
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 2010 save for the following:-

- (a) The details of shares held as treasury shares for the three (3) months period ended 31 December 2010 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 30 September 2010	109,800	39,623
Repurchased during the quarter ended 31 December 2010	190,000	69,030
Transaction cost	-	550
Balance as at 31 December 2010	<u>299,800</u>	<u>109,203</u>

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 paid during the financial period ended 31 December 2010.

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A8. SEGMENTAL INFORMATION

(a) Analysis of revenue by geographical area

	Current Quarter Ended 31/12/2010				Year-to-Date Ended 31/12/2010			
	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	16,056	3,450	-	19,506	58,961	9,736	-	68,697
Intersegment	2,811	-	(2,811)	-	11,605	-	(11,605)	-
Total Revenue	18,867	3,450	(2,811)	19,506	70,566	9,736	(11,605)	68,697
Results from Operating Activities	968	715	-	1,683	6,855	965	-	7,820
Gain on deemed disposal	-	-	-	-	-	182	-	182
Finance costs	(173)	(7)	-	(180)	(656)	(18)	-	(674)
Share of profit/(loss) in associate co.	-	101	-	101	-	1,228	-	1,228
Profit before Taxation	795	809	-	1,604	6,199	2,357	-	8,556
Taxation	(105)	(124)	-	(229)	(745)	(183)	-	(928)
Profit after Taxation	690	685	-	1,375	5,454	2,174	-	7,628
Profit attributable to:								
Owners of the Company	658	685	-	1,343	5,150	2,174	-	7,324
Minority interest	32	-	-	32	304	-	-	304
Profit for the Period	690	685	-	1,375	5,454	2,174	-	7,628

(b) Analysis of revenue by product categories

	Current Quarter Ended 31/12/2010				Year-to-Date Ended 31/12/2010			
	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*	11,691	3,450	(1,681)	13,460	43,457	9,736	(7,093)	46,100
Labels	7,176	-	(1,130)	6,046	27,109	-	(4,512)	22,597
Total Revenue	18,867	3,450	(2,811)	19,506	70,566	9,736	(11,605)	68,697

*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 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 31 December 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.

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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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET**B1. PERFORMANCE REVIEW**

The Group's revenue for the 4th quarter ended 31 December 2010 of RM19.506 million increased by 29.47% as compared to the preceding year's corresponding quarter ended 31 December 2009 of RM15.066 million. The increase in revenue of the Group for the quarter under review was contributed by stronger performance from the EDCCS and Labels businesses in Malaysia and Hong Kong.

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

The Group's PBT for the quarter under review of RM1.604 million reduced by 40.46% in comparison to the immediate preceding quarter of RM2.694 million was mainly due to the recognition of a gain on deemed disposal of equity interest in an associate company in the previous quarter, higher overheads and lower profit from associate company for the current quarter.

B3. COMMENTARY ON PROSPECTS

Barring unforeseen circumstances, the Board is confident that the trend of positive growth will continue in all its countries of presence hence maintaining good growth momentum for the Group's EDCCS and labels businesses in year 2011.

B4. TAXATION

	Current quarter ended 31/12/2010 RM'000	Year to Date ended 31/12/2010 RM'000
Estimated income tax :		
Malaysia income tax	105	745
Foreign income tax	124	183
	<u>229</u>	<u>928</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%.

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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	10,563
Market value	10,729

B7. STATUS OF CORPORATE PROPOSALS AS AT 23 FEBRUARY 2011

There were no corporate proposals announced but not completed as at 23 February 2011, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

B8. BORROWINGS

The borrowings of the Company as at 31 December 2010 were as follows:-

	At 31/12/2010 RM'000	At 31/12/2009 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	7,017	6,185
Overdraft	1,067	451
Term loan	597	1,997
Hire purchase payables & Lease	682	887
	<u>9,363</u>	<u>9,520</u>
Secured Long-term (due after 12 months):		
Term loan	4,463	3,407
Hire purchase payables & Lease	1,061	1,019
	<u>5,524</u>	<u>4,426</u>
Total Borrowings	<u>14,887</u>	<u>13,946</u>

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



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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 23 February 2011, 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

The Board of Directors has recommended a final tax exempt dividend of 10% or 1 sen per share for the financial year ended 31 December 2010 which is subject to the approval of the shareholders in the forthcoming annual general meeting.

The entitlement and payment shall be finalized and announced in due course.

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B13. REALISED AND UNREALISED PROFIT DISCLOSURE

On 25th March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required. The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows :-

	Current quarter ended 31/12/2010 RM'000	Preceding quarter ended 31/12/2009 RM'000
	<hr/>	<hr/>
Total retained profits of the Group:		
Realised	1,163	2,097
Unrealised	212	166
Total Group retained profits as per consolidated accounts	<hr/> 1,375	<hr/> 2,263

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B14. 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 RM1.343 million and RM7.324 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 142,834,690 respectively as follows:-

	Current quarter Ended 31/12/2010	Year to Date Ended 31/12/2010
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,343	7,324
Weighted average number of ordinary shares in issue ('000)	145,085	142,835
Basic earnings per share (sen)	0.93	5.13

(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 31/12/2010	Year to Date Ended 31/12/2010
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,343	7,324
Weighted average number of ordinary shares in issue ('000)	145,085	142,835
Effect of conversion of warrants ('000)	67,912	45,957
Diluted earnings per share (sen)	0.63	3.88