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

[The rest of this page is intentionally left blank]

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 2009 save for the following:

- (a) The details of shares held as treasury shares for the twelve (12) months period ended 31 December 2009 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 30 September 2009	24,800	8,519
Repurchased during the quarter ended 31/12/2009	-	-
Transaction cost	-	-
Balance as at 31 December 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 31 December 2009.

[The rest of this page is intentionally left blank]

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

A8. SEGMENTAL INFORMATION

(a) Analysis of revenue by geographical area

	Current Quarter Ended 31/12/2009				Year-to-Date Ended 31/12/2009			
	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	12,071	2,702	-	14,773	39,798	6,641	-	46,439
Intersegment	3,154	-	(3,154)	-	8,526	-	(8,526)	-
Total Revenue	15,225	2,702	(3,154)	14,773	48,324	6,641	(8,526)	46,439
Results from Operating activities	1,150	495	-	1,645	3,743	967	-	4,710
Gain on deemed disposal	-	-	-	-	-	166	-	166
Finance costs	(176)	-	-	(176)	(606)	-	-	(606)
Share of profit in associate co.	-	952	-	952	-	672	-	672
Profit before taxation	974	1,447	-	2,421	3,137	1,805	-	4,942
Taxation	(35)	(88)	-	(123)	(494)	(175)	-	(669)
Profit after taxation	939	1,359	-	2,298	2,643	1,630	-	4,273
Profit attributable to:								
Owners of the Company	552	1,359	-	1,911	1,488	1,630	-	3,118
Minority interest	387	-	-	387	1,155	-	-	1,155
Profit for the period	939	1,359	-	2,298	2,643	1,630	-	4,273

(b) Analysis of revenue by product categories

	Current Quarter Ended 31/12/2009				Year-to-Date Ended 31/12/2009			
	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*	8,479	2,702	(2,109)	9,072	25,831	6,641	(4,815)	27,657
Labels	6,746	-	(1,045)	5,701	22,493	-	(3,711)	18,782
Total Revenue	15,225	2,702	(3,154)	14,773	48,324	6,641	(8,526)	46,439

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

A10. SUBSEQUENT EVENTS

Save for the below, there were no other material events subsequent to the end of the current quarter ended 31 December 2009.

The Board of Directors of Grand-Flo had on 18 January 2010 announced that:-

- a) The Company had entered into a conditional shares acquisition agreement with Wan Kok Weng and Chan Pik Khew (collectively referred to hereon as the “Vendors”) to acquire 369,000 ordinary shares of RM1.00 each in Labels Network Sdn Bhd, a 55% owned subsidiary of Grand-Flo, representing the remaining 45% equity interest in LNSB not already held by Grand-Flo at a purchase consideration of RM3,600,000.00 to be wholly settled by way of issuance of 9,230,769 new ordinary shares of RM0.10 each in Grand-Flo to the Vendors (“Consideration Shares”) at an issue price of RM0.39 per Consideration Share (“Proposed Acquisition”);
- b) A proposed renounceable rights issue of up to 67,927,355 five (5)-year 2010/2015 warrants (“Warrants”) on the basis of one (1) new Warrant for every two (2) Grand-Flo Shares held at an issue price of RM0.02 per Warrant; and
- c) A proposed increase in authorised share capital of Grand-Flo from RM25,000,000, comprising 250,000,000 Grand-Flo shares to RM50,000,000, comprising 500,000,000 shares, by creation of additional 250,000,000 Grand-Flo shares.

The Proposed Acquisition, proposed rights issue and proposed increase in authorised share capital are subject to the approval of Grand-Flo’s shareholders at an EGM scheduled to be held on 5 March 2010.

A11. CHANGES IN COMPOSITION OF THE GROUP

The Board of Directors had on 13 August 2009 announced that the associate company Simat Technologies Public Co Ltd (“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 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. The proposed acquisition of E-Tech was completed on 4 December 2009.

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 were no material commitments during the quarter.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

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

B1. PERFORMANCE REVIEW

The Group posted strong revenue of RM14.773 million for the quarter under review, representing an increase of 66.45% or RM5.898 million as compared to the revenue of RM8.875 million in the preceding year's corresponding financial quarter ended 31 December 2008. For the twelve month period ended 31 December 2009, the Group recorded higher revenue of 26.02% to RM46.439 million as compared to the revenue of RM36.850 million in the preceding year's corresponding period. The significant improvement in revenue for the quarter and financial year ended 31 December 2009 were mainly contributed by the growth in the EDCCS and Labels divisions' sales in Malaysia and the consolidation of the newly acquired CLS China of which the acquisition was completed on 28 February 2009.

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

In tandem with the increase in revenue, the Group recorded a higher PBT of RM2.421 million for the current financial quarter ended 31 December 2009 as compared to PBT of RM1.581 million in the preceding quarter ended 30 September 2009. The higher PBT was attributed to:-

- i. the higher sales volume achieved by EDCCS and labels divisions' sales in Malaysia; and
- ii. strong contribution from Grand-Flo's associate, Simat as a result of consolidating the financial results of its newly acquired subsidiary E-Tech.

B3. COMMENTARY ON PROSPECTS

Based on the outlook, the Board of Directors envisages that the demands for our EDCCS solutions will be on the rising trend and the Group's labels business is expected to remain strong.

On the regional front, the Group's Vietnam associated companies, namely Sino Trading & Service Corporation (formerly known as Sino Co Ltd) and High Rich Trading & Service Corporation (formerly known as High Rich Trading & Service Co Ltd) are growing well. Whilst in Thailand, the recently acquired subsidiary E-Tech is expected to contribute significantly to Simat's financial results.

Meanwhile, the labels manufacturing facility in Hong Kong will be operational by the second quarter of the year. These will contribute to the Group in the near future.

With the regional growth plans in place, the Board of Directors is optimistic and expects the Group to record good performance growth for the financial year ending 31 December 2010.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

B4. TAXATION

	Current quarter ended 31/12/2009 RM'000	Year to Date ended 31/12/2009 RM'000
Estimated income tax :		
Malaysia income tax	36	494
Foreign income tax	88	175
	124	669

- (i) The effective tax rate of the Malaysian taxation which is lower than the statutory tax rate due mainly to overprovision in prior periods and 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 effective tax rate for current quarter is 6%.

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 24 FEBRUARY 2010

There were no corporate proposals announced but not completed as at 24 February 2010, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report except for the following :-

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. The proposed acquisition of E-Tech was completed on 4 December 2009.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

B8. BORROWINGS

The borrowings of the Company as at 31 December 2009 were as follows:-

	At 31/12/2009	At 31/12/2008
	RM'000	RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	6,185	4,543
Overdraft	383	350
Term loan	1,583	1,493
Hire purchase payables & Lease	543	1,031
	8,694	7,417
Secured Long-term (due after 12 months):		
Term loan	3,822	2,866
Hire purchase payables & Lease	1,362	1,063
	5,184	3,929
Total Borrowings	13,878	11,346

There was no unsecured borrowing for the current quarter. All borrowings were 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 24 February 2010, 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 31 December 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 owners of the Company of approximately RM1.911 million and RM3.118 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 134,012,264 respectively as follows:-

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

	Current quarter Ended 31/12/2009	Year to Date Ended 31/12/2009
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,911	3,118
Weighted average number of ordinary shares in issue ('000)	135,855	134,012
Basic earnings/(loss) per share (sen)	1.41	2.33

(b) **Diluted earnings per share**

There is no dilution in earnings per share as there was no dilutive potential ordinary shares as at 31 December 2009 due to the lapsed of the ESOS scheme.

[The rest of this page is intentionally left blank]