. Any failure to accurately assess these issues could affect the Group's business, financial condition and operating results. However, from the Group's brick and mortar philosophy, prudence and careful planning have always been exercised by the Board to ensure that there would not be an over expansion.

(v) Material defects liability

The EDCCS solutions which the Grand-Flo Group develops and provides to its customers are important to enable the operations of its customers' business are carried out in a smooth manner. There would be potential risks such as loss of clients, adverse reaction from customers towards the Grand-Flo Group and its products, negative publicity, additional expenditures to remedy problems and legal claims settlement, should there be any material defects or errors in the Group's products.

The EDCCS solutions may suffer from various unforeseen problems, which may result in a disruption to the customers' operations in which event, unless immediately rectified, will result in a reputational and financial risk to the Group. To minimize exposure to such risk, the Group provides its customers with a limited product warranty. The Group also believes in strengthening its R&D by recruiting and training more skilled personnel and investing further in R&D activities.

(vi) Intellectual property issues

Currently, the Group does not have any trademarks registered in its name and has not entered into any formal agreements to protect any of its intellectual property rights.

The Group's in-house proprietary solutions are generally protected under the copyright laws in Malaysia. As such, the Group does not register its rights in and to its solutions with any local regulators. However, the Group has adopted and built a proper documentation base for all its in-house solutions. Source codes and products are secured and backed up within a common repository with access and change control. Nevertheless, there is no assurance that unauthorised parties will not attempt to copy aspects of the Group's software and services products and use confidential information, which the Group considers as its trade secrets.

The Group's software, services and products are either developed in-house or sourced externally. There is no assurance that third parties will not claim infringement of their intellectual proprietary rights.

To mitigate this risk, the Group will emphasise on the originality of its products in its R&D functions to avoid duplication of ideas and infringing third-party intellectual property rights.

(vii) System and security disruptions

The Group's EDCCS solutions are dependent on the function-ability of the hardware and software employed by the Group. The risk on the material defects liability is set out in Section 3(A) (v) above.

Nevertheless, the Group's solutions are exposed to the risk of a system disruption mainly from blackouts, caused by disruptions in electricity supply and others. The Group mitigates this risk by employing software to prevent massive loss of information in the event a blackout occurs. The software, which was developed internally by the Group's R&D team, is able to recover certain information in the server, which may have been lost in the blackout upon the return of electricity supply or on any other server where there is electricity supply.

The Group has adopted and built a proper documentation base for all its in-house solutions. Source codes and products are secured and backed up within a common repository with access and change controls. Generally, the Group runs a periodical review on its activities thereby ensuring that any possible disruptions are reasonably pre-empted or quickly rectified. Nevertheless, there can be no assurance that the security will not be disrupted and breached.

The Group has not experienced any major system disruption in the past years and will continue to ensure the viability of the system by taking necessary preventive measures.

(viii) Breakout of fire, energy crisis and other emergencies

Natural disasters and crisis of a force majure are risks that are largely beyond the Group's control. The Group's current operations are located in a single premise, therefore the risk of emergencies become more significant. The Group attempts to mitigate these risks by having proper systems and securities in place. There is no assurance that these risks can be avoided completely but the Group does its best to minimise the possibility.

The Group also provides adequate insurance coverage on its assets. The Group reviews and ensures adequate coverage for its assets on a continuous basis. Consequential loss of profit in the event of fire is covered and all assets such as inventory, office equipment, furniture, software and hardware are sufficiently insured under fire and other insurance policies.

(ix) Interest risks

As at 27 September 2004, the Group's short-term and long-term bank borrowings amounted to approximately RM2.2 million. All the loans and facilities of the Group are local and interest bearing. Thus, any significant fluctuation in interest rates may have an impact on the financial performance of the Group. In addition, there can be no assurance that the principal bankers will not withdraw the financing facilities that are presently granted to the Group.

In mitigating the above risk, part of the proceeds from the Listing will be utilised for working capital of the Group, which will reduce the Group's reliance on bank borrowings in financing its projects. Future capital investments will also be partly financed through proceeds from the Public Issue as disclosed in Section 2.7 of this Prospectus. Notwithstanding the above, the Group has continuously maintained a cordial relationship with its bankers.

(x) Borrowing covenants and restrictions

Pursuant to the credit facilities obtained from bankers and financiers, the Group is bound by certain positive and negative covenants, which may limit the Group's operating and financial flexibility. The aforesaid covenants are of a nature, which is commonly contained in credit facility arrangements in Malaysia. Any act by the Grand-Flo Group falling within the ambit or scope of such covenants will require the consent of the relevant bank/financier. Breach of such covenants may give rise to a right by the bank/financier to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Board is aware of such covenants and shall take all precautions necessary to prevent any such breach.

(xi) Foreign currency risk

Auto-ID hardware such as bar code and RFID reading equipment, hand-held computers and RF data communications systems are frequently included in the Group's integrated EDCCS solutions. Currently, the Group has been appointed as authorized distributor for various leading Auto-ID suppliers, which include Intermec Technologies Corporation and Handheld Products Inc. (formerly known as Welch Allyn). These hardware are mainly imported from overseas. In addition, moving forward, the Group intends to expand further to overseas markets, in particular Singapore and Thailand to secure more regional roll out projects. Hence, the Group is exposed to foreign exchange fluctuation risks, specifically the USD and SGD.

The imposition of currency controls in 1998 and the setting of the RM peg at RM3.80:USD1.00 has, however, assisted in stabilising the risks to fluctuations in foreign exchange. However, there can be no assurance that the currency controls will remain and that future foreign exchange fluctuations arising from the lifting of the currency controls or the adjustment of the RM peg will not adversely impact Grand-Flo Group. In view of this, the management of Grand-Flo Group are constantly monitoring the Group's RM exposure.

(xii) MSC Status

Grand-Flo was granted the MSC status on 14 May 2004 by MDC. As such, it is entitled to enjoy certain financial and non-financial incentives derived from its MSC-qualifying activities.

MDC is the body responsible for monitoring all MSC designated companies. MDC has the right to revoke any company's MSC status at any time if it does not comply with the conditions of grant of MSC status as imposed by the MDC. As such, there can be no assurance that the Company will continue to retain its MSC or that the Company will continue to enjoy or not experience delays in enjoying the MSC incentives as stated in Section 11.3 of this Prospectus, all of which could adversely affect the Company's business, operating results and financial condition. There can also be no assurance that the MSC incentives will not be changed or modified in anyway in the future.

(B) RISKS RELATING TO INDUSTRY

(i) Barriers to entry and competition

Due to the nature of the business, potential entrants are faced with high barriers to entry such as the acquisition of know-how and support from principals, and confidence secured from customers. Generally, a long period of gestation and qualification audit is required to obtain the support from the principals for distribution of their products. In addition, it also requires considerable amount of effort to secure the confidence of customers, as the installation of solutions into their systems would involve a significant investment by the customers.

Currently, there are not many major players in the EDCCS solutions market in Malaysia. In addition, the Group has established themselves well in the said market as the founders of the Group, Tan Bak Hong and Tan Bak Leng, have been devoting themselves in the IT industry for the manufacturing, FMCG, warehousing, logistics, government and healthcare industries since year 1996. They have the requisite in-depth experience and knowledge in various aspects of the aforementioned industries. Their experience and knowledge in the IT industries are shared with the senior management of the Group. In addition, the Group possesses a strong R&D team.

Notwithstanding the aforementioned strategies, there can be no assurance that the Group will not be affected by potential entrants or the competitive strategies adopted by other solution providers within the same industry.

(ii) Technology

A strong R&D capability is important for the continued development of new products that meet the demand of its customers. However, there are inherent risks involved, given that R&D efforts may require long lead-times. Such risks include the uncertainties with regards to the outcome of its R&D efforts, delays in development of potential products and general uncertainties due to the rapid changes in technology know-how.

The delay in the completion of the development of its EDCCS solutions and the consequent delay in the launch of these products in the market place may adversely affect the Group's competitive position. The introduction of a new competitive product may also affect its products' appeal to its prospective customers.

In addition, the IT industry is dynamic, characterised by rapid changes in technology and frequent introduction of new and more advanced IT products, changes in customer demands and evolving industry standards. Hence, the Group would need to keep abreast with the latest technologies in order to compete successfully with its competitors. The Group will be subject to the risks, uncertainties and problems frequently encountered by companies in the IT industry which include, amongst others, the following:-

(a) failure to keep abreast with changing technological standards and requirements;

(b) failure to anticipate and adapt to developing market trends and requirements; and

(c) inability to maintain, upgrade and develop its systems and infrastructure to cater to rapidly expanding operations.

Recognising this, the Group's R&D team constantly keeps abreast with new technologies and market trends wherein the business development team works closely with the R&D team to provide feedback on market trends and client requirements. The Group also focuses on its human resource development by investing in external and in-house training sessions to update and educate its employees.

(C) OTHER RISKS

(i) Control by certain substantial shareholders

The Company will be controlled by the Promoters who will collectively control approximately 61% of the Company's issued and paid-up share capital after the Public Issue. As a result, the Promoters will be able to effectively influence the outcome of certain corporate actions in a manner that could cause conflict with the interests of minority shareholders.

However in the event of related party transactions involving any of the Promoters of the Company, such Promoters would be required to abstain from voting. In addition, Grand-Flo has appointed two (2) independent non-executive directors, as a step towards good corporate governance and protecting the interests of minority shareholders.

(ii) Political, economic and legislative considerations

Development in political and economic conditions in Malaysia and other countries in which the Group is currently operating or where the Group may market its products in the future could materially affect the financial prospects of the Group. Political and economic uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, fluctuations in foreign exchange rates, inflation, changes in interest rates and methods of taxation.

(iii) Forward looking statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The word "anticipates", "believe", "intends", "plans", "expects", "forecast", "predicts" and similar expressions as they relate to the Group or its business are intended to identify such forward-looking statements. The Group believes that the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effect on the Group's financial and business performance.

(iv) Delay in or abortion of the Public Issue

The occurrence of any one (1) or more of the following events may cause a delay in or abortion of the Public Issue:-

(a) the identified investors fail to subscribe for the portion of Issue Shares to be placed to them;

(b) the Underwriter exercises its rights pursuant to the Underwriting Agreement and discharge themselves from their obligations thereunder; or

(c) the Company is unable to meet the public spread requirements, that is, at least 25% but not more than 49% of the issued and paid-up share capital of the Company be held by a minimum number of 200 public shareholders (including employees).

Although the Board will endeavor to ensure compliance by Grand-Flo of various Listing Requirements, including, inter-alia, the public spread requirement imposed by Bursa Securities for a successful Public Issue, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the Public Issue.

(v) Termination of Underwriting Agreement

The Underwriting Agreement is terminable by the Underwriter if the Underwriter are of the reasonable opinion that the success of the Public Issue is seriously jeopardised by certain events, details of which are set out in Section 2.8.4 of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if it is of the reasonable opinion that the events detailed in Section 2.8.4 have occurred. In the event the Public Issue could not be completed, all monies paid in respect of all applications will be returned without any interest.

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