

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

The unaudited results of Grand-Flo Berhad (formerly known as Grand-Flo Solution Berhad) and its subsidiaries for the 9 months period ended 30 September 2013 are as follows:-

| | NOTE | FOR THE QUARTER 3 MONTHS ENDED | | FOR THE CUMULATIVE PERIOD 9 MONTHS ENDED | |
|--|---------|-----------------------------------|-------------------------|---|-------------------------|
| | | 30/09/2013 | 30/09/2012 | 30/09/2013 | 30/09/2012 |
| | | RM | RM | RM | RM |
| REVENUE | A8 | 19,979,164 | 22,476,200 | 60,082,163 | 64,357,144 |
| COST OF SALES | | <u>(15,065,497)</u> | <u>(16,310,657)</u> | <u>(43,797,226)</u> | <u>(45,787,187)</u> |
| GROSS PROFIT | | 4,913,667 | 6,165,543 | 16,284,937 | 18,569,957 |
| OTHER OPERATING INCOME | A8(b) | 187,384 | 223,183 | 12,569,778 | 416,297 |
| SELLING AND DISTRIBUTION EXPENSES | | (729,110) | (828,767) | (2,081,671) | (2,092,467) |
| ADMINISTRATIVE EXPENSES | | (3,488,618) | (4,386,084) | (11,532,231) | (11,402,120) |
| OTHER OPERATING EXPENSES | A11(ii) | <u>(1,577,267)</u> | <u>(4,267)</u> | <u>(1,598,783)</u> | <u>(13,583)</u> |
| RESULTS FROM OPERATING ACTIVITIES | | (693,944) | 1,169,608 | 13,642,030 | 5,478,084 |
| FINANCE COSTS | | (142,651) | (152,882) | (466,680) | (496,704) |
| SHARE OF PROFIT OF ASSOCIATES, NET OF TAX | | <u>85,238</u> | <u>553,201</u> | <u>1,108,792</u> | <u>1,424,240</u> |
| (LOSS)/PROFIT BEFORE TAXATION | A8 | (751,357) | 1,569,927 | 14,284,142 | 6,405,620 |
| INCOME TAX EXPENSES | B4 | (105,087) | (151,544) | (2,735,288) | (520,269) |
| (LOSS)/PROFIT AFTER TAXATION | A8 | <u>(856,444)</u> | <u>1,418,383</u> | <u>11,548,854</u> | <u>5,885,351</u> |
| OTHER COMPREHENSIVE ITEM | | | | | |
| Foreign currency translation differences | | <u>137,987</u> | <u>(78,222)</u> | <u>239,120</u> | <u>(129,244)</u> |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD | | <u><u>(718,457)</u></u> | <u><u>1,340,161</u></u> | <u><u>11,787,974</u></u> | <u><u>5,756,107</u></u> |
| (LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:- | | | | | |
| OWNERS OF THE PARENT | | (858,481) | 1,412,955 | 11,531,781 | 5,876,059 |
| NON-CONTROLLING INTERESTS | | <u>2,037</u> | <u>5,428</u> | <u>17,073</u> | <u>9,292</u> |
| | | <u><u>(856,444)</u></u> | <u><u>1,418,383</u></u> | <u><u>11,548,854</u></u> | <u><u>5,885,351</u></u> |
| TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:- | | | | | |
| OWNERS OF THE PARENT | | (720,494) | 1,334,733 | 11,770,901 | 5,746,815 |
| NON-CONTROLLING INTERESTS | | <u>2,037</u> | <u>5,428</u> | <u>17,073</u> | <u>9,292</u> |
| | | <u><u>(718,457)</u></u> | <u><u>1,340,161</u></u> | <u><u>11,787,974</u></u> | <u><u>5,756,107</u></u> |
| (LOSS)/EARNINGS PER ORDINARY SHARE (SEN):- | | | | | |
| BASIC | B10 | (0.26) | 0.48 | 3.55 | 2.88 |
| DILUTED | B10 | (0.19) | 0.34 | 2.54 | 2.02 |

The unaudited condensed consolidated statements of comprehensive income should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

| | | (UNAUDITED) | (AUDITED) |
|---|------|---------------------------|---------------------------|
| | Note | AS AT 30/09/2013 RM | AS AT 31/12/2012 RM |
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | A9 | 22,398,922 | 19,802,884 |
| Investment in associate, quoted | | 12,562,067 | 17,272,406 |
| Investment in associate, unquoted | | 1,058,949 | 451,562 |
| Other investment, unquoted | | 16,502 | 68,230 |
| Development costs | | 2,871,523 | 2,967,140 |
| Goodwill | | 24,380,712 | 22,447,722 |
| Deferred tax assets | | 437,000 | 437,000 |
| | | <u>63,725,675</u> | <u>63,446,944</u> |
| Current Assets | | | |
| Land and development cost | | 13,725,983 | - |
| Inventories | | 12,636,097 | 9,464,235 |
| Trade receivables | | 11,214,345 | 19,556,071 |
| Other receivables & prepayment | | 3,135,065 | 1,714,848 |
| Amount due from associate | | 139,353 | 102,379 |
| Amount due from related parties | | - | 925,400 |
| Tax recoverable | | 493,804 | 407,157 |
| Fixed deposit with licensed banks | | 9,906,025 | 645,505 |
| Cash and bank balances | | 6,486,897 | 6,403,115 |
| | | <u>57,737,569</u> | <u>39,218,710</u> |
| TOTAL ASSETS | | <u>121,463,244</u> | <u>102,665,654</u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | | 32,578,514 | 31,956,585 |
| Share premium | | 3,810,850 | 3,639,189 |
| Treasury shares, at cost | A6 | (29,301) | (303,343) |
| Warrant reserves | | 1,126,997 | 1,174,271 |
| Other reserves | | 1,109,451 | 1,109,451 |
| Foreign exchange fluctuation reserve | | (43,986) | (283,106) |
| Revaluation surplus | | 4,929,691 | 4,929,691 |
| Retained earnings | | 40,225,980 | 31,944,451 |
| Total equity attributable to owners of the Company | | <u>83,708,196</u> | <u>74,167,189</u> |
| Non controlling interests | | 806,688 | 306,569 |
| Total Equity | | <u>84,514,884</u> | <u>74,473,758</u> |
| LIABILITIES | | | |
| Non-Current Liabilities | | | |
| Long-term borrowings | B6 | 4,198,322 | 3,244,333 |
| Deferred tax liabilities | | 2,788,186 | 2,783,528 |
| | | <u>6,986,508</u> | <u>6,027,861</u> |
| Current Liabilities | | | |
| Short-term borrowings | B6 | 14,199,351 | 11,620,212 |
| Trade payables | | 8,225,364 | 7,700,226 |
| Other payables & accruals | | 7,451,307 | 2,147,823 |
| Amount due to related parties | | - | 631,786 |
| Tax payable | | 85,830 | 63,988 |
| | | <u>29,961,852</u> | <u>22,164,035</u> |
| Total Liabilities | | <u>36,948,360</u> | <u>28,191,896</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>121,463,244</u> | <u>102,665,654</u> |
| NET ASSETS PER SHARE ATTRIBUTABLE TO | | | |
| ORDINARY OWNERS OF THE PARENT (SEN) | | | |
| | | 25.69 | 23.21 |
| NTA per share (sen) | | | |
| | | 17.33 | 15.26 |

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2013

| | Attributable to owners of the Company | | | | | | | | | | | |
|--|---------------------------------------|------------------------|--------------------------|---------------------------|-------------------------------|-------------------------|---|----------------------------|-------------|---------|---|-----------------------|
| | Non-Distributable | | | | | | Distributable | | | | Non Controlling Interests (NCI) RM | Total Equity RM |
| | Share Capital RM | Share Premium RM | Treasury Shares RM | Warrant Reserves RM | Revaluation Reserves RM | Other Reserves RM | Foreign Exchange Fluctuation Reserve RM | Retained Earnings RM | Total RM | | | |
| Balance as at 1 January 2012 | 15,945,282 | 19,586,565 | (94,079) | 1,180,873 | - | 1,109,451 | (127,037) | 26,015,576 | 63,616,631 | 291,691 | | |
| Total Comprehensive income for the year | - | - | - | - | 4,929,691 | - | (156,069) | 7,831,492 | 12,605,114 | 14,878 | 12,619,992 | |
| <i>Transactions with owners:</i> | | | | | | | | | | | | |
| Warrant reserves | - | - | - | - | - | - | - | - | - | - | - | |
| Issuance of treasury shares | - | 21,239 | 184,209 | - | - | - | - | - | 205,448 | - | 205,448 | |
| Shares repurchased | - | - | (389,643) | - | - | - | - | - | (389,643) | - | (389,643) | |
| Transaction costs | - | (46,439) | (3,830) | - | - | - | - | - | (50,269) | - | (50,269) | |
| Issuance of ordinary shares | 33,010 | 56,117 | - | (6,602) | - | - | - | - | 82,525 | - | 82,525 | |
| Bonus issue of shares | 15,978,293 | (15,978,293) | - | - | - | - | - | - | - | - | - | |
| Dividend paid | - | - | - | - | - | - | - | (1,902,617) | (1,902,617) | - | (1,902,617) | |
| Total transactions with owners | 16,011,303 | (15,947,376) | (209,264) | (6,602) | - | - | - | (1,902,617) | (2,054,556) | - | (2,054,556) | |
| Balance as at 31 December 2012 | 31,956,585 | 3,639,189 | (303,343) | 1,174,271 | 4,929,691 | 1,109,451 | (283,106) | 31,944,451 | 74,167,189 | 306,569 | 74,473,758 | |
| Balance as at 1 January 2013 | 31,956,585 | 3,639,189 | (303,343) | 1,174,271 | 4,929,691 | 1,109,451 | (283,106) | 31,944,451 | 74,167,189 | 306,569 | 74,473,758 | |
| Total Comprehensive income for the year | - | - | - | - | - | - | 239,120 | 11,531,781 | 11,770,901 | 17,073 | 11,787,974 | |
| <i>Transactions with owners:</i> | | | | | | | | | | | | |
| Disposal of treasury stock | - | - | 303,343 | - | - | - | - | - | 303,343 | - | 303,343 | |
| Shares repurchased | - | - | (29,061) | - | - | - | - | - | (29,061) | - | (29,061) | |
| Transaction costs | - | - | (240) | - | - | - | - | - | (240) | - | (240) | |
| Issuance of ordinary shares pursuant Conversion of warrants | 621,929 | 171,661 | - | (47,274) | - | - | - | - | 746,316 | - | 746,316 | |
| Acquisition of subsidiary | - | - | - | - | - | - | - | - | - | 483,046 | 483,046 | |
| Dividend paid | - | - | - | - | - | - | - | (3,250,252) | (3,250,252) | - | (3,250,252) | |
| Revaluation surplus | - | - | - | - | - | - | - | - | - | - | - | |
| Total transactions with owners | 621,929 | 171,661 | 274,042 | (47,274) | - | - | - | (3,250,252) | (2,229,894) | 483,046 | (1,746,848) | |
| Balance as at 30 September 2013 | 32,578,514 | 3,810,850 | (29,301) | 1,126,997 | 4,929,691 | 1,109,451 | (43,986) | 40,225,980 | 83,708,196 | 806,688 | 84,514,884 | |

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the annual audited financial statements as at 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

| | 9 MONTHS ENDED 30/09/2013 RM | 9 MONTHS ENDED 30/09/2012 RM |
|--|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 14,284,142 | 6,405,620 |
| Adjustments for:- | | |
| Amortisation of development costs | 872,464 | 562,522 |
| Amortisation of leasehold land | 28,075 | 8,680 |
| Amortisation of other investment | 887 | 1,351 |
| Depreciation of plant and equipment | 1,466,393 | 1,246,059 |
| (Gain)/Loss on disposal of property, plant and equipment | 10,366 | (154,342) |
| Gain on deemed disposal of associate | (1,212,122) | - |
| Hire Purchase and lease Interest | 167,837 | 93,979 |
| Interest income | (220,073) | (30,564) |
| Interest expense | 204,545 | 218,021 |
| Overdraft interest | 22,857 | 49,693 |
| Share of associates' (profit)/loss | (1,108,792) | (1,424,240) |
| Term loan interest | 71,636 | 134,836 |
| Unrealised loss on foreign exchange | (14) | - |
| | <u>304,059</u> | <u>705,995</u> |
| Operating profit before working capital changes | 14,588,201 | 7,111,615 |
| Inventories | (3,144,031) | 568,955 |
| Trade and other receivables | 6,690,661 | (15,616,152) |
| Trade and other payables | 3,350,774 | 10,099,380 |
| Land held for development | (69,243) | - |
| Subsidiaries | (4,280,394) | (5,220) |
| | <u>2,547,767</u> | <u>(4,953,037)</u> |
| CASH FROM OPERATIONS | 17,135,968 | 2,158,578 |
| Tax paid | (2,805,225) | (525,436) |
| Bank interest paid | (227,402) | (267,714) |
| | <u>(3,032,627)</u> | <u>(793,150)</u> |
| NET CASH FROM OPERATING ACTIVITIES | 14,103,341 | 1,365,428 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Acquisition of subsidiary companies, net of cash and cash equivalents acquired | 58,144 | - |
| Additional purchase price of subsidiaries | (185,346) | (470,430) |
| Development costs incurred | (776,847) | (737,977) |
| Interest income | 220,073 | 30,564 |
| Proceeds from disposal of property, plant and equipment | 1,245 | 618,373 |
| Proceeds from disposal of associate | 6,609,213 | - |
| Proceeds from disposal of other investments | 50,842 | - |
| Purchase of property, plant and equipment | (4,050,980) | (1,743,663) |
| NET CASH FOR INVESTING ACTIVITIES | 1,926,344 | (2,303,133) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend paid to company shareholders | (3,250,252) | (1,902,617) |
| Drawdown on finance lease payables | 2,930,200 | 1,057,000 |
| Disposal of treasury shares | 345,493 | (183,331) |
| Gain on disposal of treasury stock | - | 21,239 |
| Hire purchase and lease interest | (167,837) | (93,979) |
| Proceeds from issuance of treasury shares | 6,503 | - |
| Proceeds from other short term borrowings | 13,220,000 | 14,363,511 |
| Proceeds from issuance of share capital | 746,316 | 82,525 |
| Transaction costs - proceeds from issuance of share capital | - | (57,325) |
| Purchase of treasury shares | (77,361) | (91,766) |
| Transaction costs- purchase of treasury shares | (594) | - |
| Repayment of term loan | (636,744) | (531,376) |
| Repayment of bills payable | (18,579,000) | (12,088,792) |
| Repayment of hire purchase and lease payables | (1,036,016) | (715,311) |
| Term loan interest | (71,636) | (134,836) |
| | <u>(6,570,928)</u> | <u>(275,058)</u> |
| NET CASH FROM/(FOR) FINANCING ACTIVITIES | (6,570,928) | (275,058) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | 9,458,757 | (1,212,763) |
| Foreign exchange fluctuation reserve | 200,944 | (116,519) |
| CASH AND CASH EQUIVALENTS B/F | 5,633,455 | 5,149,564 |
| CASH AND CASH EQUIVALENTS C/F | <u>15,293,156</u> | <u>3,820,282</u> |
| NOTES TO CASH FLOW STATEMENT | | |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 6,486,897 | 3,574,938 |
| Fixed deposit with licensed banks | 9,906,025 | 656,329 |
| Less: Fixed deposit pledged with licensed banks | (622,245) | - |
| Less: Overdraft | (477,521) | (410,985) |
| | <u>15,293,156</u> | <u>3,820,282</u> |

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2012.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

PART A – EXPLANATORY NOTES

A1. BASIS OF PREPARATION

The interim financial report is unaudited and is prepared in accordance with the requirements of the Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial issued by Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 (Appendix 9B part A) of the Main Market listing requirement of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with Grand-Flo Berhad’s (formerly known as Grand-Flo Solution Berhad) (“Grand-Flo” or the “Company”) audited consolidated financial statements for the financial year ended (“FYE”) 31 December 2012.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012.

A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2012 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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

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 2013 save for the following:-

(i) Details of treasury shares held

| | Number of Treasury Shares |
|--|--------------------------------------|
| Balance as at 30 June 2013 | 10,000 |
| Repurchased during the quarter ended 30 September 2013 | 100,000 |
| Balance as at 30 September 2013 | 110,000 |

(ii) Details of conversion of warrants

| | Number of Warrants |
|--|-------------------------------|
| Balance as at 30 June 2013 | 129,935,410 |
| Converted during the quarter ended 30 September 2013 | (990,000) |
| Balance as at 30 September 2013 | 128,945,410 |

(iii) Details of shares issued from conversion of warrants

| | Number of Shares |
|---|-----------------------------|
| Balance as at 30 June 2013 | 324,795,153 |
| Issued during the quarter ended 30 September 2013 | 990,000 |
| Balance as at 30 September 2013 | 325,785,153 |

Issuance of 990,000 new ordinary shares of RM0.12 each pursuant to the conversion of Warrants 2010/2015 into ordinary shares. The proceeds therefrom were utilized as working capital.

A7. DIVIDEND PAID

Final tax exempt dividend of 1.0 sen per share in respect of financial year ended 31 December 2012 was paid on 31 July 2013.



GRAND-FLO BERHAD

(607392-W)

(formerly known as "Grand-Flo Solution Bhd")
A main board listed company

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2013

A8. OPERATING SEGMENT

(a) Analysis of revenue by geographical area

| | Quarter Ended 30/09/2013 | | | | Quarter Ended 30/09/2012 | | | |
|---------------|----------------------------------|---------------|---------------------|--------------|----------------------------------|---------------|---------------------|--------------|
| | <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* | 14,513 | 1,878 | (1,583) | 14,808 | 17,417 | 1,738 | (2,162) | 16,993 |
| Labels | 6,132 | 492 | (1,453) | 5,171 | 6,140 | 406 | (1,063) | 5,483 |
| Total Revenue | 20,645 | 2,370 | (3,036) | 19,979 | 23,557 | 2,144 | (3,225) | 22,476 |
| | 9 Months Period Ended 30/09/2013 | | | | 9 Months Period Ended 30/09/2012 | | | |
| | <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* | 44,225 | 5,118 | (5,515) | 43,828 | 48,929 | 6,866 | (9,121) | 46,674 |
| Labels | 19,229 | 1,159 | (4,134) | 16,254 | 20,081 | 1,116 | (3,514) | 17,683 |
| Total Revenue | 63,454 | 6,277 | (9,649) | 60,082 | 69,010 | 7,982 | (12,635) | 64,357 |

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

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GRAND-FLO BERHAD

(607392-W)

(formerly known as "Grand-Flo Solution Bhd")
A main board listed company

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2013

A8. OPERATING SEGMENT (CONT'D)

(b) Analysis of revenue by product categories

| Quarter Ended 30.09.2013 | EDCCS* RM '000 | Labels RM '000 | Eliminations RM '000 | Total RM '000 |
|--|-------------------|-------------------|-------------------------|------------------|
| Revenue | | | | |
| Sales to external customers | 14,808 | 5,171 | - | 19,979 |
| Inter-segment sales | 1,583 | 1,453 | (3,036) | - |
| Total revenue | 16,391 | 6,624 | (3,036) | 19,979 |
| Results | | | | |
| Interest income | 107 | - | - | 107 |
| Loss on deemed disposal of quoted investment # | (1,578) | - | - | (1,578) |
| Finance cost | 60 | 83 | - | 143 |
| Depreciation and amortisation | 425 | 395 | - | 820 |
| Foreign exchange gain or loss | (23) | 5 | - | (18) |
| Share of results of associates | 51 | 34 | - | 85 |
| Income tax expense | 30 | 75 | - | 105 |
| Segment profit | (1,060) | 204 | - | (856) |
| 9 Months Period Ended 30.09.2013 | | | | |
| Revenue | | | | |
| Sales to external customers | 43,828 | 16,254 | - | 60,082 |
| Inter-segment sales | 5,515 | 4,134 | (9,649) | - |
| Total revenue | 49,343 | 20,388 | (9,649) | 60,082 |
| Results | | | | |
| Interest income | 220 | - | - | 220 |
| Net gain on deemed disposal of quoted investment | 1,212 | - | - | 1,212 |
| Gain on disposal of quoted investment ^ | 9,266 | - | - | 9,266 |
| Finance cost | 243 | 224 | - | 467 |
| Depreciation and amortisation | 1,301 | 1,067 | - | 2,368 |
| Foreign exchange gain or loss | 28 | 10 | - | 38 |
| Share of results of associates | 988 | 121 | - | 1,109 |
| Income tax expense | 2,459 | 276 | - | 2,735 |
| Segment profit | 10,579 | 970 | - | 11,549 |

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

Refer note A11(ii)

^ Including in the other operating income is a gain on disposal of quoted investment in Simat Technologies Public Company Limited ("Simat") of RM9.3 million (refer note A11(iv))



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2013

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

| Quarter Ended | <u>EDCCS*</u> | <u>Labels</u> | <u>Eliminations</u> | <u>Total</u> |
|----------------------|---------------|---------------|---------------------|--------------|
| 30.09.2012 | RM '000 | RM '000 | RM '000 | RM '000 |

Revenue

| | | | | |
|-----------------------------|---------------|--------------|----------------|---------------|
| Sales to external customers | 16,993 | 5,483 | - | 22,476 |
| Inter-segment sales | 2,162 | 1,063 | (3,225) | - |
| Total revenue | 19,155 | 6,546 | (3,225) | 22,476 |

Results

| | | | | |
|--------------------------------|------------|------------|----------|--------------|
| Interest income | 12 | - | - | 12 |
| Finance cost | 118 | 35 | - | 153 |
| Depreciation and amortisation | 321 | 259 | - | 580 |
| Foreign exchange gain or loss | (45) | - | - | (45) |
| Share of results of associates | 478 | 75 | - | 553 |
| Income tax expense | 33 | 119 | - | 152 |
| Segment profit | 800 | 618 | - | 1,418 |

| 9 Months Period Ended | <u>EDCCS*</u> | <u>Labels</u> | <u>Eliminations</u> | <u>Total</u> |
|------------------------------|---------------|---------------|---------------------|--------------|
| 30.09.2012 | RM '000 | RM '000 | RM '000 | RM '000 |

Revenue

| | | | | |
|-----------------------------|---------------|---------------|-----------------|---------------|
| Sales to external customers | 46,674 | 17,683 | - | 64,357 |
| Inter-segment sales | 9,121 | 3,514 | (12,635) | - |
| Total revenue | 55,795 | 21,197 | (12,635) | 64,357 |

Results

| | | | | |
|--------------------------------|--------------|--------------|----------|--------------|
| Interest income | 31 | - | - | 31 |
| Finance cost | 311 | 186 | - | 497 |
| Depreciation and amortisation | 984 | 835 | - | 1,819 |
| Foreign exchange gain or loss | (35) | 5 | - | (30) |
| Share of results of associates | 1,348 | 76 | - | 1,424 |
| Income tax expense | 127 | 393 | - | 520 |
| Segment profit | 4,140 | 1,745 | - | 5,885 |

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

Other than the items mentioned above which have been included in the statement of comprehensive income, there were no other income including investment income, provision for and write off of receivables and inventories, gain or loss on disposal of unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and financial year ended 31 December 2012.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

A9. CARRYING AMOUNT OF REVALUED ASSETS

The valuations of property, plant and equipment have been brought forward without amendment from the financial statement for the year ended 31 December 2012.

All property, plant and equipment, except for land and building, are stated at cost less accumulated depreciation and less any impairment losses. Land and building are shown at fair values, based on valuations by external independent valuers, less subsequent accumulated depreciation on buildings and any accumulated impairment losses.

A10. SUBSEQUENT EVENTS

Grand-Flo had on 11 November 2013 announced that Simat had on 8 November 2013 filed Civil Suit No. 4572/2556 in the Civil Court of Thailand against Cat Telecom Public Company Limited ("CAT") to claim damages amounting approximately RM66 million (Baht 663.64 million) from CAT for its failure to accept the equipment installed, services performed and delivered in accordance with the operating lease of optical fiber network system contracts entered into with CAT for the Nakornratchasima and Chiangmai provinces dated 10 June 2011 and 13 June 2011, respectively. The matter has been fixed for investigation on 20 January 2014.

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 :-

- i) The proposed acquisition of 52% of the issued and paid-up share capital of Jalur Bina Sdn Bhd for a total cash purchase consideration of RM2,440,000 by Grand-Flo Capital Sdn Bhd (formerly known as Grand-Flo RFID Sdn Bhd) was completed on 27 August 2013 and its results thereafter were consolidated in to the Group accordingly.
- ii) During the quarter under review, Simat Technologies Public Company Limited ("Simat") issued 10,523,996 ordinary shares of Baht 1.00 each from conversion of warrants to shares by other Simat warrantholders. The increase in issued share capital of Simat resulted in Grand-Flo's shareholdings in Simat diluted from 20.86% to 20.07% hence a non-cash loss of RM1.6 million from an accounting treatment was resulted for the deemed disposal of Simat shares.
- iii) As announced on 6 November 2013, the Company's wholly-owned subsidiary Grand-Flo Systems (S) Pte Ltd, a dormant company in Singapore, was officially struck off by the Accounting and Corporate Regulatory Authority ("ACRA") of Singapore.
- iv) Grand-Flo had on 9 April 2013, 10 April 2013, 2 May 2013 and 3 May 2013 disposed of 19,100,000 ordinary shares of THB 1.00 each of Simat at THB8.00 per share. Grand-Flo's interest in Simat was reduced from 30.46% to 20.86% from the disposals and a gain of RM9.3 million was resulted.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

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 except for the following:-

| | Quarter ended 30/09/2013 RM'000 | Period ended 30/09/2013 RM'000 |
|------------------------------|--|---|
| Sales to a major shareholder | - | 1,105 |

The above related party transactions are recurrent transactions of a revenue or trading nature and are at arm's length entered in the ordinary course of business on terms not more favourable to the related party than those generally available to the public. As announced on Bursa Securities, Heitech Padu Berhad had on 19 April 2013 ceased to be a substantial shareholder of Grand-Flo.

A15. STATUS OF UTILISATION OF PROCEEDS

Grand-Flo had on 9 April 2013, 10 April 2013, 2 May 2013 and 3 May 2013 disposed of 19,100,000 ordinary shares of THB 1.00 each for a total cash consideration of RM15,811,744. The status of utilisation of the sale proceeds is as follows:

| Utilisation up to 30.09.2013 | Projected proceeds utilisation RM'000 | Actual proceeds proportionate to projected utilization RM'000 | Actual utilisation RM'000 | Balance RM'000 |
|-------------------------------------|--|--|--|---------------------------|
| Working Capital | 5,940 | 5,892 | 2,767 | 3,125 |
| Investment | 10,000 | 9,920 | 2,440 | 7,480 |
| Total | 15,940 | 15,812 | 5,207 | 10,605 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MAIN MARKET

B1. REVIEW OF OVERALL PERFORMANCE

Grand-Flo's revenue of RM20.0 million for the quarter under review reduced approximately 11.1% or RM2.5 million from RM22.5 million in the previous year's corresponding quarter. The drop in the Group's revenue was due to a general slowdown in the economy.

The Group's Profit Before Taxation ("PBT") dropped 147.9% to a Loss Before Taxation ("LBT") of RM0.8 million for the current quarter ended 30 September 2013 from PBT of RM1.6 million in the previous year's corresponding quarter was mainly due to the loss on deemed disposal of RM1.6 million as explained in note A11(ii).

With the exclusion of the loss on deemed disposal, the Group's PBT would have been RM0.8 million in the third quarter ended 30 September 2013, 47.3% lower than RM1.6 million reported in the previous year's corresponding quarter. The lower PBT in both the EDCCS and Labels divisions were impacted by the general slowdown in the economy locally and regionally.

B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS

i) EDCCS Segment

The EDCCS division recorded a decrease in revenue of RM2.2 million or 12.9% as compared to the previous year's corresponding quarter. The results before taxation for the current quarter was a profit of RM0.5 million (with the exclusion of the loss on deemed disposal of Simat's share), the drop was mainly due to lower revenue caused by the general slowdown in the economy.

ii) Labels Business Segment

For the current quarter under review, Labels division recorded a decrease in revenue of RM0.3 million or 5.7% as compared to the previous year's corresponding quarter. The PBT of the segment for the current quarter of RM0.3 million reduced 62.2% as compared to the previous year's corresponding quarter. The drop in PBT was due to lower revenue and higher overhead costs during the quarter against year's corresponding quarter.

B3. COMMENTARY ON PROSPECTS

The Board of Directors is confident that the Group will record satisfactory performance in this financial year despite the continuing global economy uncertainty.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

B4. TAXATION

| | Quarter ended 30/09/2013 RM'000 | Period ended 30/09/2013 RM'000 |
|------------------------|--|---|
| Estimated income tax : | | |
| Malaysia income tax | 71 | 2,711 |
| Foreign income tax | 34 | 24 |
| | <u>105</u> | <u>2,735</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 is 16.50% while the effective tax rate for current quarter is 17%.

B5. STATUS OF CORPORATE PROPOSALS AS AT 20 NOVEMBER 2013

The Board of Directors and shareholders of Grand-Flo had on 7 May 2013 and 27 Jun 2013, respectively, approved and announced to the Bursa Securities that Grand-Flo proposed to undertake the following:-

- (a) proposed disposal of up to 20.86% equity interest in Simat at a disposal price to be determined later;
- (b) proposed disposal of up to 13,781,250 Simat Warrants at a disposal price to be determined later;
- (c) proposed exercise by the Company of up to 13,781,250 Simat Warrants into new Simat shares at the prevailing exercise price of the Simat Warrants; and
- (d) proposed disposal of new Simat shares consequent to the Proposed Exercise of Simat Warrants at a disposal price to be determined later.

The Company has not yet carried out any of the above proposals hence there were no proceeds derived from them as at the end of the quarter current under review.

Save for the above, there were no other corporate proposals announced but not completed as at 20 November 2013, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2013

B6. BORROWINGS

The borrowings of the Company as at 30 September 2013 were as follows:-

| | As at 30/09/2013 RM'000 | As at 30/09/2012 RM'000 |
|--|--|--|
| Secured Short-term (due within 12 months): | | |
| Bankers' Acceptance / Factoring | 3,618 | 8,629 |
| Overdraft | 478 | 411 |
| Term loan | 9,264 | 1,121 |
| Hire purchase & Lease payables | 840 | 875 |
| | <u>14,200</u> | <u>11,036</u> |
| Secured Long-term (due after 12 months): | | |
| Term loan | 941 | 1,910 |
| Hire purchase & Lease payables | 3,257 | 1,595 |
| | <u>4,198</u> | <u>3,505</u> |
| Total Borrowings | <u>18,398</u> | <u>14,541</u> |

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

B7. MATERIAL LITIGATION

As at 20 November 2013, being the date of this report, the Directors are not aware of any material litigations or claims against the Group and Company except as disclosed in Note A10.

B8. PROPOSED DIVIDEND PAYABLE

No dividend was proposed or declared for the current financial period ended 31 December 2013.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2013

B9. 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:-

| | Period ended 30/09/2013 | Period Ended 30/09/2012 |
|---|--|--|
| Total retained profits of the Group: | | |
| -Realised | 43,059 | 33,577 |
| -Unrealised | 2,351 | 261 |
| | <u>45,410</u> | <u>33,838</u> |
| Total share of retained profits from the associates | | |
| - Realised | 7,206 | 6,595 |
| Less: Consolidation adjustments | (12,390) | (17,595) |
| Total Group retained profits as per consolidated accounts | <u>40,226</u> | <u>22,838</u> |

B10. 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 RM11.532 million for the cumulative year to date, 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 325,652,110 and 325,083,944 respectively as follows:-

| | Quarter Ended 30/09/2013 | Period Ended 30/09/2013 |
|---|---|--|
| Net profit attributable to ordinary equity holders of the parent (RM'000) | (858) | 11,532 |
| Weighted average number of ordinary shares in issue ('000) | 325,652 | 325,084 |
| Basic earnings per share (sen) | <u>(0.26)</u> | <u>3.55</u> |



GRAND-FLO BERHAD

(607392-W)

(formerly known as "Grand-Flo Solution Bhd")
A main board listed company

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2013

B10. EARNINGS PER SHARE

(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 30/09/2013 | Period Ended 30/09/2013 |
|---|---|--|
| Net profit attributable to ordinary equity holders of the parent (RM'000) | (858) | 11,532 |
| Weighted average number of ordinary shares in issue ('000) | 325,652 | 325,084 |
| Effect of conversion of warrants ('000) | 129,078 | 129,647 |
| Diluted earnings per share (sen) | <u>(0.19)</u> | <u>2.54</u> |