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

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 September 2009 save for the following:

- (a) The details of shares held as treasury shares for the nine (9) months period ended 30 September 2009 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 30 June 2009	15,000	5,250
Repurchased during the quarter ended 30/09/2009	9,800	3,136
Transaction cost		133
Balance as at 30 September 2009	24,800	8,519

The average price paid for the shares repurchased in aggregate was RM0.34 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 September 2009.

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

A8. SEGMENTAL INFORMATION

(a) Analysis of revenue by geographical area

	Current Quarter Ended 30/09/2009				Year-to-Date Ended 30/09/2009			
	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	11,484	1,865	-	13,349	27,529	3,939	-	31,468
Intersegment	1,916	-	(1,916)	-	5,569	-	(5,569)	-
Total Revenue	13,400	1,865	(1,916)	13,349	33,098	3,939	(5,569)	31,468
Results from Operation	1,467	307	-	1,774	2,594	471	-	3,065
Gain on deemed disposal	-	-	-	-	-	166	-	166
Finance expenses	(178)	-	-	(178)	(430)	-	-	(430)
Share of loss in associate co.	-	(15)	-	(15)	-	(280)	-	(280)
Profit before taxation	1,289	292	-	1,581	2,164	357	-	2,521
Taxation	(210)	(45)	-	(255)	(458)	(88)	-	(546)
Profit after taxation	1,079	247	-	1,326	1,706	269	-	1,975
Profit attributable to:								
Equity holders of the Company	754	247	-	1,001	935	269	-	1,204
Minority interest	325	-	-	325	771	-	-	771
Net profit att. to shareholders	1,079	247	-	1,326	1,706	269	-	1,975

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/09/2009				Year-to-Date Ended 30/09/2009			
	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*	7,518	1,865	(987)	8,396	17,352	3,939	(2,807)	18,484
Labels	5,882	-	(929)	4,953	15,746	-	(2,762)	12,984
Total Revenue	13,400	1,865	(1,916)	13,349	33,098	3,939	(5,569)	31,468

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

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

A10. SUBSEQUENT EVENTS

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

The Company announced on 17 November 2009 that further to the announcement dated 13 August 2009 in respect of Simat Technologies Public Company Limited's ("Simat") proposed acquisition of 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 had been approved by Simat's shareholders on 12 November 2009.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes 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 30/09/2009 RM'000
Approved and contracted for:-	
- Balance of payment for the acquisition of LNSB	953
- Purchase consideration for the acquisition of CL Solutions (China) Limited ("CLS China")	2,687
- Purchase consideration for the acquisition of Penkopack Sdn Bhd	336
TOTAL	3,976

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

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

B1. PERFORMANCE REVIEW

Despite the current challenging economic condition, the Group posted strong revenue of RM13.349 million, representing an increase of 37.36% or RM3.631 million as compared to the revenue of RM9.718 million in the preceding year's corresponding financial quarter ended 30 September 2008. This was contributed mainly by the growth in the EDCCS and Labels divisions sales in Malaysia and inclusion of the newly acquired CLS China of which the acquisition was completed on 28 February 2009;

For the nine month period ended 30 September 2009, the Group recorded higher revenue of 12.50% to RM31.468 million as compared to the revenue of RM27.975 million in the preceding year's corresponding period. The growth was mainly attributed to the stronger sales in the Malaysian companies and the consolidation of the newly acquired CLS China.

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

In tandem with the higher revenue, the Group recorded a PBT of RM1.581 million for the current financial quarter ended 30 September 2009 as compared to PBT of RM0.705 million in the preceding quarter ended 30 June 2009. The higher PBT was attributed to:-

- i. the higher sales volume achieved and the increase in the software and maintenance sales which contributed better profit margin; and
- ii. strong growth in the labels division.

B3. COMMENTARY ON PROSPECTS

After a year of economy setback, we are now seeing and recording improvements in the EDCCS and labels businesses in all countries of our presence.

Based on the outlook, the Board of Directors envisages that the demands for our EDCCS solutions will be on the rising trend and the good track record in the Group's labels business is expected to remain strong and surpass the profit guarantee for the year.

On the regional front, the Group's Vietnam subsidiaries, namely Sino Co Ltd and High Rich Trading & Service Co Ltd are on track to achieve their profit guarantees. In Thailand, the recently acquired subsidiary of Simat i.e. E-Tech is expected to contribute significantly to Thailand's bottomline.

Meanwhile, upon completion of the Profit Guarantee period provided by the vendors of CL Solutions Ltd which ends on 31 December 2009, the Group will embark on its expansion plan in both the EDCCS and labels manufacturing businesses in Hong Kong and China. This will see greater contribution to the Group's bottomline next year.

With the regional growth plan in place, the Board of Directors is optimistic and expects the Group to record reasonable performance for the financial year ending 31 December 2009.

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

B4. TAXATION

	Current quarter ended 30/09/2009 RM'000	Year to Date ended 30/09/2009 RM'000
Estimated income tax :		
Malaysia income tax	210	458
Foreign income tax	45	88
	255	546

- (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 23 NOVEMBER 2009

There were no corporate proposals announced but not completed as at 23 November 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 23 November 2009, there have been no updates to the status of the Proposed JV.

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

B7. STATUS OF CORPORATE PROPOSALS AS AT 23 NOVEMBER 2009 (CONT'D)

- b.) 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 12 November 2009, the proposed acquisition of E-Tech was approved by Simat's shareholders via its Extraordinary General Meeting held on the even date. Barring any unforeseen circumstances, the Board expects the proposed acquisition of E-Tech to be completed by first quarter of 2010.

B8. BORROWINGS

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

	At 30/09/2009 RM'000	At 30/09/2008 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	3,982	3,333
Overdraft	959	615
Term loan	1,742	1,252
Hire purchase payables & Lease	683	1,234
	<u>7,366</u>	<u>6,434</u>
Secured Long-term (due after 12 months):		
Term loan	3,755	3,297
Hire purchase payables & Lease	1,515	1,116
	<u>5,270</u>	<u>4,413</u>
Total Borrowings	<u>12,636</u>	<u>10,847</u>

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 23 November 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 September 2009.

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

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 RM1.001 million and RM1.204 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 133,391,367 respectively as follows:-

	Current quarter Ended 30/09/2009	Year to Date Ended 30/09/2009
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,001	1,204
Weighted average number of ordinary shares in issue ('000)	135,855	133,392
Basic earnings/(loss) per share (sen)	0.74	0.90

(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 30/09/2009	Year to Date Ended 30/09/2009
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,001	1,204
Weighted average number of ordinary shares in issue ('000)	135,855	133,392
Effect of share options and share buy-back ('000)	202	202
Diluted earnings/(loss) per share (sen)	0.74	0.90