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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
 FOR THE QUARTER ENDED 30 SEPTEMBER 2011**

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**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 September 2011 save for the following:-

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

	<b>Number of Treasury shares</b>
Balance as at 30 June 2011	-
Repurchased during the quarter ended 30 September 2011	30,000
Re-issued treasury shares	-
Balance as at 30 September 2011	<u>30,000</u>

The average price paid for the shares repurchased in aggregate was RM0.40 per share and the repurchase transaction costs were financed by internally generated funds.

- (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 has been 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 30/9/2011				Quarter Ended 30/9/2010			
	<u>Malaysia</u>	<u>Others</u>	<u>Eliminations</u>	<u>Group</u>	<u>Malaysia</u>	<u>Others</u>	<u>Eliminations</u>	<u>Group</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EDCCS*	15,764	1,249	(3,503)	13,510	11,850	2,174	(1,475)	12,549
Labels	6,675	359	(1,202)	5,832	6,339	-	(1,076)	5,263
Total	22,439	1,608	(4,705)	19,342	18,189	2,174	(2,551)	17,812
Revenue								

  

	Period Ended 30/9/2011				Period Ended 30/9/2010			
	<u>Malaysia</u>	<u>Others</u>	<u>Eliminations</u>	<u>Group</u>	<u>Malaysia</u>	<u>Others</u>	<u>Eliminations</u>	<u>Group</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EDCCS*	42,528	4,546	(10,545)	36,529	31,766	6,286	(5,412)	32,640
Labels	20,563	1,163	(3,509)	18,217	19,933	-	(3,382)	16,551
Total	63,091	5,709	(14,054)	54,746	51,699	6,286	(8,794)	49,191
Revenue								

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**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>
<b>30.09.2011</b>	RM '000	RM '000	RM '000	RM '000

**Revenue**

Sales to external customers	13,510	5,832	-	19,342
Inter-segment sales	3,503	1,202	(4,705)	-
<b>Total revenue</b>	<b>17,013</b>	<b>7,034</b>	<b>(4,705)</b>	<b>19,342</b>

Interest income	11	-		11
Finance cost	99	68		167
Depreciation and amortisation	111	71		182
Share of results of associates	412	(10)		402
Income tax expenses	46	130		176
<b>Segment profit</b>	<b>1,999</b>	<b>857</b>		<b>2,856</b>

<u>Period Ended</u>	<u>EDCCS*</u>	<u>Labels</u>	<u>Eliminations</u>	<u>Total</u>
<b>30.09.2011</b>	RM '000	RM '000	RM '000	RM '000

**Revenue**

Sales to external customers	36,529	18,217	-	54,745
Inter-segment sales	10,545	3,509	(14,054)	-
<b>Total revenue</b>	<b>47,074</b>	<b>21,726</b>	<b>(14,054)</b>	<b>54,745</b>

Interest income	17	-		17
Finance cost	295	153		448
Depreciation and amortisation	319	188		507
Share of results of associates	(333)	36		(297)
Income tax expenses	129	575		704
<b>Segment profit</b>	<b>5,362</b>	<b>1,749</b>		<b>7,110</b>

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**A8. OPERATING SEGMENT (CONT'D)**

**(c) Analysis of revenue by product categories (cont'd)**

<b>Quarter Ended</b>	<u>EDCCS*</u>	<u>Labels</u>	<u>Eliminations</u>	<u>Total</u>
<b>30.09.2010</b>	RM '000	RM '000	RM '000	RM '000

**Revenue**

Sales to external customers	12,549	5,263	-	17,812
Inter-segment sales	1,475	1,076	(2,551)	-
<b>Total revenue</b>	<b>14,024</b>	<b>6,339</b>	<b>(2,551)</b>	<b>17,812</b>

Interest income	3	-	-	3
Finance cost	118	41	-	159
Depreciation and amortisation	104	51	-	155
Share of results of associates	434	2	-	436
Income tax expenses	32	173	-	205
<b>Segment profit</b>	<b>1,968</b>	<b>521</b>	<b>-</b>	<b>2,489</b>

<b>Period Ended</b>	<u>EDCCS*</u>	<u>Labels</u>	<u>Eliminations</u>	<u>Total</u>
<b>30.09.2010</b>	RM '000	RM '000	RM '000	RM '000

**Revenue**

Sales to external customers	32,640	16,551	-	49,191
Inter-segment sales	5,412	3,382	(8,794)	-
<b>Total revenue</b>	<b>38,052</b>	<b>19,933</b>	<b>(8,794)</b>	<b>49,191</b>

Interest income	9	-	-	9
Finance cost	339	156	-	495
Depreciation and amortisation	295	140	-	435
Share of results of associates	1,102	25	-	1,127
Income tax expenses	73	626	-	699
<b>Segment profit</b>	<b>4,394</b>	<b>1,858</b>	<b>-</b>	<b>6,252</b>

\*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 September 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 September 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**

Grand-Flo achieved a revenue of RM19.3 million for the quarter under review representing an increase of 8.6% as compared to the quarter ended 30 September 2010 of RM17.8 million. The increase was mainly contributed by the local and regional EDCCS divisions' successful efforts in developing new key accounts in addition to the numerous technology refresh exercises undertaken by existing key accounts.

The Labels division recorded an increase of RM5.8 million, representing 10.8% in revenue for the current quarter ended 30 September 2011 over last year's corresponding quarter. This was the result of production lines expansion in existing facilities and commencement of production in the new clean-room facility in Malaysia.

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

The Group's PBT of RM3.0 million for the current quarter ended 30 September 2011 increased 21.6% from RM2.5 million achieved in the previous quarter ended 30 June 2011 and 12.6% increase from RM 2.7 million in the corresponding quarter of the preceding year.

The increase was in tandem with the Group's revenue growth for the quarter under review.

**B3. COMMENTARY ON PROSPECTS**

Based on secured orders pending delivery and projects on the pipelines, the Group expects to continue recording positive growth for both the EDCCS and Labels divisions.

Barring any unforeseen events and changes of business environment, the Board of Directors is confident that the Group's growth momentum will continue to 2012.

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**B4. TAXATION**

	<b>Quarter ended 30/9/2011 RM'000</b>	<b>Period ended 30/9/2011 RM'000</b>
Estimated income tax :		
Malaysia income tax	158	637
Foreign income tax	18	67
	<u>176</u>	<u>704</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:-

	<b>RM'000</b>
At cost	4,402
At book value	12,806
Market value	9,257

**B7. STATUS OF CORPORATE PROPOSALS AS AT 21 NOVEMBER 2011**

There were no corporate proposals announced but not completed as at 21 November 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 September 2011 were as follows:-

	<b>Period ended 30/9/2011 RM'000</b>	<b>Period ended 30/09/2010 RM'000</b>
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	5,770	6,095
Overdraft	991	1,319
Term loan	156	1,054
Hire purchase payables & Lease	126	779
	<u>7,043</u>	<u>9,247</u>
Secured Long-term (due after 12 months):		
Term loan	3,653	4,296
Hire purchase payables & Lease	2,258	1,184
	<u>5,911</u>	<u>5,480</u>
Total Borrowings	<u>12,954</u>	<u>14,727</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 21 November 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 September 2011.



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**B12. REALISED AND UNREALISED PROFIT DISCLOSURE**

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits is as follows :-

	<b>Quarter ended 30/9/2011 RM'000</b>	<b>Quarter ended 30/9/2010 RM'000</b>
Total retained profits of the Group:		
Realised	2,564	2,587
Unrealised	292	(98)
Total Group retained profits as per consolidated accounts	<u>2,856</u>	<u>2,489</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 RM2.854 million and RM7.105 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 159,452,825 and 150,506,125 respectively as follows:-

	<b>Quarter Ended 30/9/2011</b>	<b>Period Ended 30/9/2011</b>
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,854	7,105
Weighted average number of ordinary shares in issue ('000)	159,453	150,506
Basic earnings per share (sen)	<u>1.79</u>	<u>4.72</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.

	<b>Quarter Ended 30/9/2011</b>	<b>Period Ended 30/9/2011</b>
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,854	7,105
Weighted average number of ordinary shares in issue ('000)	159,453	150,506
Effect of conversion of warrants ('000)	67,912	67,912
Diluted earnings per share (sen)	1.26	3.25