
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 31 MARCH 2011**

PART A – EXPLANATORY NOTES

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 2010.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendment to FRSs, Interpretations and Technical Release for the financial period beginning on or after 1 January 2011.

FRS 3	Business Combinations (revised)
FRS 7	Financial Instruments: Disclosures
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 3	Business Combinations. Amendments relating to measurement noncontrolling interests and un-replaced and voluntarily replaced share-based payment awards
Amendments to FRS 7	Improving Disclosures about Financial Instruments. Amendments relating to the fair value measurement using fair value hierarchy and disclosure of liquidity risk
Amendments to FRS 7	Financial Instruments: Disclosures. Amendments relating to classification of disclosures and transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised FRS
Amendments to FRS 101	Presentation of Financial Statements. Amendment relating to clarification of statement of changes in equity
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates. Amendment relating to transition requirements for amendments arising as a result of FRS 127
Amendment to FRS 128	Investment in Associates. Amendment relating to transition requirements for amendments arising as a result of FRS 127
Amendment to FRS 132	Financial Instruments: Presentation. Amendment relating to transition requirements for contingent consideration from a business combination that occurred before the effective date of revised FRS 3
Amendment to FRS 134	Interim Financial Reporting. Amendment relating to significant events and transactions
Amendment to FRS 139	Financial Instruments: Recognition and Measurement. Amendment relating to transition requirements for contingent consideration from a business combination that occurred before the effective date of revised FRS 3

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



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2011**

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2010 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.

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 March 2011 save for the following:-

- (a) The details of shares held as treasury shares for the three (3) months period ended 31 March 2011 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 December 2010	299,800	109,203
Repurchased during the quarter ended 31 March 2011	1,077,200	368,937
Transaction cost	-	2,733
Balance as at 31 March 2011	<u>1,377,000</u>	<u>480,873</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.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2011**

A7. DIVIDEND PAID

There was no dividend paid during the financial period ended 31 March 2011.

A8. OPERATING SEGMENT**(a) Analysis of revenue by geographical area**

	Current Quarter Ended 31/3/2011				Preceding Quarter Ended 31/3/2010			
	Malaysia RM'000	Others RM'000	Elimina- tions RM'000	Group RM'000	Malaysia RM'000	Others RM'000	Elimina- tions RM'000	Group RM'000
EDCCS	12,129	1,815	(2,811)	11,133	8,867	1,846	(1,902)	8,811
Labels	6,717	301	(1,125)	5,893	6,179	-	(1,037)	5,142
Total Revenue	18,846	2,116	(3,936)	17,026	15,046	1,846	(2,939)	13,953

	Current Year Ended 31/3/2011				Preceding Period Ended 31/3/2010			
	Malaysia RM'000	Others RM'000	Elimina- tions RM'000	Group RM'000	Malaysia RM'000	Others RM'000	Elimina- tions RM'000	Group RM'000
EDCCS	12,129	1,815	(2,811)	11,133	8,867	1,846	(1,902)	8,811
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Total Revenue	18,846	2,116	(3,936)	17,026	15,046	1,846	(2,939)	13,953

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 31 MARCH 2011**

A8. OPERATING SEGMENT (CONT'D)

(b) Analysis of revenue by product categories

Current Quarter Ended	<u>EDCCS*</u>	<u>Labels</u>	<u>Eliminations</u>	<u>Total</u>
31.03.2011	RM '000	RM '000	RM '000	RM '000

Revenue

Sales to external customers	11,133	5,893	-	17,026
Inter-segment sales	2,811	1,125	(3,936)	-
Total revenue	13,944	7,018	(3,936)	17,026
Interest income	4	-		4
Finance cost	116	37		153
Depreciation and amortisation	105	58		163
Share of results of associates	193	(17)		176
Income tax expenses	20	179		199
Segment profit	1,576	513		2,089

Year-to-date Ended	<u>EDCCS*</u>	<u>Labels</u>	<u>Eliminations</u>	<u>Total</u>
31.03.2011	RM '000	RM '000	RM '000	RM '000

Revenue

Sales to external customers	11,133	5,893	-	17,026
Inter-segment sales	2,811	1,125	(3,936)	-
Total revenue	13,944	7,018	(3,936)	17,026
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Segment profit	1,576	513		2,089



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2011

A8. OPERATING SEGMENT (CONT'D)**(b) Analysis of revenue by product categories (cont'd)**

Preceding Quarter Ended 31.03.2010	<u>EDCCS*</u> RM '000	<u>Labels</u> RM '000	<u>Eliminations</u> RM '000	<u>Total</u> RM '000
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Revenue

Sales to external customers	8,811	5,142	-	13,953
Inter-segment sales	1,902	1,037	(2,939)	-
Total revenue	10,713	6,179	(2,939)	13,953
Interest income	3	-	-	3
Finance cost	106	42	-	148
Depreciation and amortisation	161	189	-	350
Share of results of associates	669	(27)	-	642
Income tax expenses	32	198	-	230
Segment profit	1,465	308	-	1,773

Preceding Period Ended 31.03.2010	<u>EDCCS*</u> RM '000	<u>Labels</u> RM '000	<u>Eliminations</u> RM '000	<u>Total</u> RM '000
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Revenue

Sales to external customers	8,811	5,142	-	13,953
Inter-segment sales	1,902	1,037	(2,939)	-
Total revenue	10,713	6,179	(2,939)	13,953
Interest income	3	-	-	3
Finance cost	106	42	-	148
Depreciation and amortisation	161	189	-	350
Share of results of associates	669	(27)	-	642
Income tax expenses	32	198	-	230
Segment profit	1,465	308	-	1,773



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ACE - listed company

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2011**

A9. CARRYING AMOUNT OF REVALUED ASSETS

The Company did not revalue any of its property, plant and equipment during the quarter. As at 31 March 2011, all property, plant and equipment were stated at cost less accumulated depreciation.

A10. SUBSEQUENT EVENTS

There were no other material events subsequent to the end of the current quarter ended 31 March 2011.

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.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2011**

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 current quarter ended 31 March 2011 increased 22.00% to RM17.026 million as compared to the preceding year's corresponding quarter ended 31 March 2010 of RM13.953 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")

PBT of the Group for the quarter under review of RM2.289 million is 44.51% higher than the immediate preceding quarter ended 31 December 2010 of RM1.584 million. This was mainly contributed by better margins from products mixes as well as overall lower operating overheads.

B3. COMMENTARY ON PROSPECTS

The outlook for the Malaysian economy in 2011 remains positive, and demand for the Group's EDCCS and Labels products are expected to be maintained as well. Barring unforeseen circumstances, the Board is confident that the Group's momentum from 2010 will continue in all its countries of presence.

B4. TAXATION

	Current quarter ended 31/3/2011 RM'000	Year to Date ended 31/3/2011 RM'000
Estimated income tax :		
Malaysia income tax	179	179
Foreign income tax	20	20
	<u>199</u>	<u>199</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%.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2011**

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	10,756
Market value	9,362

B7. STATUS OF CORPORATE PROPOSALS AS AT 24 MAY 2011

There were no corporate proposals announced but not completed as at 24 May 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 March 2011 were as follows:-

	At 31/3/2011	At 31/03/2010
	RM'000	RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	6,181	6,356
Overdraft	1,291	379
Term loan	653	1,054
Hire purchase payables & Lease	376	803
	<u>8,501</u>	<u>8,592</u>
Secured Long-term (due after 12 months):		
Term loan	3,845	3,617
Hire purchase payables & Lease	1,411	855
	<u>5,256</u>	<u>4,472</u>
Total Borrowings	<u>13,757</u>	<u>13,064</u>

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



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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2011**

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 May 2011, 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

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.

B12. 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 31/3/2011 RM'000	Preceding quarter ended 31/3/2010 RM'000
Total retained profits of the Group:		
Realised	2,159	1,919
Unrealised	(70)	110
Total Group retained profits as per consolidated accounts	<u>2,089</u>	<u>2,029</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2011

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 RM2.087 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 212,997,935 respectively as follows:-

	Current quarter Ended 31/3/2011	Year to Date Ended 31/3/2011
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,087	2,087
Weighted average number of ordinary shares in issue ('000)	145,085	145,085
Basic earnings per share (sen)	1.44	1.44

(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 31/3/2011	Year to Date Ended 31/3/2011
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,087	2,087
Weighted average number of ordinary shares in issue ('000)	145,085	145,085
Effect of conversion of warrants ('000)	67,912	67,912
Diluted earnings per share (sen)	0.98	0.98