NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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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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 6 months financial period ended 30 June 2008.

A7. DIVIDEND PAID

The proposed final tax exempt dividend of 20% in respect of the financial year ended 31 December 2007 was approved by the Company's shareholders on 25 June 2008 and paid on 1 August 2008.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2008**

A8. SEGMENTAL INFORMATION

(a) Analysis of revenue by geographical area

	Current quarter Ended 30/06/2008				Year-to-Date Ended 30/06/2008			
	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	9,693	-	-	9,693	18,256	-	-	18,256
Intersegment	2,030	-	(2,030)	-	4,094	-	(4,094)	-
Total Revenue	11,723	-	(2,030)	9,693	22,350	-	(4,094)	18,256
Results from operation	1,177	-	-	1,177	2,400	-	-	2,400
Finance cost	(98)	-		(98)	(166)	-		(166)
Share of profit in associate co.	-	7	-	7	-	261	-	261
Profit before taxation	1,079	7	-	1,086	2,234	261	-	2,495
Taxation	(288)	-	-	(288)	(438)	-	-	(438)
Profit after taxation	791	7	-	798	1,796	261	-	2,057
Profit attributable to:								
Equity holders of the Company	659	7	-	666	1,573	261	-	1,834
Minority interest	132	-	-	132	223	-	-	223
Net profit att. to shareholders	791	7	-	798	1,796	261	-	2,057

(b) Analysis of revenue by product categories

	Current quarter Ended 30/06/2008				Year-to-Date Ended 30/06/2008			
	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*	7,587	-	(1,163)	6,424	15,597	-	(2,667)	12,930
Labels	4,136	-	(867)	3,269	6,753	-	(1,427)	5,326
Total Revenue	11,723	-	(2,030)	9,693	22,350	-	(4,094)	18,256

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

A9. CARRYING AMOUNT OF REVALUED ASSETS

The Company did not revalue any of its property, plant and equipment during the quarter. As at 30 June 2008, all property, plant and equipment were stated at cost less accumulated depreciation.

A10. SUBSEQUENT EVENTS

Save for the below, there were no other material event subsequent to the end of the current quarter ended 30 June 2008:-

(a) The Board of Directors of Grand-Flo ("Board") had on 30 July 2008 announced that Grand-Flo had on the same date entered into a joint venture agreement with its wholly-owned subsidiary, Grand-Flo Electronic System Sdn. Bhd. and Credent Technology (Asia) Pte Ltd (formerly known as Intergraph Systems Singapore Pte Ltd) to form an unincorporated joint venture ("Proposed JV") to jointly submit a project proposal and if successful to undertake the project on a joint venture basis. As of 27 August 2008, there have been no updates to the status of the Proposed JV.

(b) As disclosed in Section B7(c) in respect of the proposed acquisition by Labels Network Sdn. Bhd. ("LNSB") of 80% equity interest in Penkopack Sdn. Bhd. ("Penkopack"), for a total purchase consideration of RM1,120,000.00 payable in cash, in three (3) tranches ("Proposed Acquisition"), the Board had on 14 August 2008 announced that the Foreign Investment Committee of the Prime Minister's Department had via its letter dated 11 August 2008 approved the sale and purchase of the Sale Shares, subject to Penkopack increasing its Bumiputera equity to at least 30% before 31 December 2010. Following from the abovementioned, the Proposed Acquisition had been completed on 14 August 2008 in accordance with the terms of the Share Acquisition Agreement.

A11. CHANGES IN COMPOSITION OF THE GROUP

There is no change in the composition of the Group for the current quarter under review.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A13. CAPITAL COMMITMENTS

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

	At 30/06/2008 RM'000
Approved and contracted for:-	
-Balance of payment for the acquisitions of LNSB	1,905

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2008

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

B1. PERFORMANCE REVIEW

For the current financial quarter ended 30 June 2008, the Group has recorded revenue of RM9.693 million as compared to RM14.238 million in the preceding year's corresponding financial quarter ended 30 June 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 on 12 December 2007 and hence no revenue recognition from Simat on a consolidated basis.

B2. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION ("PBT")

As compared with previous quarter ended 31 March 2008, there was an improvement of 13% in revenue as a result of organic growth of the Group as well as additional contribution from the newly acquired subsidiary, LNSB since February 2008.

The Group achieved a PBT of RM1.086 million for the current financial quarter ended 30 June 2008 as compared to RM1.408 million in the preceding quarter ended 31 March 2008. The drop of the pre-tax profit was mainly due to start-up and other costs associated with the Company's newly created labels business division in Thailand, further details of which are set out in Section B3 below.

The newly acquired subsidiary, LNSB had contributed positively to the Group's bottomline and for the financial period ended 30 June 2008, LNSB has achieved 64% of its profit guarantee to Grand-Flo.

B3. 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 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.

In view of the above, the Board is optimistic of a stronger performance in the second half of 2008.

B4. TAXATION

	Current quarter ended 30/06/2008 RM'000	Year to Date ended 30/06/2008 RM'000
Estimated Malaysia income tax	288	438
	288	438

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.

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.

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B7. STATUS OF CORPORATE PROPOSALS AS AT 27 AUGUST 2008

There were no corporate proposals announced but not completed as at 27 August 2008, being the latest practicable date, not earlier than (7) days from the date of issuance of this report except for the following :-

(a) The Company announced that on 18 December 2007, Simat entered into a Joint Venture Agreement ("JVA") with LNSB, subject to approval of the Securities and Exchange Commission of Thailand to form a joint venture company, Simat Labels, as a limited liability company under the laws of Thailand. Simat Labels shall have the registered capital of THB 12,000,000 consisting of 1,200,000 ordinary shares with par value of THB 10 each. Simat, in the amount of THB 7,200,000 representing 60% of the subscribed shares and LNSB, in the amount of THB 4,800,000 representing 40% of the subscribed shares. The JVA has been completed on 1 April 2008.

(b) As announced to Bursa Securities on 9 April 2008 that Grand-Flo's associate company, Simat has entered into a Share Sale and Purchase Agreement to acquire 40% each of the charter capital of Sino Co., Ltd. and High Rich Trading & Service Co., Ltd for a total purchase consideration of RM2,400,000.00, payable in cash, in three (3) tranches.

(c) The Company announced that on 25 June 2008, LNSB, its 55%-owned subsidiary, had entered into a share acquisition agreement ("Share Acquisition Agreement") with Chan Pik Khew, Tan Huai Wei and Yap Ten Song (collectively, the "Vendors"), to acquire and purchase from the Vendors, 80,000 ordinary shares of RM1.00 each in Penkopack, representing 80% of the issued and paid-up share capital of Penkopack ("Sale Shares"), for a total purchase consideration of RM1,120,000.00 ("Purchase Price"), payable in cash, in three (3) tranches. The Proposed Acquisition has been completed on 14 August 2008.

(d) The Company had on 25 June 2008 obtained the approval of the Company's shareholders at the Extraordinary General Meeting of the Company to purchase its own shares up to a maximum of 10% of its issued and paid-up share capital at any point of time, subject to the Companies Act, 1965, Listing Requirements of the Bursa Malaysia Securities Berhad, any prevailing laws, rules, regulations and guidelines issued by relevant authorities at the time of purchase.

This approval from the Company's shareholders shall remain in force until the conclusion of the next annual general meeting of the Company, unless earlier revoked or varied by the shareholders in a general meeting.

Pursuant to the Listing Requirements, the Company may purchase its own shares at a price which is not more than fifteen percent (15%) above the weighted average market price of the shares for the five (5) market days immediately preceding the date of the purchase.

The Proposed Share Buy-back will be undertaken in compliance with Section 67A of the Companies Act, 1965. The Board may resolve to cancel the shares purchased under the Proposed Share Buy-Back, retain them as treasury shares or a combination of both.

B8. BORROWINGS

The borrowings of the Company as at 30 June 2008 are as follows:-

	At 30/06/2008 RM'000	At 30/06/2007 RM'000
Secured Short-term (due within 12 months):		
Bankers's Acceptance / Factoring	2,941	1,319
Overdraft	71	65
Term loan	1,201	143
Hire purchase payables & Lease	230	745
	4,443	2,272
Secured Long-term (due after 12 months):		
Term loan	2,979	976
Hire purchase payables & Lease	1,881	981
	4,860	1,957
Total Borrowings	9,303	4,229

There is no unsecured borrowing for the current quarter.

B9. 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.

B10. MATERIAL LITIGATION

As at 27 August 2008, being the date of this report, the Directors are not aware of any material litigations or claims against the Group and Company.

B11. PROPOSED DIVIDEND PAYABLE

No dividend was proposed or declared for the current financial period ended 30 June 2008.

B12. 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 RM0.666 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 124,456,530 as follows:-

	Current quarter Ended 30/06/2008	Year to Date Ended 30/06/2008
Net profit attributable to ordinary equity holders of the parent ('000)	666	1,834
Weighted average number of ordinary shares in issue ('000)	124,457	124,457
Basic earnings per share (sen)	0.54	1.47

(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 30/06/2008	Year to Date Ended 30/06/2008
Net profit attributable to ordinary equity holders of the parent ('000)	666	1,834
Weighted average number of ordinary shares in issue ('000)	124,457	124,457
Effect of share options* ('000)	627	627
Diluted earnings per share (sen)	0.53	1.47

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