

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2013**

The unaudited results of Grand-Flo Berhad (formerly known as Grand-Flo Solution Berhad) and its subsidiaries for the 12 months period ended 31 December 2013 are as follows:-

	NOTE	FOR THE QUARTER 3 MONTHS ENDED		FOR THE CUMULATIVE PERIOD 12 MONTHS ENDED	
		31/12/2013 RM	31/12/2012 RM	31/12/2013 RM	31/12/2012 RM
REVENUE	A8	29,567,978	23,334,140	89,650,140	87,691,284
COST OF SALES		<u>(21,378,956)</u>	<u>(18,132,592)</u>	<u>(65,176,182)</u>	<u>(63,919,779)</u>
GROSS PROFIT		8,189,022	5,201,548	24,473,958	23,771,505
OTHER INCOME	A8(b)	(74,059)	227,419	10,917,453	643,716
SELLING AND DISTRIBUTION EXPENSES		(874,861)	(717,194)	(2,956,534)	(2,809,661)
ADMINISTRATIVE EXPENSES		(4,498,444)	(3,118,687)	(18,465,219)	(14,520,807)
OTHER OPERATING EXPENSES		<u>(225,044)</u>	<u>(159,672)</u>	<u>(245,561)</u>	<u>(173,255)</u>
RESULTS FROM OPERATING ACTIVITIES		2,516,614	1,433,414	13,724,097	6,911,498
FINANCE COSTS		(164,928)	(217,700)	(631,608)	(714,404)
SHARE OF PROFIT OF ASSOCIATES, NET OF TAX		<u>52,348</u>	<u>1,136,703</u>	<u>1,161,140</u>	<u>2,560,943</u>
PROFIT BEFORE TAXATION	A8	2,404,034	2,352,417	14,253,629	8,758,037
INCOME TAX EXPENSES	B4	(697,457)	(391,398)	(998,201)	(911,667)
PROFIT AFTER TAXATION	A8	<u>1,706,577</u>	<u>1,961,019</u>	<u>13,255,428</u>	<u>7,846,370</u>
OTHER COMPREHENSIVE ITEM					
Foreign currency translation differences		-	4,929,691	-	4,929,691
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>90,640</u>	<u>(26,825)</u>	<u>329,760</u>	<u>(156,069)</u>
		<u>1,797,217</u>	<u>6,863,885</u>	<u>13,585,188</u>	<u>12,619,992</u>
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
OWNERS OF THE PARENT		1,711,953	1,412,955	13,243,731	7,831,492
NON-CONTROLLING INTERESTS		<u>(5,376)</u>	<u>5,428</u>	<u>11,697</u>	<u>14,878</u>
		<u>1,706,577</u>	<u>1,418,383</u>	<u>13,255,428</u>	<u>7,846,370</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
OWNERS OF THE PARENT		1,802,593	1,386,130	13,573,491	12,605,114
NON-CONTROLLING INTERESTS		<u>(5,376)</u>	<u>5,428</u>	<u>11,697</u>	<u>14,878</u>
		<u>1,797,217</u>	<u>1,391,558</u>	<u>13,585,188</u>	<u>12,619,992</u>
EARNINGS PER ORDINARY SHARE (SEN):-					
BASIC	B10	0.53	0.48	4.07	2.45
DILUTED	B10	0.38	0.34	2.91	1.72

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 31 DECEMBER 2013**

	Note	(UNAUDITED) AS AT 31/12/2013 RM	(AUDITED) AS AT 31/12/2012 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	A9	22,020,594	19,802,884
Land held for property development		13,840,539	-
Investment in associate, quoted		12,314,540	17,272,406
Investment in associate, unquoted		1,093,604	451,562
Other investment, unquoted		16,434	68,230
Development costs		2,789,646	2,967,140
Goodwill		24,364,422	22,447,722
Deferred tax assets		437,000	437,000
		<u>76,876,779</u>	<u>63,446,944</u>
Current Assets			
Inventories		10,048,911	9,464,235
Trade receivables		19,792,948	19,556,071
Other receivables & prepayment		3,935,622	1,714,848
Amount due from associate		407,666	102,379
Amount due from related parties		-	925,400
Tax recoverable		413,939	407,157
Fixed deposit with licensed banks		8,540,031	645,505
Cash and bank balances		6,169,796	6,403,115
		<u>49,308,913</u>	<u>39,218,710</u>
TOTAL ASSETS		<u>126,185,692</u>	<u>102,665,654</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		32,578,514	31,956,585
Share premium		3,881,457	3,639,189
Treasury shares, at cost	A6	(76,236)	(303,343)
Warrant reserves		1,049,885	1,174,271
Other reserves		1,109,451	1,109,451
Foreign exchange fluctuation reserve		46,654	(283,106)
Revaluation surplus		4,929,691	4,929,691
Retained earnings		41,978,555	31,944,451
Total equity attributable to owners of the Company		<u>85,497,971</u>	<u>74,167,189</u>
Non controlling interests		801,312	306,569
Total Equity		<u>86,299,283</u>	<u>74,473,758</u>
LIABILITIES			
Non-Current Liabilities			
Long-term borrowings	B6	4,209,930	3,244,333
Deferred tax liabilities		2,708,139	2,783,528
		<u>6,918,069</u>	<u>6,027,861</u>
Current Liabilities			
Short-term borrowings	B6	14,669,516	11,620,212
Trade payables		9,045,411	7,700,226
Other payables & accruals		8,650,772	2,147,823
Amount due to related parties		-	631,786
Tax payable		602,641	63,988
		<u>32,968,340</u>	<u>22,164,035</u>
Total Liabilities		<u>39,886,409</u>	<u>28,191,896</u>
TOTAL EQUITY AND LIABILITIES		<u>126,185,692</u>	<u>102,665,654</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (SEN)			
		26.24	23.21
NTA per share (sen)			
		17.91	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 31 DECEMBER 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	-	-	-	-	-	-	329,760	13,243,731	13,573,491	11,697	13,585,188	
<i>Transactions with owners:</i>												
Disposal of treasury stock	-	-	303,343	-	-	-	-	-	303,343	-	303,343	
Shares repurchased	-	-	(75,636)	-	-	-	-	-	(75,636)	-	(75,636)	
Transaction costs	-	-	(600)	-	-	-	-	-	(600)	-	(600)	
Issuance of ordinary shares pursuant Conversion of warrants	621,929	242,268	-	(124,386)	-	-	-	-	739,811	-	739,811	
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	483,046	483,046	
Disposal of subsidiary	-	-	-	-	-	-	-	40,625	40,625	-	40,625	
Dividend paid	-	-	-	-	-	-	-	(3,250,252)	(3,250,252)	-	(3,250,252)	
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	
Total transactions with owners	621,929	242,268	227,107	(124,386)	-	-	-	(3,209,627)	(2,242,709)	483,046	(1,759,663)	
Balance as at 31 December 2013	32,578,514	3,881,457	(76,236)	1,049,885	4,929,691	1,109,451	46,654	41,978,555	85,497,971	801,312	86,299,283	

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 31 DECEMBER 2013**

	12 MONTHS ENDED 31/12/2013 RM	12 MONTHS ENDED 31/12/2012 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	14,253,629	8,758,037
Adjustments for:-		
Amortisation of development costs	1,150,784	776,126
Amortisation of other investment	955	1,801
Bad debts written off	-	61,541
Depreciation of plant and equipment	2,038,676	1,754,087
(Gain)/Loss on disposal of property, plant and equipment	10,364	(206,158)
Gain on deemed disposal of associate	(946,902)	-
Hire Purchase and lease Interest	233,127	-
Impairment for trade receivables	17,163	3,235
Impairment for doubtful debts no longer required	-	(19,515)
Interest income	(287,385)	(35,058)
Inventories written off	197,281	89,797
Interest expense	263,087	714,404
Overdraft interest	30,011	-
Property, plant and equipment written off	50,842	-
Share of associates' profits	(1,161,140)	(2,560,943)
Term loan interest	105,383	-
Unrealised loss on foreign exchange	(15)	896
	<u>1,702,231</u>	<u>580,213</u>
Operating profit before working capital changes	15,955,860	9,338,250
Inventories	(740,957)	1,809,656
Trade and other receivables	(3,043,888)	(3,691,224)
Trade and other payables	7,183,679	(974,907)
Land held for development	(302,124)	-
Subsidiaries	(5,944,032)	(152,890)
Related company	-	22,105
	<u>(2,847,322)</u>	<u>(2,987,260)</u>
CASH FROM OPERATIONS	13,108,538	6,350,990
Tax paid	(538,494)	(675,449)
NET CASH FROM OPERATING ACTIVITIES	<u>12,570,044</u>	<u>5,675,541</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of subsidiary companies, net of cash and cash equivalents acquired	130,702	-
Additional investment in subsidiary	(185,346)	-
Additional investment in associate	-	(587,663)
Development costs incurred	(973,290)	(2,014,455)
Dividend received from associate	-	138,108
Interest received	287,385	35,058
Proceeds from disposal of property, plant and equipment	-	618,181
Proceeds from disposal of associate	6,609,213	-
Proceeds from disposal of other investments	1,283	-
Placement of fixed deposit	-	(19,069)
Purchase of property, plant and equipment	(4,192,700)	(801,505)
NET CASH FOR INVESTING ACTIVITIES	1,677,247	(2,631,345)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(293,098)	(714,404)
Dividend paid to company shareholders	(3,250,252)	(1,902,617)
Drawdown on finance lease payables	2,930,200	-
Disposal of treasury shares	345,493	-
Hire purchase and lease interest	(233,127)	-
Proceeds from issuance of treasury shares	6,503	205,448
Proceeds from other short term borrowings	17,267,259	1,906,688
Proceeds from issuance of share	746,316	82,525
Transaction costs - proceeds from issuance of share capital	(6,504)	-
Purchase of treasury shares	(123,936)	(389,643)
Share issuance expenses	(954)	(50,269)
Repayment of term loan	(790,054)	-
Repayment of bills payable	(21,426,259)	-
Repayment of hire purchase and lease payables	(1,425,221)	(983,070)
Term loan interest	(105,383)	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES	<u>(6,359,017)</u>	<u>(1,845,342)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7,888,274	1,198,854
Foreign exchange fluctuation reserve	288,273	(111,787)
CASH AND CASH EQUIVALENTS B/F	<u>5,633,455</u>	<u>4,546,388</u>
CASH AND CASH EQUIVALENTS C/F	<u>13,810,002</u>	<u>5,633,455</u>
NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise:		
Cash and bank balances	6,169,796	6,403,115
Fixed deposit with licensed banks	8,540,031	645,505
Less: Fixed deposit pledged with licensed banks	(622,245)	(622,245)
Less: Overdraft	(277,580)	(792,920)
	<u>13,810,002</u>	<u>5,633,455</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 31 DECEMBER 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.

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 2013 save for the following:-

(i) Details of treasury shares held

	Number of Treasury Shares
Balance as at 30 September 2013	110,000
Repurchased during the quarter ended 31 December 2013	179,000
Balance as at 31 December 2013	289,000

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2013**

A6. DEBT AND EQUITY SECURITIES (CONT'D)

(ii) Details of conversion of warrants

	Number of Warrants
Balance as at 30 September 2013	128,945,410
Converted during the quarter ended 31 December 2013	-
Balance as at 31 December 2013	<u>128,945,410</u>

(iii) Details of shares issued from conversion of warrants

	Number of Shares
Balance as at 30 September 2013	324,785,153
Issued during the quarter ended 31 December 2013	-
Balance as at 31 December 2013	<u>325,785,153</u>

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.

A8. OPERATING SEGMENT

(a) Analysis of revenue by geographical area

	Quarter Ended 31/12/2013				Quarter Ended 31/12/2012			
	<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*	33,028	3,847	(12,417)	24,458	17,738	2,901	(2,451)	18,188
Labels	6,162	522	(1,574)	5,110	5,877	393	(1,124)	5,146
Total Revenue	<u>39,190</u>	<u>4,369</u>	<u>(13,991)</u>	<u>29,568</u>	<u>23,615</u>	<u>3,294</u>	<u>(3,575)</u>	<u>23,334</u>

	12 Months Period Ended 31/12/2013				12 Months Period Ended 31/12/2012			
	<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*	77,253	8,964	(17,932)	68,285	66,667	9,764	(11,572)	64,859
Labels	25,391	1,682	(5,708)	21,365	25,958	1,509	(4,635)	22,832
Total Revenue	<u>102,644</u>	<u>10,646</u>	<u>(23,640)</u>	<u>89,650</u>	<u>92,625</u>	<u>11,273</u>	<u>(16,207)</u>	<u>87,691</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2013**

A8. OPERATING SEGMENT (CONT'D)

(b) Analysis of revenue by product categories

Quarter Ended 31.12.2013	<u>EDCCS</u> RM '000	<u>Labels</u> RM '000	<u>Eliminations</u> RM '000	<u>Total</u> RM '000
Revenue				
Sales to external customers	24,458	5,110	-	29,568
Inter-segment sales	12,417	1,574	(13,991)	-
Total revenue	36,875	6,684	(13,991)	29,568
Results				
Interest income	67	-	-	67
Loss on deemed disposal of quoted investment #	(265)	-	-	(265)
Finance cost	57	108	-	165
Depreciation and amortisation	425	398	-	823
Foreign exchange gain or loss	(84)	-	-	(84)
Share of results of associates	18	34	-	52
Income tax expense	556	141	-	697
Segment profit	1,667	40	-	1,707

12 Months Period Ended 31.12.2013	<u>EDCCS</u> RM '000	<u>Labels</u> RM '000	<u>Eliminations</u> RM '000	<u>Total</u> RM '000
Revenue				
Sales to external customers	68,285	21,365	-	89,650
Inter-segment sales	17,932	5,708	(23,640)	-
Total revenue	86,217	27,073	(23,640)	89,650
Results				
Interest income	287	-	-	287
Net gain on deemed disposal of quoted investment #	746	-	-	746
Gain on disposal of quoted investment ^	9,266	-	-	9,266
Finance cost	300	332	-	632
Depreciation and amortisation	1,726	1,465	-	3,191
Foreign exchange gain or loss	84	10	-	94
Share of results of associates	1,005	156	-	1,161
Income tax expense	581	417	-	998
Segment profit	12,245	1,010	-	13,255

Included in the other operating income is a (loss) for the quarter/net gain for the year-to-date on deemed disposal of investment in Simat Technologies Public Company Limited ("Simat"). Please refer note A11 for more details.

^ Included in the other operating income is a gain on disposal of quoted investment in Simat of RM9.3 million.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 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>
31.12.2012	RM '000	RM '000	RM '000	RM '000
Revenue				
Sales to external customers	18,188	5,146	-	23,334
Inter-segment sales	2,451	1,124	(3,575)	-
Total revenue	20,639	6,270	(3,575)	23,334
Results				
Interest income	11	-	-	11
Finance cost	164	54	-	218
Depreciation and amortisation	353	355	-	708
Foreign exchange gain or loss	47	13	-	60
Share of results of associates	1,121	16	-	1,137
Income tax expense	352	39	-	391
Segment profit	1,746	215	-	1,961

12 Months Period Ended	<u>EDCCS</u>	<u>Labels</u>	<u>Eliminations</u>	<u>Total</u>
31.12.2012	RM '000	RM '000	RM '000	RM '000
Revenue				
Sales to external customers	64,859	22,832	-	87,691
Inter-segment sales	11,572	4,635	(16,207)	-
Total revenue	76,431	27,467	(16,207)	87,691
Results				
Interest income	35	-	-	35
Finance cost	475	239	-	714
Depreciation and amortisation	1,342	1,190	-	2,532
Foreign exchange gain or loss	7	19	-	26
Share of results of associates	2,468	92	-	2,560
Income tax expense	479	433	-	912
Segment profit	5,881	1,965	-	7,846

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 2013.

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

There were no other material events subsequent to the end of the current quarter ended 31 December 2013.

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 dilution of the Group's interest in Simat Technologies Public Company Limited ("Simat") from 20.07% to 19.98% due to its issuance of 1,251,040 ordinary shares of Baht 1.00 each from conversion of warrants to shares by other Simat warrant holders during the quarter. Hence a non-cash loss of RM0.3 million from an accounting treatment was resulted for the deemed disposal of Simat shares.

The year-to-date deemed disposal of investment in Simat is a non-cash net gain of RM0.7 million.

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.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2013**

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 31/12/2013 RM'000	Period ended 31/12/2013 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 9.6% of share investment (19,100,000 ordinary shares of THB 1.00 each) in Simat for a total cash consideration of RM15,811,744. The status of utilisation of the sale proceeds is as follows:

	Projected proceeds utilisation RM'000	Actual proceeds proportionate to projected utilization RM'000	Actual utilisation RM'000	Balance RM'000
Utilisation up to 31.12.2013				
Working Capital	5,940	5,892	5,158	734
Investment	10,000	9,920	5,328	4,592
Total	15,940	15,812	10,486	5,326

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 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 RM29.6 million for the quarter under review increased approximately 26.7% or RM6.2 million from RM23.3 million in the previous year's corresponding quarter. The increase in the Group's revenue was mainly attributable to the overall strong performance in EDCCS division.

The Group's profit before taxation ("PBT") of RM2.4 million, were marginally increased by 2.2% or RM0.1 million for the current quarter ended 31 December 2013 as compared to the previous year's corresponding quarter despite increase in revenue. This was mainly due to lower profit contribution from overseas associate and the loss on deemed disposal of RM0.3 million as explained in note A11.

With the exclusion of the loss on deemed disposal, the Group's PBT for the current quarter would have increased by 222.9% and 13.5% as compared to the previous quarter and the previous year's corresponding quarter respectively. The higher PBT was in tandem with the higher revenue for the quarter current ended 31 December 2013.

For current financial year ended 31 December 2013, the Group recorded a PBT of RM14.3 million as compared to the preceding financial year ended 31 December 2012 of RM8.8 million. This was mainly due to the net gain on disposal and deemed disposal of investment in Simat.

With the exclusion of the exceptional items such as the net gain on disposal and deemed disposal in year 2013 and the one-off transfer listing expenses in year 2012, the PBT for the current financial year ended 31 December 2013 would have been RM6.5 million as compared to the preceding financial year ended 31 December 2012 of RM8.7 million. The decrease in PBT of 26.0% was mainly due to lower profit contribution from overseas associate and lower profit margin of its Labels division.

B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS

i) EDCCS Segment

The EDCCS division recorded an increase in revenue of RM6.3 million over the previous year's corresponding quarter in revenue representing 34.5% growth for the current quarter ended 31 December 2013. The current quarter PBT of RM2.2 million were increased by 315.8% and 6.2% as a result of higher sales contribution as compared to the previous quarter and the previous year's corresponding quarter respectively.

With the exclusion of the loss on deemed disposal of RM0.3 million for the current quarter under review, the PBT would have increased by 353.9% and 18.9% as compared to the previous quarter and the previous year's corresponding quarter respectively.

For the current financial year ended 31 December 2013, the EDCCS division recorded a PBT of RM12.2 million as compared to the preceding corresponding year ended 31 December 2012

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2013**

B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS (CONT'D)

i) EDCCS Segment (cont'd)

of RM6.5 million. This was mainly due to the net gain on disposal and deemed disposal of investment in Simat.

With the exclusion of the exceptional items such as the net gain on disposal and deemed disposal in year 2013 and the one-off transfer listing expenses in year 2012, the PBT for the current year ended 31 December 2013 would have been RM4.5 million as compared to the preceding year corresponding year ended 31 December 2012 of RM6.8 million. The drop in PBT of 34.7% was mainly due to lower profit contribution from associate company.

ii) Labels Business Segment

For the current quarter under review, Labels division recorded a marginal drop in revenue of 0.7% as compared to the previous year's corresponding quarter. The PBT of the segment for the current quarter was RM0.2 million, reduced by 30.1% as compared to the previous year's corresponding quarter. The drop in PBT was due to higher finance costs resulted from the acquisition of new machinery.

During the current year ended 31 December 2013, the Labels division recorded a PBT of RM1.4 million as compared to the preceding corresponding year ended 31 December 2012 of RM2.4 million. This was mainly due to lower profit margin of its labels sales.

B3. COMMENTARY ON PROSPECTS

Going forward, the Group maintains its positive outlook for the financial year ending 31 December 2014 in its existing core business and new business in the property development sector, despite the challenging economic conditions in the region.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2013**

B4. TAXATION

	Quarter ended 31/12/2013 RM'000	Period ended 31/12/2013 RM'000
Estimated income tax :		
Malaysia income tax	551	618
Foreign income tax	146	358
	697	976

- (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 FEBRUARY 2014

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 February 2014, 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 31 DECEMBER 2013**

B6. BORROWINGS

The borrowings of the Company as at 31 December 2013 were as follows:-

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	4,818	8,977
Overdraft	278	444
Term loan	9,454	1,032
Hire purchase & Lease payables	120	826
	14,670	11,279
Secured Long-term (due after 12 months):		
Term loan	621	1,816
Hire purchase & Lease payables	3,589	1,377
	4,210	3,193
Total Borrowings	18,880	14,472

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

B7. MATERIAL LITIGATION

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.

Save for the above, the Directors are not aware of any material litigations or claims against the Group and Company as at 20 February 2014, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

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 31 DECEMBER 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 31/12/2013	Period Ended 31/12/2012
Total retained profits of the Group:		
-Realised	45,239	33,694
-Unrealised	2,271	1,324
	<u>47,510</u>	<u>35,018</u>
Total share of retained profits from the associates		
- Realised	7,293	7,684
	<u>7,293</u>	<u>7,684</u>
Less: Consolidation adjustments	(12,824)	(10,700)
Total Group retained profits as per consolidated accounts	<u>41,979</u>	<u>32,002</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 RM1.712 million and RM13.244 million for the current quarter and cumulative year to date respectively, 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 325,785,153 as follows:-

	Quarter Ended 31/12/2013	Period Ended 31/12/2013
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,712	13,244
Weighted average number of ordinary shares in issue ('000)	325,785	325,785
Basic earnings per share (sen)	<u>0.53</u>	<u>4.07</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 31 DECEMBER 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 31/12/2013	Period Ended 31/12/2013
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,712	13,244
Weighted average number of ordinary shares in issue ('000)	325,785	325,785
Effect of conversion of warrants ('000)	129,935	129,935
Diluted earnings per share (sen)	0.38	2.91

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