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



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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 30 June 2011 save for the following:-

- (a) The details of shares held as treasury shares and resale of treasury shares are as follows:

	Number of Treasury shares
Balance as at 31 March 2011	1,377,000
Repurchased during the quarter ended 30 June 2011	35,000
Re-issued treasury shares	<u>(1,412,000)</u>
Balance as at 30 June 2011	<u>-</u>

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.

On 9 June 2011, the Company re-issued 1,412,000 treasury shares by re-sale in the open market. The average re-sale price of the treasury shares was RM0.40 per share. The proceeds from the re-sale will be utilised for working capital purposes.

- (b) On 14 June 2011, 14,367,347 new ordinary shares of RM0.10 each in Grand-Flo were issued at an issue price of RM0.43 per share pursuant to the private placement exercise announced to the Bursa Securities on 1 June 2011. The proceeds from the new issuance amounted to RM6,177,959 will be utilised for working capital including related expenses for the private placement exercise and repayment of the Group's bank borrowings.

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A7. DIVIDEND PAID

The proposed final tax exempt dividend of 10% or 1 sen per share for the financial year ended 31 December 2010 was approved by the Company's shareholders on 22 June 2011 and subsequently paid on 5 August 2011.

A8. OPERATING SEGMENT

(a) Analysis of revenue by geographical area

	Quarter Ended 30/6/2011				Quarter Ended 30/6/2010			
	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
EDCCS	14,635	1,482	(4,231)	11,886	11,049	2,266	(2,035)	11,280
Labels	7,170	504	(1,182)	6,492	7,414	-	(1,268)	6,146
Total Revenue	21,805	1,986	(5,413)	18,378	18,463	2,266	(3,303)	17,426

	Period Ended 30/6/2011				Period Ended 30/6/2010			
	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
EDCCS	26,763	3,297	(7,042)	23,018	19,916	4,112	(3,937)	20,091
Labels	13,887	805	(2,307)	12,385	13,593	-	(2,305)	11,288
Total Revenue	40,650	4,102	(9,349)	35,403	33,509	4,112	(6,242)	31,379

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 FOR THE QUARTER ENDED 30 JUNE 2011**

A8. OPERATING SEGMENT (CONT'D)

(b) Analysis of revenue by product categories

<u>Quarter Ended</u>	<u>EDCCS*</u>	<u>Labels</u>	<u>Eliminations</u>	<u>Total</u>
30.06.2011	RM '000	RM '000	RM '000	RM '000

Revenue

Sales to external customers	11,886	6,492	-	18,378
Inter-segment sales	4,231	1,182	(5,413)	-

Total revenue	16,117	7,674	(5,413)	18,378
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Interest income	4	-		4
Finance cost	79	43		122
Depreciation and amortisation	103	69		172
Share of results of associates	272	9		281
Income tax expenses	64	265		329
Segment profit	1,376	789		2,165

<u>Period Ended</u>	<u>EDCCS*</u>	<u>Labels</u>	<u>Eliminations</u>	<u>Total</u>
30.06.2011	RM '000	RM '000	RM '000	RM '000

Revenue

Sales to external customers	23,018	12,385	-	35,403
Inter-segment sales	7,042	2,307	(9,349)	-

Total revenue	30,060	14,692	(9,349)	35,403
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Interest income	6	-		6
Finance cost	195	37		232
Depreciation and amortisation	208	58		266
Share of results of associates	(79)	(17)		(96)
Income tax expenses	84	179		263
Segment profit	2,951	1,304		4,255



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

Quarter Ended	EDCCS*	Labels	Eliminations	Total
30.06.2010	RM '000	RM '000	RM '000	RM '000

Revenue

Sales to external customers	11,280	6,146	-	17,426
Inter-segment sales	2,035	1,268	(3,303)	-

Total revenue	13,315	7,414	(3,303)	17,426
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Interest income	3	-	-	3
Finance cost	114	74	-	188
Depreciation and amortisation	95	46	-	141
Share of results of associates	(1)	50	-	49
Income tax expenses	9	255	-	264
Segment profit	878	856	-	1,734

Period Ended	EDCCS*	Labels	Eliminations	Total
30.06.2010	RM '000	RM '000	RM '000	RM '000

Revenue

Sales to external customers	20,091	11,288	-	31,379
Inter-segment sales	3,937	2,305	(6,242)	-

Total revenue	24,028	13,593	(6,242)	31,379
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Interest income	6	-	-	6
Finance cost	221	115	-	336
Depreciation and amortisation	191	89	-	280
Share of results of associates	668	23	-	691
Income tax expenses	41	453	-	494
Segment profit	2,318	1,446	-	3,764

*Enterprise Data Collection and Collation System ("EDCCS")

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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 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 30 June 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.



GRAND-FLO SOLUTION

BERHAD

(607392-W)

ACE - listed company

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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 totaled RM18.4 million for current quarter ended 30 June 2011, compared to RM17.4 million in the preceding year's corresponding quarter ended 30 June 2010, an increase of 5.7% resulted from steady sales growth of the Group's EDCCS and Labels division.

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

PBT of the Group for the quarter under review of RM2.49 million is 8.7% higher than the immediate preceding quarter ended 31 March 2011 of RM2.29 million due to good sales mix for the quarter under review.

Overall, the Group's net profit for the quarter was RM2.17 million, an increase of 25.4% compared with the second quarter of 2010.

B3. COMMENTARY ON PROSPECTS

The outlook for the Malaysian economy in 2011 remains positive and barring unforeseen circumstances, we anticipate consistent growth for the Group's EDCCS and Labels market in Malaysia and regionally.

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B4. TAXATION

	Quarter ended 30/6/2011 RM'000	Period ended 30/6/2011 RM'000
Estimated income tax :		
Malaysia income tax	299	329
Foreign income tax	29	199
	<u>328</u>	<u>528</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

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	10,048
Market value	11,163

B7. STATUS OF CORPORATE PROPOSALS AS AT 19 AUGUST 2011

There were no corporate proposals announced but not completed as at 19 August 2011, 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 June 2011 were as follows:-

	Period ended 30/6/2011 RM'000	Period ended 30/06/2010 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	6,354	6,018
Overdraft	353	1,310
Term loan	312	1,054
Hire purchase payables & Lease	190	789
	<u>7,209</u>	<u>9,171</u>
Secured Long-term (due after 12 months):		
Term loan	3,658	4,965
Hire purchase payables & Lease	2,449	1,365
	<u>6,107</u>	<u>6,330</u>
Total Borrowings	<u>13,316</u>	<u>15,501</u>

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 19 August 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

No dividend was proposed or declared for the current financial period ended 30 June 2011.

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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 :-

	Quarter ended 30/6/2011 RM'000	Quarter ended 30/6/2010 RM'000
Total retained profits of the Group:		
Realised	2,122	1,659
Unrealised	43	75
Total Group retained profits as per consolidated accounts	<u>2,165</u>	<u>1,734</u>

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 RM2.164 million and RM4.251 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 146,822,190 and 145,958,632 respectively as follows:-

	Quarter Ended 30/6/2011	Period Ended 30/6/2011
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,164	4,251
Weighted average number of ordinary shares in issue ('000)	146,822	145,959
Basic earnings per share (sen)	<u>1.47</u>	<u>2.91</u>

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B13. EARNINGS PER SHARE (CONT'D)

(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.

	Quarter Ended 30/6/2011	Period Ended 30/6/2011
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,164	4,251
Weighted average number of ordinary shares in issue ('000)	146,822	145,959
Effect of conversion of warrants ('000)	67,912	67,912
Diluted earnings per share (sen)	1.01	1.99