
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

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 2007.

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 2007.

A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the financial year ended 31 December 2007 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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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

A6. DEBT AND EQUITY SECURITIES

On 17 January 2008, the Company issued 244,000 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.

Save as mentioned above, 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 March 2008:-

A8. DIVIDEND PAID

There was no dividend paid during the financial period ended 31 March 2008. Further information relating to dividend payable was disclosed in Note B12 of this report.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

A9. SEGMENTAL INFORMATION

(a) Analysis of revenue by geographical area

	Current quarter Ended 31/03/2008				Year-to-Date Ended 31/03/2008			
	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	8,563	-	-	8,563	8,563	-	-	8,563
Intersegment	2,064	-	(2,064)	-	2,064	-	(2,064)	-
Total Revenue	10,627	-	(2,064)	8,563	10,627	-	(2,064)	8,563
Results from operation	1,222	-	-	1,222	1,222	-	-	1,222
Finance Cost	(68)	-	-	(68)	(68)	-	-	(68)
Share of profit in associate co.	-	254	-	254	-	254	-	254
Profit before taxation	1,154	254	-	1,408	1,154	254	-	1,408
Taxation	(149)	-	-	(149)	(149)	-	-	(149)
Profit after taxation	1,005	254	-	1,259	1,005	254	-	1,259
Profit attributable to:								
Equity holders of the company	914	254	-	1,168	914	254	-	1,168
Minority interest	91	-	-	91	91	-	-	91
Net profit att. to shareholders	1,005	254	-	1,259	1,005	254	-	1,259

(b) Analysis of revenue by product categories

	Current quarter Ended 31/03/2008				Year-to-Date Ended 31/03/2008			
	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
EDCCS*	8,010	-	(1,504)	6,506	8,010	-	(1,504)	6,506
Labels	2,617	-	(560)	2,057	2,617	-	(560)	2,057
Total Revenue	10,627	-	(2,064)	8,563	10,627	-	(2,064)	8,563

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

A10. CARRYING AMOUNT OF REVALUED ASSETS

The Company did not revalue any of its property, plant and equipment during the quarter. As at 31 March 2008, all property, plant and equipment were stated at cost less accumulated depreciation.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

A11. SUBSEQUENT EVENTS

As announced to Bursa Securities on 9 April 2008, the Board of Directors of Grand-Flo is pleased to announce that Grand-Flo's associate company, Simat Technologies Public Company Limited ("Simat") has entered into a Share Sale and Purchase Agreement with two Vietnam Companies to acquire 40% each of the charter capital of Sino Co., Ltd. ("Sino") and High Rich Trading & Service Co., Ltd ("High Rich") for a total purchase consideration of RM2,400,000.00, payable in cash, in three (3) tranches ("Proposed Acquisition"). Barring any unforeseen circumstances, the Board expects the Proposed Acquisition to be completed by last quarter of 2008.

There was no other material event subsequent to the end of the current quarter ended 31 March 2008.

A12. CHANGES IN COMPOSITION OF THE GROUP

- (a) 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 ("Acquisition"). On 31 January 2008, the acquisition of 55% of LNSB was completed in accordance with the terms of the Share Acquisition Agreement.

The effects of the Acquisition are as follows:-

- (i) The fair values of assets and liabilities of the new subsidiaries acquired were as follows:

	RM'000
Property, plant and equipment	3,068
Assets	4,882
Liabilities	<u>(5,923)</u>
Net assets	2,027
Minority Interest (45%)	(912)
Net assets acquired	1,115
Goodwill on Acquisition	<u>2,897</u>
Total acquisition price	<u>4,012</u>
Cash & Cash equivalent of subsidiaries acquired	<u>283</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

A12. CHANGES IN COMPOSITION OF THE GROUP (Cont'd)

- (ii) The contributions of the new subsidiaries to the Group's results for the quarter under review are as follows:-

	2 Months Ended* 31/03/2008 RM'000	3 Months Ended 31/03/2008 RM'000
Income Statement:		
Revenue	2,057	3,187
Net operating costs	(1,820)	(2,790)
Profit before taxation	237	397
Taxation	(35)	(53)
Profit after tax	202	344

**The Acquisition were completed on 31 January 2008*

- (b) On 26 March 2008, the Company announced that LNSB, a subsidiary company, incorporated a wholly-owned subsidiary company by the name Kopacklabels (M) Sdn. Bhd. ("Kopacklabels"). The authorised capital of Kopacklabels 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. Kopacklabels is presently dormant and its principal activities are intended to carry on the business of manufacturing for printing of adhesive labels and stickers.

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. The guarantee was withdrawn during the current quarter under review.

(b) Contingent assets

There were no contingent assets as at 21 May 2008, being the date of this report.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

A14. CAPITAL COMMITMENTS

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

	At 31/03/2008
	RM'000
Approved and contracted for:-	
- Purchase of a three (3) storey shop office*	-
-Balance of payment for the acquisitions of Spritvest Sdn. Bhd. and Data Centrix Sdn. Bhd.	3,303
-Balance of payment for the acquisitions of Labels Network Sdn. Bhd.	1,905
	1,905
<i>*The Certificate of Fitness was issued on 28 March 2008</i>	

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 for the acquisition of Spritvest and Data Centrix. The fixed deposit was released as at 21 May 2008, being the date of this report.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

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

B1. PERFORMANCE REVIEW

For the current financial quarter ended 31 March 2008, the Group has recorded revenue of RM8.563 million as compared to RM14.006 million in the preceding year's corresponding financial quarter ended 31 March 2007. The decrease in revenue was due to the status conversion of Simat Technologies Public Company Limited ("Simat") from a "subsidiary" of the Group to an "associate" pursuant to the dilution of Grand-Flo's equity interest of 49% to 36.75% in Simat as a result of the latter's successful listing, in the Market for Alternative Investment in Thailand ("MAI") on 12 December 2007.

The Group achieved a pre-tax profit RM1.408 million for the current financial quarter ended 31 March 2008 as compared to RM1.904 million in the preceding year's corresponding quarter ended 31 March 2007. The drop of the pre-tax profit was mainly attributable to the dilution of equity interest in Simat. However, the Group had experienced 3% growth in pre-tax margin in from 13.59% to 16.44%.

The impact of Simat's contribution due to the dilution was mitigated by the 2 months contribution from LNSB, the recently acquired subsidiary of the Group. This has enabled the Group to maintain a reasonably consistent profit attributable to equity holders of RM1.168 million for the current financial quarter under review against RM 1.205 million in the preceding year's corresponding quarter ended 31 March 2007.

Base on the first two months of contribution from LNSB upon the completion of acquisition on 31 January 2008, The Board of Directors was confident that the newly acquired subsidiary was on track to achieve its profit guarantee as planned and would be pivotal to the Group's earnings in the fiscal year 2008 and beyond.

B2. COMMENTARY ON PROSPECTS

The outlook in 2008 will see the Group's investment in LNSB making significant contribution to the Group's revenue and bottomline. It is the plan of the Group to leverage on its extensive marketing network to make an impact on the domestic front with its labels business.

The establishment of Simat Labels Company Limited ("Simat Labels") as a joint venture company between Simat and LNSB would spearhead a new exciting labels business division in Thailand and the Group making inroads to gain a significant market share of labels business in the country and its neighbours.

In addition, the recent acquisitions of Sino Company Limited and High Rich Trading & Service Company Limited in Vietnam via Simat and Simat Labels presented a whole new business opportunities to the Group to tap into the infancy stage of tracking solution and untapped labels production businesses in Vietnam's vibrant economy.

Going forward, the Group would focus on leveraging its regional presence to enhance its support and services in the region, more efficient purchasing machinery and manpower development and enhancement.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

B2. COMMENTARY ON PROSPECTS (Cont'd)

The Board of Directors is optimistic and bullish about its future in the fiscal year 2008 and beyond.

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:-

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

(iv) 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.

(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

	Current quarter ended 31/03/2008 RM'000	Year to Date ended 31/03/2008 RM'000
Estimated income tax :		
Malaysia income tax	149	149

(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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

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 21 May 2008

There were no corporate proposals announced but not completed as at 21 May 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 was completed as at 28 March 2008.
- (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.
- (c) As disclosed in Section A11, the Proposed Acquisition in Vietnam by Simat, an associate company of Grand-Flo in Thailand, to acquire 40% each of the charter capital of Sino and High Rich for total purchase consideration of RM2.4 million payable in cash, in three tranches.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

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 March 2008 are as follows:-

	At 31/03/2008 RM'000	At 31/03/2007 RM'000
Secured Short-term (due within 12 months):		
Banker Acceptance / Factoring	2,773	1,024
Overdraft	12	-
Term loan	-	143
Hire purchase payables & Lease	245	941
	3,030	2,108
Secured Long-term (due after 12 months):		
Term loan	1,798	1,011
Hire purchase payables & Lease	1,710	1,110
	3,508	2,121
Total Borrowings	6,538	4,229

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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

B11. MATERIAL LITIGATION

As at 21 May 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 RM1.168 million for the current quarter and 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 122,044,432 as follows:-

	Current quarter Ended 31/03/2008	Year to Date Ended 31/03/2008
Net profit attributable to ordinary equity holders of the parent ('000)	1,168	1,168
Weighted average number of ordinary shares in issue ('000)	122,044	122,044
Basic earnings per share (sen)	0.96	0.96

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2008**

B13. EARNINGS PER SHARE (Cont'd)

(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.

	Current quarter Ended 31/03/2008	Year to Date Ended 31/03/2008
Net profit attributable to ordinary equity holders of the parent ('000)	1,168	1,168
Weighted average number of ordinary shares in issue ('000)	122,044	122,044
Effect of share options* ('000)	581	581
Diluted earnings per share (sen)	0.95	0.95

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