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

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

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

	Number of Treasury shares	Total Considerations RM
Balance as at 30 June 2010	29,800	10,511
Repurchased during the quarter ended 30 September 2010	80,000	28,900
Transaction cost	-	212
Balance as at 30 September 2010	109,800	39,623

The average price paid for the shares repurchased in aggregate was RM0.36 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 September 2010.

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A8. SEGMENTAL INFORMATION

(a) Analysis of revenue by geographical area

	Current Quarter Ended 30/09/2010				Year-to-Date Ended 30/09/2010			
	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	15,638	2,174	-	17,812	42,905	6,286	-	49,191
Intersegment	2,551	-	(2,551)	-	8,794	-	(8,794)	-
Total Revenue	18,189	2,174	(2,551)	17,812	51,699	6,286	(8,794)	49,191
Results from Operating Activities	2,074	140	-	2,214	6,026	111	-	6,137
Gain on deemed disposal	-	203	-	203	-	181	-	181
Finance costs	(152)	(7)	-	(159)	(483)	(11)	-	(494)
Share of profit/(loss) in associate co.	-	436	-	436	-	1,127	-	1,127
Profit before Taxation	1,922	772	-	2,694	5,543	1,408	-	6,951
Taxation	(173)	(32)	-	(205)	(640)	(59)	-	(699)
Profit after Taxation	1,749	740	-	2,489	4,903	1,349	-	6,252
Profit attributable to:								
Owners of the Company	1,746	740	-	2,486	4,633	1,349	-	5,982
Minority interest	3	-	-	3	270	-	-	270
Profit for the Period	1,749	740	-	2,489	4,903	1,349	-	6,252

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/09/2010				Year-to-Date Ended 30/09/2010			
	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*	11,850	2,174	(1,475)	12,549	31,766	6,286	(5,412)	32,640
Labels	6,339	-	(1,076)	5,263	19,933	-	(3,382)	16,551
Total Revenue	18,189	2,174	(2,551)	17,812	51,699	6,286	(8,794)	49,191

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

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A10. SUBSEQUENT EVENTS

There were no other material events subsequent to the end of the current quarter ended 30 September 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 dilution of interest in an associate company, Simat Technologies Public Company Limited (“Simat”), from 35.02% to 33.17% as a result of a private placement of 4,400,000 common shares of Baht1.00 each at Baht4.20 per common share by Simat on 7 July 2010. The dilution shall be accounted for effectively from 8 July 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.

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GRAND-FLO SOLUTION

BERHAD

(607392-W)

ACE - listed company

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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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's revenue continues to rise by 33.43% or RM4.463 million to RM17.812 million from RM13.349 million in the preceding year's corresponding financial quarter ended 30 September 2009. Sales growth in this quarter was mainly contributed by strong performance in the EDCCS and Labels business in Malaysia.

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

For the current quarter under review, PBT increased by 34.82% from RM1.998 million to RM2.694 million as compared to the immediate preceding quarter and 70.44% compared to preceding year's corresponding quarter.

The increase was contributed by the overall good performance of the subsidiaries and associates in terms of revenue and lower finance costs. In addition to significant contributions from all the subsidiaries, share of profit in associates for the current quarter under review recorded an increase of 798.57% to RM 0.436 million against RM 0.049 million in the immediate preceding quarter, thus further contributing to the increase in the Group's profit.

The increase in profit from operating activities of 2.46% was in tandem with the increase in revenue of the current quarter from the immediate previous quarter.

B3. COMMENTARY ON PROSPECTS

Based on the good financial results for the nine months period ended 30 September 2010 and barring unforeseen circumstances, the Board is confident in the trend of positive growth in all its countries of presence and maintaining good growth momentum for the Group's EDCCS and labels businesses towards the end of the year.

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B4. TAXATION

	Current quarter ended 30/09/2010 RM'000	Year to Date ended 30/09/2010 RM'000
Estimated income tax :		
Malaysia income tax	173	640
Foreign income tax	32	59
	205	699

- (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

Details of investments in quoted securities as at end of current financial year are as follows:-

	RM'000
At cost	4,402
At book value	9,997
Market value	10,081

B7. STATUS OF CORPORATE PROPOSALS AS AT 18 NOVEMBER 2010

There were no corporate proposals announced but not completed as at 18 November 2010, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

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B8. BORROWINGS

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

	At 30/09/2010	At 30/09/2009
	RM'000	RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	6,095	3,982
Overdraft	1,319	959
Term loan	1,054	1,742
Hire purchase payables & Lease	779	683
	9,247	7,366
Secured Long-term (due after 12 months):		
Term loan	4,296	3,755
Hire purchase payables & Lease	1,184	1,515
	5,480	5,270
Total Borrowings	14,727	12,636

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 RM	Amount utilised RM	Purpose
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 18 November 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 September 2010.



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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 RM2.486 million and RM5.982 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 142,076,181 respectively as follows:-

	Current quarter Ended 30/09/2010	Year to Date Ended 30/09/2010
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,486	5,982
Weighted average number of ordinary shares in issue ('000)	145,085	142,076
Basic earnings per share (sen)	<u>1.71</u>	<u>4.21</u>

(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 30/09/2010	Year to Date Ended 30/09/2010
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,486	5,982
Weighted average number of ordinary shares in issue ('000)	145,085	142,076
Effect of conversion of warrants ('000)	67,912	38,558
Diluted earnings per share (sen)	<u>1.17</u>	<u>3.31</u>