NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2007

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

A1. BASIS OF PREPARATION

The interim financial report is unaudited and is prepared in accordance with the requirements of the Financial Reporting Standard (FRS) 134: Interim Financial issued by Malaysian Accounting Standards Board ("MASB") and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

The interim financial statements should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2006.

The same accounting policies and methods of presentation adopted by the Company and its subsidiaries ("Group") in the interim financial statements are consistent with those adopted for the financial year ended 31 December 2006.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the financial year ended 31 December 2006 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. CHANGES IN ESTIMATES

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

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A6. DEBT AND EQUITY SECURITIES

Save as disclosed below, 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 2007:-

(a) On 11 January 2007, the Company issued 300,000 new ordinary shares of RM0.10 each in Grand-Flo ("Grand-Flo Shares") pursuant to the exercise of the Company's Employees' Shares Option Scheme ("ESOS") options;

(b) On 8 February 2007, the final tranche of 2,039,200 Grand-Flo Shares were issued pursuant to the Private Placement at an issue price of RM0.40 per Share;

(c) As announced to Bursa Securities on 17 May 2007, the Company issued 30,000 Grand-Flo Shares pursuant to the exercise of the Company's ESOS options.

A8. DIVIDEND PAID

The proposed final dividend of 20% less income tax of 27% in respect of the year ended 31 December 2006 was approved by the Company's shareholders on 24 May 2007 and paid on 5 July 2007.

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GRAND-FLO SOLUTION BERHAD (607392-W)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2007

A9. SEGMENTAL INFORMATION

	3 Months Ended 31/12/2007				12 Months Ended 31/12/2007			
Analysis by Geographical Location	**Malaysia RM'000**	**Other Countries RM'000**	**Elimina-tions RM'000**	**Group RM'000**	**Malaysia RM'000**	**Other Countries RM'000**	**Elimina-tions RM'000**	**Group RM'000**
External Revenue	11,171	7,470	-	18,641	31,429	33,481	-	64,910
Intersegment	356	6	(362)	-	4,071	481	(4,552)	-
Total Revenue	11,527	7,476	(362)	18,641	35,500	33,962	(4,552)	64,910
Results from operation	1,008	696	-	2,712	4,466	3,745	-	8,211
Gain on deemed disposal	-	1,008	-	1,008	-	1,008	-	1,008
Finance Cost	(57)	(18)		(75)	(133)	(131)		(264)
Share of profit in associate co.	-	105	-	105	-	105	-	105
Profit before taxation	951	1,791	-	2,742	4,333	4,727	-	9,060
Taxation	(125)	(139)	-	(264)	(493)	(660)	-	(1,153)
Profit after taxation	826	1,652	-	2,478	3,840	4,067	-	7,907
Profit attributable to:								
Equity holders of the company	826	1,371	-	2,197	3,840	2,550	-	6,390
Minority interest	-	281	-	281	-	1,517	-	1,517
Net profit att. to shareholders	826	1,652	-	2,478	3,840	4,067	-	7,907

A10. CARRYING AMOUNT OF REVALUED ASSETS

The Company did not revalue any of its property, plant and equipment during the quarter. As at 31 December 2007, all property, plant and equipment were stated at cost less accumulated depreciation.

A11. SUBSEQUENT EVENTS

There was no material event subsequent to the end of current quarter ended 31 December 2007 except for as announced to Bursa Securities on 16 January 2008 the Company issued 244,000 Grand-Flo Shares pursuant to the exercise of the Company's ESOS options.

A12. CHANGES IN COMPOSITION OF THE GROUP

(a) On 14 March 2007, the Company announced the incorporation of Grand-Flo RFID Sdn. Bhd. ("Grand-Flo RFID") with Grand-Flo holding an equity interest of 100% therein. Presently, the authorised capital of Grand-Flo RFID is RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each and the issued and paid-up capital is RM2.00 comprising of 2 ordinary shares of RM1.00 each. Grand-Flo RFID is presently dormant and its principal activities are intended to carry on the business of providing radio frequency identification solutions.

(b) As announced to Bursa Securities on 7 December 2007 and 12 December 2007, Simat Technologies Public Company Ltd (formerly known as Simat Mobile Computer Co., Ltd.) ("Simat") allotted 18,750,000 new ordinary shares of Baht 1.00 each at an issue price of Baht 3.80 each pursuant to listing of its enlarged issued and paid-up share capital of Baht 75 million of ordinary shares of Baht 1.00 each on the Market for Alternative Investment in Thailand ("MAI"). As a result, Simat is no longer a subsidiary of Grand-Flo as Grand-Flo's equity interest in Simat reduced from 49.00% to approximately 36.75%. This dilution of interest has resulted in a gain on deemed disposal of RM1.008 million.

(c) On 18 December 2007, the Company entered into a Share Acquisition Agreement with Chan Pik Khew and Wan Kok Weng (collectively known as "Vendors") to acquire 55,000 ordinary shares of RM1.00 each in Labels Network Sdn Bhd ("LNSB"), representing 55% of the issued and paid-up share capital of LNSB from the Vendors, for a purchase consideration of RM3,905,000.00, payable in cash, in three (3) tranches. On 31 January 2008, the acquisition of 55% of LNSB was completed in accordance with the terms of the Share Acquisition Agreement.

A13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) **Contingent liabilities**

On 30 June 2006, the Company provided a guarantee to a supplier for the credit facility granted by the latter to an associate company in Thailand, Simat for the sums of money not exceeding USD1,000,000.00. Currently, the Company is in the midst of withdrawing the guarantee.

(b) **Contingent assets**

There were no contingent assets as at 22 February 2008, being the date of this report.

A14. CAPITAL COMMITMENTS

There are no material commitments which require disclosure during the quarter except for the following:

	At 31/12/2007 RM'000
Capital expenditure:	
- Purchase of a three (3) storey shop office	188
Approved and contracted for*	188
Others:	
-Balance of payment for the acquisitions of Spritvest Sdn. Bhd. and Data Centrix Sdn. Bhd. net off cash paid and Shares issued of RM11.125 million	2,875

* *yet to be completed as at 22 February 2008, being the date of this report.*

A15. FIXED DEPOSIT WITH LICENSED BANKS

Included in fixed deposit is an amount of RM1.00 million, being deposit with a licensed bank placed in accordance with the Shares Acquisitions Agreement dated 22 March 2006 between the Company and the vendors of the subsidiaries acquired during the year. The fixed deposit is placed as security by the Company for the balance of payment to be made.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2007

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIRMENTS OF BURSA SECURITIES FOR THE MESDAQ MARKET

B1. PERFORMANCE REVIEW

The Group continued to experience favourable macro-economic conditions in the key markets in which it operates and capitalized on that to further enhance its domestic stronghold position in the countries with its presence. These are reflected in group revenues, which grew 23% to RM18.641 million for the quarter under review and 39% to RM64.910 million for financial year ended 31 December 2007. Underlying profit after tax and minority interest increased to RM2.198 for the current quarter and RM6.398 million for the cumulative quarter ended 31 December 2007, up by 77% in total whilst earnings per share grew by 51% to 5.15 sen and diluted earnings per share increased by 1.72 sen to 5.12 sen for the period ended 31 December 2007.

Included in the fourth quarter of 2007 results was a net gain on deemed disposal of subsidiary, Simat, of RM1.008 million after its listing on the MAI on 12 December 2007.

B2. COMMENTARY ON PROSPECTS

The Group has experienced tremendous growth in recent years. This is reflected in core headline earnings per share, which shows an annual compounded growth in excess of 40% over the past three years. The Group expects aggressive growth with its recent acquisition of downstream activities producing barcode ribbons and labels. The same will be replicated in Thailand to further contribute to the Group's top and bottom line.

Looking forward, the group plans to continue its expansion through a combination of organic growth in existing businesses and new investments in either established or start-up operations. The former is, to a large degree, reliant on continued macro-economic expansion in our key markets; the latter on our ability to identify investment opportunities in our chosen markets at reasonable valuations, particularly in Vietnam and Indonesia.

B3. PROFIT FORECAST AND PROFIT GUARANTEE

(a) As set out in the Circular to the Shareholders dated 14 August 2006 in relation to the acquisitions of Spritvest Sdn. Bhd. and Data Centrix Sdn. Bhd. ("Acquiree Companies"), the vendors irrevocably covenant, warrant and guarantee to Grand-Flo that the Acquiree Companies shall achieve an aggregate audited profit after tax of at least RM4,500,000 as follows:-

(i) RM2,000,000 for the financial period commencing 1 January 2006 and ending 31 December 2006 which has been achieved; and

(ii) RM2,500,000 for the financial period commencing 1 January 2007 and ending 31 December 2007 which has been achieved as at the date of this report.

B3. PROFIT FORECAST AND PROFIT GUARANTEE (CONT'D)

(b) As announced to the Bursa Securities on 18 December 2007 in relation to the acquisition of 55% of LNSB, the Vendors irrevocably covenant, warrant and guarantee to Grand-Flo that LNSB shall have an aggregate audited consolidated profit after tax of at least Ringgit Malaysia Two Million Two Hundred and Fifty Thousand (RM2,250,000), as follows:-

(i) RM1,000,000 for the financial period commencing 1 January 2008 and ending 31 December 2008; and

(ii) RM1,250,000 for the financial period commencing 1 January 2009 and ending 31 December 2009.

B4. TAXATION

	3 Months ended 31/12/2007 RM'000	12 Months ended 31/12/2007 RM'000
Estimated income tax :		
Malaysia income tax	125	493
Foreign income tax	139	660
	264	1,153

(i) The effective tax rate of the Malaysian taxation which is lower than the statutory tax rate due mainly to the reason that there is no taxation charge on the business income of the Company and a subsidiary of the Group as they are accorded the Multimedia Super Corridor (MSC) Status and was granted Pioneer Status which exempts 100% of their statutory business income for a period of five (5) years, with an option to extend the said status for a further period of five (5) years.

(ii) Foreign taxation is in respect of corporate tax charged on the profit made by the Company's subsidiary operating in Thailand. The applicable corporate tax rate for current quarter is 30%.

B5. SALE OF UNQUOTED INVESTMENT AND PROPERTIES

There were no sales of unquoted investments and/or properties during the current financial period to date.

B6. QUOTED SECURITIES

The Group does not have any investment in quoted securities for the current financial year to date. There was no acquisition or disposal of quoted securities for the current financial year to date.

B7. STATUS OF CORPORATE PROPOSALS AS AT 22 FEBRUARY 2008

There were no corporate proposals announced but not completed as at 22 February 2008, being the latest practicable date, not earlier than (7) days from the date of issuance of this report except for the following :-

(a) On 25 October 2005, the Company announced to Bursa Securities for the purchase of a three (3) storey shop office ("Purchase") which is yet to be completed as at 27 August 2007. The capital commitments arising for the Purchase is disclosed in Section A14 above; and

(b) On 5 April 2006, the Company announced the proposed listing of Simat Mobile Computer Co., Ltd. ("SMC"), a subsidiary company of Grand-Flo on the Market for Alternative Investment ("MAI"). On 18 July 2006, SMC was converted into a public limited company under the name of Simat Technologies Public Company Limited ("Simat") pursuant to its proposed initial public offering on the MAI. On 23 May 2007, the Company further announced that Simat proposes to undertake a public issue of 18,750,000 new ordinary shares of THB1 each ("Simat Share(s)"), representing up to 25% of the enlarged issued and paid-up share capital of Simat ("Proposed Public Issue"). Upon completion of the Proposed Public Issue, the issued and paid-up share capital of Simat will increase from Baht 56,250,000 comprising 56,250,000 Simat Shares to Baht 75,000,000 comprising 75,000,000 Simat Shares. Thereafter, Simat will seek listing of and quotation for Simat's entire enlarged issued and paid-up share capital on the MAI. The Proposed Listing was subsequently approved by the Thai Securities and Exchange Commission and shareholders of Grand-Flo on 30 October 2007 and 29 November 2007 respectively. On 12 December 2007, Simat listed its entire issued and paid-up share capital of Baht 75 million of ordinary shares of Baht 1.00 each on the MAI.

B8. STATUS OF UTILISATION OF PROCEEDS

On 8 February 2007, the Group had completed the implementation of the Proposed Private Placement which involved the allotment and issuance of a total of 10,039,200 new Grand-Flo Shares in five tranche placement as follows:-

Shares	Amount raised RM	Amount utilised RM	Purpose
1,000,000	415,000	415,000	Working capital
3,000,000	1,200,000	1,200,000	Working capital
3,000,000	1,200,000	1,200,000	Working capital
1,000,000	400,000	400,000	Working capital
2,039,200	815,680	815,680	Working capital
Total	4,030,680	4,030,680	Working capital

B9. BORROWINGS

The borrowings of the Company as at 31 December 2007 are as follows:-

	At 31/12/2007 RM'000	At 31/12/2006 RM'000
Secured Short-term (due within 12 months):		
Banker Acceptance / Factoring	943	922
Overdraft	326	116
Term loan	-	66
Hire purchase payables	141	197
Lease	121	614
	1,531	1,915
Secured Long-term (due after 12 months):		
Term loan	1,646	1,111
Hire purchase payables	232	360
Lease	49	592
	1,927	2,063
Total Borrowings	3,458	3,978

There is no unsecured borrowing for the current quarter.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Company does not have any financial instrument with off balance sheet risk as at the date of this report.

B11. MATERIAL LITIGATION

As at 22 February 2008, being the date of this report, the Directors are not aware of any material litigations or claims against the Group and Company.

B12. PROPOSED DIVIDEND PAYABLE

The Board of Directors has recommended a final tax exempt dividend of 20% or 2 sen per share for the financial year ended 31 December 2007 which is subject to the approval of the shareholders in the forthcoming annual general meeting.

The entitlement and payment dates shall be finalised and announced in due course.

B13. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated based on the Group's net profit attributable to ordinary equity holders of the parent of RM2.198 million for the current quarter and RM6.390 million for cumulative year to date, and divided by the weighted average number of ordinary shares of RM0.10 each in issue for the current quarter and cumulative year to date of 124,212,533 and 123,980,507 shares respectively as follows:-

	3 Months Ended 31/12/2007	**12 Months Ended 31/12/2007**
Net profit attributable to ordinary equity holders of the parent ('000)	2,198	6,390
Weighted average number of ordinary shares in issue ('000)	124,213	123,981
Basic earnings per share (sen)	1.77	5.15

(b) Diluted earnings per share

The Company granted share options to its employees pursuant to the Company's ESOS. The Group diluted EPS is calculated by dividing the Group's net profit attributable to ordinary equity holders of the parent over the weighted average number of ordinary shares in issue and issuable during the financial period.

	3 Months Ended 31/12/2007	**12 Months Ended 31/12/2007**
Net profit attributable to ordinary equity holders of the parent ('000)	2,198	6,390
Weighted average number of ordinary shares in issue ('000)	124,213	123,981
Effect of share options* ('000)	779	779
Diluted earnings per share (sen)	1.76	5.12

* Note: Effect on Share Options on diluted EPS is calculated based on the following:
Unexercised Options – (Unexercised Options X Exercise Price / Fair Value)