
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2010**

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 2009.

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 2009 except for the adoption of the following new and revised FRS effective for the financial period beginning on 1 January 2010:-

FRS 3	Business Combinations (revised)
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement

The adoptions of the above FRSs do not have significant financial impact to the Group.

A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2009 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.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2010**

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 the financial period ended 30 June 2010 save for the following:-

- (a) The details of shares held as treasury shares for the three (3) months period ended 30 June 2010 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 March 2010	29,800	10,511
Repurchased during the quarter ended 30 June 2010	-	-
Transaction cost	-	-
Balance as at 30 June 2010	<u>29,800</u>	<u>10,511</u>

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.

- (b) A renounceable rights issue of 67,912,455 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 were issued on 22 April 2010 and subsequently quoted on the Bursa Securities on 28 April 2010. The total cash proceeds arising from the issuance of warrants during the current financial year to-date amounted to RM1,358,547.

A7. DIVIDEND PAID

There was no dividend declared or paid during the financial period ended 30 June 2010.

[The rest of this page is intentionally left blank]

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2010**

A8. SEGMENTAL INFORMATION

(a) Analysis of revenue by geographical area

	Current Quarter Ended 30/06/2010				Year-to-Date Ended 30/06/2010			
	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	15,159	2,266	-	17,425	27,267	4,112	-	31,379
Intersegment	3,304	-	(3,304)	-	6,242	-	(6,242)	-
Total Revenue	18,463	2,266	(3,304)	17,425	33,509	4,112	(6,242)	31,379
Results from Operating Activities	2,157	3	-	2,160	3,816	109	-	3,925
Loss on deemed disposal	-	(22)	-	(22)	-	(22)	-	(22)
Finance costs	(183)	(5)	-	(188)	(331)	(5)	-	(336)
Share of profit/(loss) in associate co.	-	48	-	48	-	690	-	690
Profit before Taxation	1,974	24	-	1,998	3,485	772	-	4,257
Taxation	(269)	5	-	(264)	(467)	(26)	-	(493)
Profit after Taxation	1,705	29	-	1,734	3,018	746	-	3,764
Profit attributable to:								
Owners of the Company	1,694	29	-	1,723	2,750	746	-	3,496
Minority interest	11	-	-	11	268	-	-	268
Profit for the Period	1,705	29	-	1,734	3,018	746	-	3,764

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/06/2010				Year-to-Date Ended 30/06/2010			
	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*	11,049	2,266	(2,036)	11,279	19,916	4,112	(3,936)	20,092
Labels	7,414	-	(1,268)	6,146	13,593	-	(2,306)	11,287
Total Revenue	18,463	2,266	(3,304)	17,425	33,509	4,112	(6,242)	31,379

*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 2010, all property, plant and equipment were stated at cost less accumulated depreciation.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2010**

A10. SUBSEQUENT EVENTS

There were no other material events subsequent to the end of the current quarter ended 30 June 2010.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group for the current quarter under review except for the following:-

- (a) A dilution of interest in an associate company, Simat Technologies Public Company Limited (“Simat”), from 36.75% to 35.02% as a result of a private placement of 3,700,000 common shares of Baht1.00 each at Baht2.70 per common share by Simat on 31 March 2010. The dilution shall be accounted for effectively from 1 April 2010.
- (b) Acquisition of 369,000 ordinary shares of RM1.00 each in Labels Network Sdn Bhd (“LNSB”), 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 was wholly settled by way of issuance of 9,230,769 new ordinary shares of RM0.10 each in Grand-Flo. The Acquisition was completed on 31 March 2010 and its results shall be consolidated accordingly effective from 1 April 2010.

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 as at the end of the current quarter under review.

A14. RELATED PARTY TRANSACTIONS

There were no related party transactions which would have a material impact on the financial position and the business of the Group during the current quarter under review except for the acquisition of LNSB as disclosed in Note A11 (b).

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2010**

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's revenue continues to rise by 70.76% or RM7.221 million to RM17.426 million from RM10.205 million in the preceding year's corresponding financial quarter ended 30 June 2009 as the Group continued to enjoy significant growth in the demand of EDCCS and Labels sales in Malaysia and other countries.

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

For the current quarter under review, PBT reduced by 11.55% from RM2.259 million to RM1.998 million as compared to the immediate preceding quarter. The decrease in PBT was mainly impacted by lower profit in associate companies. The results from operating activities for the quarter under review of RM2.160 million rose by 22.38% from RM1.765 million in the immediate preceding quarter was in tandem with the revenue growth for the quarter.

B3. COMMENTARY ON PROSPECTS

Barring unforeseen circumstances, the Group expects to maintain its strong growth momentum into the second half of 2010 as evident by the year-to-date increase in demand for the Group's EDCCS solutions and labels.

The Board is optimistic and expects continuing uptrend for the Group's top and bottomlines for the financial year ending 31 December 2010 in its countries of presence.

[The rest of this page is intentionally left blank]



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2010**

B4. TAXATION

	Current quarter ended 30/06/2010 RM'000	Year to Date ended 30/06/2010 RM'000
Estimated income tax :		
Malaysia income tax	269	467
Foreign income tax	(5)	26
	<u>264</u>	<u>493</u>

- (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

There was no acquisition or disposal of quoted securities for the financial year to date.

	<u>RM'000</u>
At cost	<u>4,402</u>
At book value	<u>9,379</u>
Market value	<u>12,309</u>

B7. STATUS OF CORPORATE PROPOSALS AS AT 25 AUGUST 2010

There were no corporate proposals announced but not completed as at 25 August 2010, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2010**

B8. BORROWINGS

The borrowings of the Company as at 30 June 2010 were as follows:-

	At 30/06/2010	At 30/06/2009
	RM'000	RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	6,018	3,641
Overdraft	1,310	406
Term loan	1,054	1,447
Hire purchase payables & Lease	789	710
	<u>9,171</u>	<u>6,204</u>
Secured Long-term (due after 12 months):		
Term loan	4,965	4,639
Hire purchase payables & Lease	1,365	1,546
	<u>6,330</u>	<u>6,185</u>
Total Borrowings	<u>15,501</u>	<u>12,389</u>

There was no unsecured borrowing for the current quarter. All borrowings were denominated in Ringgit Malaysia.

B9. STATUS OF UTILISATION OF PROCEEDS

On 28 April 2010, the Group had completed the right issue of 67,912,455 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 as follows:-

Shares	Amount raised	Amount utilised	Purpose
	RM	RM	
67,912,455	1,358,547	1,358,547	Working capital

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.

B11. MATERIAL LITIGATION

As at 25 August 2010, 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

No dividend was proposed or declared for the current financial period ended 30 June 2010.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2010

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 owners of the Company of approximately RM1.723 million and RM3.496 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 145,085,480 and 140,546,593 respectively as follows:-

	Current quarter Ended 30/06/2010	Year to Date Ended 30/06/2010
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,723	3,496
Weighted average number of ordinary shares in issue ('000)	145,085	140,547
Basic earnings/(loss) per share (sen)	1.19	2.49

(b) **Diluted earnings per share**

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 30/06/2010	Year to Date Ended 30/06/2010
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,723	3,496
Weighted average number of ordinary shares in issue ('000)	145,085	140,547
Effect of conversion of warrants ('000)	46,505	23,638
Diluted earnings/(loss) per share (sen)	0.90	2.13