
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2009**

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 Bursa Malaysia Securities Berhad’s (“Bursa Securities”) ACE Market Listing Requirements.

The interim financial statements should be read in conjunction with Grand-Flo Solution Berhad’s (“Grand-Flo” or the “Company”) audited consolidated financial statements for the financial year ended (“FYE”) 31 December 2008.

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 FYE 31 December 2008.

A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2008 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

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 financial period ended 30 June 2009 save for the following:

- (a) The details of shares held as treasury shares for the six (6) months period ended 30 June 2009 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 January 2009	5,000	2,043
Repurchased during the quarter ended 31/03/2009	10,000	3,250
Transaction cost		45
Balance as at 30 June 2009	15,000	5,338

The average price paid for the shares repurchased in aggregate was RM0.35 per share and the repurchase transaction costs were financed by internally generated funds.

A7. DIVIDEND PAID

There was no dividend declared or paid during the financial period ended 30 June 2009.

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A8. SEGMENTAL INFORMATION

(a) Analysis of revenue by geographical area

	Current Quarter Ended 30/06/2009				Year-to-Date Ended 30/06/2009			
	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	8,583	1,622	-	10,205	16,210	2,066	-	18,276
Intersegment	1,769	-	(1,769)	-	3,488	-	(3,488)	-
Total Revenue	10,352	1,622	(1,769)	10,205	19,698	2,066	(3,488)	18,276
Results from Operation	674	115	-	789	1,127	164	-	1,291
Gain on deemed disposal	-	166	-	166	-	166	-	166
Finance expenses	(151)	-	-	(151)	(252)	-	-	(252)
Share of profit in associate co.	-	(99)	-	(99)	-	(265)	-	(265)
Profit before taxation	523	182	-	705	875	65	-	940
Taxation	(159)	(34)	-	(193)	(248)	(43)	-	(291)
Profit after taxation	364	148	-	512	627	22	-	649
Profit attributable to:								
Equity holders of the Company	29	148	-	177	181	22	-	203
Minority interest	335	-	-	335	446	-	-	446
Net profit att. to shareholders	364	148	-	512	627	22	-	649

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/06/2009				Year-to-Date Ended 30/06/2009			
	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*	5,178	1,622	(904)	5,896	9,834	2,066	(1,751)	10,149
Labels	5,174	-	(865)	4,309	9,864	-	(1,737)	8,127
Total Revenue	10,352	1,622	(1,769)	10,205	19,698	2,066	(3,488)	18,276

*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 2009, all property, plant and equipment were stated at cost less accumulated depreciation.

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A10. SUBSEQUENT EVENTS

Save for the below, there were no other material events subsequent to the end of the current quarter ended 30 June 2009:-

As announced on 13 August 2009, the Board of Directors of Grand-Flo announced that Grand-Flo's associate company, Simat Technologies Public Company Limited ("Simat") had entered into a Share Acquisition Agreement with Low Kean Huat, Ling Chee Kiat and Wong Teck Wai to acquire 2,400,000 ordinary shares of RM1.00 each in E-Tech IT Sdn. Bhd. ("E-Tech"), representing 60% of the total issued and paid-up share capital of E-Tech, from Low Kean Huat and Ling Chee Kiat for a cash consideration of RM6,600,000.00, payable in three (3) tranches.

The proposed acquisition of E-Tech is pending the approval of Simat's shareholders. Barring any unforeseen circumstances, the Board expects the proposed acquisition of E-Tech to be completed by first quarter of 2010.

A11. CHANGES IN COMPOSITION OF THE GROUP

On 15 May 2009, Simat had subscribed for 12,000,000 new ordinary shares in Simat Label Co. Ltd ("Simat Labels"), resulting in the dilution of the shareholdings of Labels Network Sdn Bhd ("LNSB") in Simat Labels from 40% to 20%. Pursuant to the abovementioned subscription of new shares, Simat currently holds 80% of the share capital of Simat Labels while the remaining shareholding of 20% is held by LNSB. This dilution of interest has resulted in a gain on deemed disposal of RM0.166 million.

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 30/06/2009 RM'000
Approved and contracted for:-	
- Balance of payment for the acquisition of LNSB	1,905
- Purchase consideration for the acquisition of CL Solutions (China) Limited ("CLS China")	10,107
- Purchase consideration for the acquisition of Penkopack Sdn Bhd	560
TOTAL	<u><u>12,572</u></u>

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

B1. PERFORMANCE REVIEW

For the current quarter under review, the Group recorded revenue of RM10.205 million, representing an increase of 5.28% or RM0.512 million as compared to the revenue of RM9.693 million in the preceding year's corresponding financial quarter ended 30 June 2008. This was mainly due to the inclusion of the newly acquired CLS China of which the acquisition was completed on 28 February 2009; gain on disposal of fixed assets of RM0.156 million, gain on deemed disposal of share investment in associate company of a subsidiary of RM0.166 million and strong growth in the labels division.

For the six month period ended 30 June 2009, the Group continued to maintain a relatively stable revenue of RM18.276 million as compared to the revenue of RM18.256 million in preceding year's corresponding period in the climate of economic crisis.

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

In line with the higher revenue, the Group recorded a PBT of RM0.705 million for the current financial quarter ended 30 June 2009 as compared to PBT of RM0.236 million in the preceding quarter ended 31 March 2009. The higher PBT was due to the gain on disposal of fixed assets of RM0.156 million, gain on deemed disposal of interest in associate company of a subsidiary company which amounted to RM0.166 million and the inclusion of newly acquired subsidiary, CLS China as well as strong growth in the labels division.

B3. COMMENTARY ON PROSPECTS

With the acquisition exercises, it was encouraging to see good organic growth opportunities within the Group, especially in Vietnam and China.

The Group's labels business is expected to remain strong and on track to achieve the profit guarantee for the year. On the regional front, the labels business is progressing well in Vietnam and Thailand. The facility in Hong Kong is in the advanced stage of discussion and, upon implementation, is expected to enable effective penetration into the Hong Kong and China market.

The Board of Directors remains confident in building the Group's global business through strong organic growth and strategic acquisitions.

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B4. TAXATION

	Current quarter ended 30/06/2009 RM'000	Year to Date ended 30/06/2009 RM'000
Estimated income tax :		
Malaysia income tax	159	248
Foreign income tax	34	43
	193	291

- (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 Hong Kong. The applicable corporate tax rate for current quarter is 18%.

B5. SALE OF UNQUOTED INVESTMENT AND PROPERTIES

There were no sales of unquoted investments and/or properties during the current financial quarter and financial year-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 25 AUGUST 2009

There were no corporate proposals announced but not completed as at 25 August 2009, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report except for the following :-

- a.) The Board of Directors of Grand-Flo 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 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 25 August 2009, there have been no updates to the status of the Proposed JV.

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B7. STATUS OF CORPORATE PROPOSALS AS AT 25 AUGUST 2009 (CONT'D)

- b.) As disclosed in Section A10, the Board of Directors had on 13 August 2009 announced that Simat had entered into a Share Acquisition Agreement with Low Kean Huat, Ling Chee Kiat and Wong Teck Wai to acquire 2,400,000 ordinary shares of RM1.00 each in E-Tech, representing 60% of the issued and paid-up capital of E-Tech, for a cash consideration of RM6,600,000.00, payable in three (3) tranches. As of 25 August 2009, the proposed acquisition of E-Tech is pending the approval from Simat's shareholders.

B8. BORROWINGS

The borrowings of the Company as at 30 June 2009 are as follows:-

	At 30/06/2009 RM'000	At 30/06/2008 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	3,641	2,941
Overdraft	406	71
Term loan	1,447	1,201
Hire purchase payables & Lease	710	230
	6,204	4,443
Secured Long-term (due after 12 months):		
Term loan	4,639	2,979
Hire purchase payables & Lease	1,546	1,881
	6,185	4,860
Total Borrowings	12,389	9,303

There is no unsecured borrowing for the current quarter. All borrowings are denominated in Ringgit Malaysia.

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 25 August 2009, 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 2009.

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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 approximately RM0.177 million and RM0.203 million for the current quarter and cumulative year to date respectively, 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 135,854,710 and 132,159,700 respectively as follows:-

	Current quarter Ended 30/06/2009	Year to Date Ended 30/06/2009
Net profit attributable to ordinary equity holders of the parent (RM'000)	177	203
Weighted average number of ordinary shares in issue ('000)	135,855	132,160
Basic earnings/(loss) per share (sen)	0.13	0.15

(b) **Diluted earnings per share**

The Company granted share options to its employees pursuant to the Company's ESOS. The Group diluted earnings per share 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 30/06/2009	Year to Date Ended 30/06/2009
Net profit attributable to ordinary equity holders of the parent (RM'000)	177	203
Weighted average number of ordinary shares in issue ('000)	135,855	132,160
Effect of share options and share buy-back ('000)	1,788	1,788
Diluted earnings/(loss) per share (sen)	0.13	0.15