

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

The unaudited results of Grand-Flo Berhad (formerly known as Grand-Flo Solution Berhad) and its subsidiaries for the 6 months period ended 30 June 2014 are as follows:-

	NOTE	FOR THE QUARTER 3 MONTHS ENDED		FOR THE CUMULATIVE PERIOD 6 MONTHS ENDED	
		30/6/2014 RM	30/6/2013 RM	30/6/2014 RM	30/6/2013 RM
REVENUE	A8	16,556,957	21,190,510	30,758,029	40,102,999
COST OF SALES		<u>(11,838,719)</u>	<u>(14,708,241)</u>	<u>(21,884,469)</u>	<u>(28,731,729)</u>
GROSS PROFIT		4,718,238	6,482,269	8,873,560	11,371,270
OTHER INCOME	A8(b)	72,032	9,507,303	3,867,273	12,382,394
SELLING AND DISTRIBUTION EXPENSES		(640,196)	(732,755)	(1,239,314)	(1,352,766)
ADMINISTRATIVE EXPENSES		(3,512,807)	(4,655,231)	(7,086,313)	(8,043,410)
OTHER OPERATING EXPENSES		<u>(1,041)</u>	<u>(6,907)</u>	<u>(2,541)</u>	<u>(21,516)</u>
RESULTS FROM OPERATING ACTIVITIES		636,226	10,594,679	4,412,665	14,335,972
FINANCE COSTS		(171,087)	(164,086)	(328,243)	(324,030)
SHARE OF (LOSS)/PROFIT OF ASSOCIATES, NET OF TAX		<u>(199,681)</u>	<u>115,646</u>	<u>(404,391)</u>	<u>1,023,555</u>
PROFIT BEFORE TAXATION	A8	265,458	10,546,239	3,680,031	15,035,497
INCOME TAX EXPENSES	B4	(91,117)	(2,545,775)	(183,796)	(2,630,201)
PROFIT AFTER TAXATION	A8	<u>174,341</u>	<u>8,000,464</u>	<u>3,496,235</u>	<u>12,405,296</u>
OTHER COMPREHENSIVE ITEM					
Exchange translation differences		220,209	101,133	(120,668)	187,190
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>394,550</u>	<u>8,101,597</u>	<u>3,375,567</u>	<u>12,592,486</u>
<b>(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:-</b>					
OWNERS OF THE PARENT		177,467	7,990,954	3,506,045	12,390,260
NON-CONTROLLING INTERESTS		<u>(3,126)</u>	<u>9,510</u>	<u>(9,810)</u>	<u>15,036</u>
		<u>174,341</u>	<u>8,000,464</u>	<u>3,496,235</u>	<u>12,405,296</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:-</b>					
OWNERS OF THE PARENT		397,676	8,092,087	3,385,377	12,577,450
NON-CONTROLLING INTERESTS		<u>(3,126)</u>	<u>9,510</u>	<u>(9,810)</u>	<u>15,036</u>
		<u>394,550</u>	<u>8,101,597</u>	<u>3,375,567</u>	<u>12,592,486</u>
<b>EARNINGS PER ORDINARY SHARE (SEN):-</b>					
BASIC	B10	0.05	2.49	1.07	3.87
DILUTED	B10	0.04	1.76	0.77	2.72

The unaudited condensed consolidated statements of profit or loss should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Note	(UNAUDITED) AS AT 30/6/2014 RM	(AUDITED) AS AT 31/12/2013 RM
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	A9	22,503,369	22,697,729
Land held for property development		14,407,760	13,840,539
Investment in associate, quoted		13,386,703	12,262,628
Investment in associate, unquoted		1,268,898	1,093,604
Other investment, unquoted		16,229	16,434
Development costs		2,553,618	2,789,646
Goodwill		24,364,422	24,364,422
Deferred tax assets		339,000	339,000
		<u>78,839,999</u>	<u>77,404,002</u>
<b>Current Assets</b>			
Inventories		12,478,328	9,945,599
Trade receivables		12,356,423	22,777,675
Other receivables & prepayment		2,081,331	931,105
Amount due from associate		22,801	136,691
Amount due from related parties		122,681	245,676
Tax recoverable		470,487	358,491
Fixed deposit with licensed banks		8,364,537	8,523,739
Cash and bank balances		10,713,929	6,186,087
		<u>46,610,517</u>	<u>49,105,063</u>
<b>TOTAL ASSETS</b>		<u>125,450,516</u>	<u>126,509,065</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		33,305,985	32,578,515
Share premium		4,110,252	3,819,265
Treasury shares, at cost	A6	(155,673)	(76,236)
Warrant reserves		966,584	1,112,078
Other reserves		1,109,451	1,109,451
Foreign exchange fluctuation reserve		(53,182)	67,486
Revaluation surplus		6,341,680	6,341,680
Retained earnings		45,168,252	41,662,207
<b>Total equity attributable to owners of the Company</b>		<u>90,793,349</u>	<u>86,614,446</u>
Non controlling interests		777,544	787,354
<b>Total Equity</b>		<u>91,570,893</u>	<u>87,401,800</u>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Long-term borrowings	B6	6,210,878	9,165,252
Deferred tax liabilities		2,049,123	2,107,506
		<u>8,260,001</u>	<u>11,272,758</u>
<b>Current Liabilities</b>			
Short-term borrowings	B6	11,792,528	9,708,887
Trade payables		7,410,239	10,952,760
Other payables & accruals		5,995,412	6,547,998
Amount due to related parties		-	183,208
Tax payable		421,443	441,654
		<u>25,619,622</u>	<u>27,834,507</u>
<b>Total Liabilities</b>		<u>33,879,623</u>	<u>39,107,265</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>125,450,516</u>	<u>126,509,065</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO			
ORDINARY OWNERS OF THE PARENT (SEN)		27.26	26.59
NTA per share (sen)		19.18	18.25

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 2013 and the accompanying explanatory notes attached to the interim financial statements.



**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2014**

	←----- Attributable to owners of the Company ----->										
	←----- Non-Distributable ----->						-----> Distributable				
	Share Capital	Share Premium	Treasury Shares	Warrant Reserves	Revaluation Reserves	Other Reserves	Foreign Exchange Fluctuation Reserve	Retained Earnings	Total	Non Controlling Interests (NCI)	Total Equity
RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<b>Balance as at 1 January 2013</b>	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	-	-	-	-	1,411,989	-	350,592	12,968,010	14,730,591	(2,262)	14,728,329
<i>Transactions with owners:</i>											
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	483,047	483,047
Issuance of treasury shares	-	(6,503)	351,997	-	-	-	-	-	345,494	-	345,494
Shares repurchased	-	-	(123,936)	-	-	-	-	-	(123,936)	-	(123,936)
Transaction costs	-	-	(954)	-	-	-	-	-	(954)	-	(954)
Conversion of warrants	621,930	186,579	-	(62,193)	-	-	-	-	746,316	-	746,316
Dividend paid	-	-	-	-	-	-	-	(3,250,254)	(3,250,254)	-	(3,250,254)
Total transactions with owners	621,930	180,076	227,107	(62,193)	-	-	-	(3,250,254)	(2,283,334)	483,047	(1,800,287)
<b>Balance as at 31 December 2013</b>	32,578,515	3,819,265	(76,236)	1,112,078	6,341,680	1,109,451	67,486	41,662,207	86,614,446	787,354	87,401,800
<b>Balance as at 1 January 2014</b>	32,578,515	3,819,265	(76,236)	1,112,078	6,341,680	1,109,451	67,486	41,662,207	86,614,446	787,354	87,401,800
Total Comprehensive income for the year	-	-	-	-	-	-	(120,668)	3,506,045	3,385,377	(9,810)	3,375,567
<i>Transactions with owners:</i>											
Shares repurchased	-	-	(78,715)	-	-	-	-	-	(78,715)	-	(78,715)
Transaction costs	-	-	(722)	-	-	-	-	-	(722)	-	(722)
Conversion of warrants	727,470	290,987	-	(145,494)	-	-	-	-	872,963	-	872,963
Total transactions with owners	727,470	290,987	(79,437)	(145,494)	-	-	-	-	793,526	-	793,526
<b>Balance as at 30 June 2014</b>	33,305,985	4,110,252	(155,673)	966,584	6,341,680	1,109,451	(53,182)	45,168,252	90,793,349	777,544	91,570,893

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the annual audited financial statements as at 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2014**

	<b>6 MONTHS ENDED 30/6/2014 RM</b>	<b>6 MONTHS ENDED 30/6/2013 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,680,031	15,035,497
Adjustments for:-		
Amortisation of development costs	660,233	589,365
Amortisation of leasehold land	18,717	18,717
Amortisation of other investment	205	784
Depreciation of plant and equipment	1,087,138	939,307
Gain/loss on disposal of property, plant and equipment	(58,959)	(59)
Gain on deemed disposal of associate	(876,608)	(2,790,388)
Hire Purchase and lease Interest	113,856	96,145
Provision of doubtful debts	9,967	-
Interest income	(165,187)	(112,619)
Interest expense	139,340	155,232
Overdraft interest	17,796	19,169
Share of associates' profits/loss	404,391	(1,023,555)
Term loan interest	57,251	53,636
Unrealised gain/loss on foreign exchange	416	(6)
	<u>1,408,556</u>	<u>(2,054,272)</u>
Operating profit before working capital changes	5,088,587	12,981,225
Inventories	(2,544,402)	(2,767,671)
Trade and other receivables	9,713,421	4,783,042
Trade and other payables	222,146	4,010,639
Land held for development	(567,220)	-
Subsidiaries	(4,861,084)	(1,132,316)
	<u>1,962,861</u>	<u>4,893,694</u>
<b>CASH FROM OPERATIONS</b>	7,051,448	17,874,919
Tax paid	(298,520)	(2,691,768)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	6,752,928	15,183,151
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additional investment in associate	(2,050,696)	(185,346)
Development costs incurred	(424,205)	(556,507)
Disposal of an associate	(1,223,544)	-
Interest received	165,187	112,619
Proceeds from disposal of property, plant and equipment	60,000	1,230
Proceeds from disposal of associate	2,514,137	6,609,213
Proceeds from disposal of other investments	-	59,914
Purchase of property, plant and equipment	(929,501)	(3,712,994)
<b>NET CASH FOR INVESTING ACTIVITIES</b>	(1,888,622)	2,328,129
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(157,136)	(174,401)
Drawdown on finance lease payables	200,000	2,930,200
Disposal of treasury shares	-	345,493
Hire purchase and lease interest	(113,856)	(96,145)
Proceeds from issuance of treasury shares	-	6,503
Proceeds from other short term borrowings	10,324,645	11,070,000
Proceeds from issuance of share	872,965	627,516
Purchase of treasury shares	(78,715)	(50,500)
Share issuance expenses	(723)	(398)
Repayment of term loan	(721,717)	(433,078)
Repayment of bills payable	(10,112,645)	(15,788,000)
Repayment of hire purchase and lease payables	(761,993)	(657,153)
Term loan interest	(57,251)	(53,636)
<b>NET CASH FROM/(FOR) FINANCING ACTIVITIES</b>	(606,426)	(2,273,599)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,257,880	15,237,681
Foreign exchange fluctuation reserve	(96,048)	156,934
<b>CASH AND CASH EQUIVALENTS B/F</b>	14,432,246	5,633,455
<b>CASH AND CASH EQUIVALENTS C/F</b>	<u><b>18,594,078</b></u>	<u><b>21,028,070</b></u>
<b>NOTES TO CASH FLOW STATEMENT</b>		
Cash and cash equivalents comprise:		
Cash and bank balances	10,713,929	3,848,152
Fixed deposit with licensed banks	9,006,019	18,017,000
Less: Fixed deposit pledged with licensed banks	(641,482)	(622,245)
Less: Overdraft	(484,388)	(214,837)
	<u><b>18,594,078</b></u>	<u><b>21,028,070</b></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 2013.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
 FOR THE QUARTER ENDED 30 JUNE 2014**

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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 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 2013.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013.

**A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report of the preceding annual financial statements for the FYE 31 December 2013 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 2014 save for the following:-

**(i) Details of treasury shares held**

	<b>Number of Treasury Shares</b>
Balance as at 31 March 2014	339,000
Repurchased during the quarter ended 30 June 2014	228,700
Balance as at 30 June 2014	567,700

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
 FOR THE QUARTER ENDED 30 JUNE 2014**

**A6. DEBT AND EQUITY SECURITIES (CONT'D)**

**(ii) Details of conversion of warrants**

	<b>Number of Warrants</b>
Balance as at 31 March 2014	128,875,410
Converted during the quarter ended 30 June 2014	(7,204,700)
Balance as at 30 June 2014	<u>121,670,710</u>

**(iii) Details of shares issued from conversion of warrants**

	<b>Number of Shares</b>
Balance as at 31 March 2014	325,855,153
Issued during the quarter ended 30 June 2014	7,204,700
Balance as at 30 June 2014	<u>333,059,853</u>

**A7. DIVIDEND PAID**

There was no dividend paid during the financial period ended 30 June 2014.

**A8. OPERATING SEGMENT**

**(a) Analysis of revenue by geographical area**

	Quarter Ended 30/6/2014				Quarter Ended 30/6/2013			
	Malaysia	Others	Eliminations	Group	Malaysia	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EDCCS*	11,982	1,382	(1,969)	11,395	15,589	1,612	(1,773)	15,428
Labels	6,428	426	(1,692)	5,162	6,823	403	(1,463)	5,763
Property	-	-	-	-	-	-	-	-
Total Revenue	<u>18,410</u>	<u>1,808</u>	<u>(3,661)</u>	<u>16,557</u>	<u>22,412</u>	<u>2,015</u>	<u>(3,236)</u>	<u>21,191</u>
	6 Months Period Ended 30/6/2014				6 Months Period Ended 30/6/2013			
	Malaysia	Others	Eliminations	Group	Malaysia	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EDCCS*	22,366	2,791	(4,670)	20,487	29,712	3,241	(3,933)	29,020
Labels	12,800	850	(3,379)	10,271	13,097	667	(2,681)	11,083
Property	-	-	-	-	-	-	-	-
Total Revenue	<u>35,166</u>	<u>3,641</u>	<u>(8,049)</u>	<u>30,758</u>	<u>42,809</u>	<u>3,908</u>	<u>(6,614)</u>	<u>40,103</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED 30 JUNE 2014**

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

**(b) Analysis of revenue by product categories**

<b>Quarter Ended</b>	<u>EDCCS*</u>	<u>Labels</u>	<u>Property</u>	<u>Eliminations</u>	<u>Total</u>
<b>30.6.2014</b>	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>					
Sales to external customers	11,395	5,162	-	-	16,557
Inter-segment sales	1,969	1,692	-	(3,661)	-
<b>Total revenue</b>	<b>13,364</b>	<b>6,854</b>	<b>-</b>	<b>(3,661)</b>	<b>16,557</b>
<b>Results</b>					
Interest income	92	-	-	-	92
Loss on deemed disposal of quoted investment (refer A11)	(106)	-	-	-	(106)
Finance cost	85	86	-	-	171
Depreciation and amortisation	138	411	-	-	549
Foreign exchange gain or loss	29	(1)	-	-	28
Share of results of associates	(309)	109	-	-	(200)
Income tax expense	27	64	-	-	91
<b>Segment profit</b>	<b>10</b>	<b>188</b>	<b>(24)</b>	<b>-</b>	<b>174</b>

<b>6 Months Period Ended</b>	<u>EDCCS*</u>	<u>Labels</u>	<u>Property</u>	<u>Eliminations</u>	<u>Total</u>
<b>30.6.2014</b>	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>					
Sales to external customers	20,487	10,271	-	-	30,758
Inter-segment sales	4,670	3,379	-	(8,049)	-
<b>Total revenue</b>	<b>25,157</b>	<b>13,650</b>	<b>-</b>	<b>(8,049)</b>	<b>30,758</b>
<b>Results</b>					
Interest income	165	-	-	-	165
Net gain on disposal/deemed disposal of quoted investment	3,391	-	-	-	3,391
Finance cost	166	162	-	-	328
Depreciation and amortisation	280	807	-	-	1,087
Foreign exchange gain or loss	37	(3)	-	-	34
Share of results of associates	(579)	175	-	-	(404)
Income tax expense	43	141	-	-	184
<b>Segment profit</b>	<b>3,916</b>	<b>457</b>	<b>(41)</b>	<b>(836)</b>	<b>3,496</b>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
 FOR THE QUARTER ENDED 30 JUNE 2014**

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

**(b) 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>30.06.2013</b>	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>				
Sales to external customers	15,428	5,763	-	21,191
Inter-segment sales	1,773	1,463	(3,236)	-
<b>Total revenue</b>	<b>17,201</b>	<b>7,226</b>	<b>(3,236)</b>	<b>21,191</b>
<b>Results</b>				
Interest income	93	-	-	93
Gain on disposal of quoted investment ^	9,266	-	-	9,266
Finance cost	76	88	-	164
Depreciation and amortisation	447	370	-	817
Foreign exchange gain or loss	76	1	-	77
Share of results of associates	76	40	-	116
Income tax expense	2,448	98	-	2,546
<b>Segment profit</b>	<b>7,674</b>	<b>326</b>	<b>-</b>	<b>8,000</b>

<b>6 Months Period Ended</b>	<u>EDCCS*</u>	<u>Labels</u>	<u>Eliminations</u>	<u>Total</u>
<b>30.06.2013</b>	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>				
Sales to external customers	29,020	11,083	-	40,103
Inter-segment sales	3,933	2,681	(6,614)	-
<b>Total revenue</b>	<b>32,953</b>	<b>13,764</b>	<b>(6,614)</b>	<b>40,103</b>
<b>Results</b>				
Interest income	113	-	-	113
Gain on deemed disposal of quoted investment	2,790	-	-	2,790
Gain on disposal of quoted investment ^	9,266	-	-	9,266
Finance cost	182	142	-	324
Depreciation and amortisation	876	672	-	1,548
Foreign exchange gain or loss	51	4	-	55
Share of results of associates	937	87	-	1,024
Income tax expense	2,429	201	-	2,630
<b>Segment profit</b>	<b>11,639</b>	<b>766</b>	<b>-</b>	<b>12,405</b>

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

^ 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



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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED 30 JUNE 2014**

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

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.

**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 2013.

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 30 June 2014 except for the following :-

- (i) proposed acquisition by Grand-Flo of an aggregate 125,001 ordinary shares of RM1.00 each in Innoceria Sdn Bhd ("ISB"), representing 50.0004% of the total issued and paid-up share capital of ISB, for a total consideration of RM15.0 million to be satisfied by a combination of cash and issuance and allotment of new ordinary shares of RM0.10 each in Grand-Flo ("proposed acquisition"); and
- (ii) proposed diversification of the existing core businesses of Grand-Flo and its subsidiaries to include property development ("proposed diversification").

Both proposed acquisition and proposed diversification were approved by Company's shareholders on 12 August 2014. On 21 August 2014, the acquisition of 50.0004% of ISB was completed in accordance with the terms of the Share Acquisition Agreement.

**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 from 23.14% to 23.07% due to its issuance of 1,018,073 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 RM0.1 million from an accounting treatment was resulted for the deemed disposal of Simat shares.

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**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.

**A15. STATUS OF UTILISATION OF PROCEEDS**

- (a) 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:

<b>Utilisation up to 30.6.2014</b>	<b>Projected proceeds utilisation RM'000</b>	<b>Actual proceeds proportionate to projected utilization RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Balance RM'000</b>
Working Capital	5,940	5,892	5,892	-
Investment	10,000	9,920	6,328	3,592
<b>Total</b>	<b>15,940</b>	<b>15,812</b>	<b>12,220</b>	<b>3,592</b>

- (b) Grand-Flo had on 19 March 2014 disposed of 2.1% of share investment (5,900,000 ordinary shares of THB 1.00 each) in Simat for a total cash consideration of RM3,737,681. The status of utilisation of the sale proceeds is as follows:

<b>Utilisation up to 30.6.2014</b>	<b>Projected proceeds utilisation RM'000</b>	<b>Actual proceeds proportionate to projected utilization RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Balance RM'000</b>
Working Capital	2,390	1,869	1,869	-
Investment	2,390	1,869	1,869	-
<b>Total</b>	<b>4,780</b>	<b>3,738</b>	<b>3,738</b>	<b>-</b>

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**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 RM16.6 million for the quarter under review reduced approximately 21.9% or RM4.6 million from RM21.2 million in the previous year's corresponding quarter mainly due to deferment of some projects of the EDCCS division for the quarter under review.

The Group's Profit Before Taxation ("PBT") of RM0.3 million for the current quarter ended 30 June 2014 was lower by 97.5% or RM10.3 million as compared to the previous year's corresponding quarter.

With the exclusion of the exceptional items of the loss on deemed disposal of quoted investment in Simat, the PBT would have been RM0.4 million for the current quarter ended 30 June 2014. PBT for the previous year's corresponding quarter ended 30 June 2013 would have been RM1.3 million with the exclusion of gain on disposal of Simat shares.

The decrease in PBT of 71.0% from RM1.3 million for the previous year's corresponding quarter to RM0.4 million for the current quarter was mainly caused by lower EDCCS sales and lower share of associates' results by RM0.3 million hence, lower profit contribution to the Group during the quarter.

**B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS**

**i) EDCCS Segment**

The EDCCS division recorded a decrease in revenue of RM4.0 million representing 26.1% lower as compared to the previous year's corresponding quarter due to deferment of some projects. This had resulted in lower PBT for the current quarter of RM0.1 million, reduced by 99.6% compared to the previous year's corresponding quarter ended 30 June 2013.

The current quarter's PBT decreased by 98.8% as compared to the previous quarter mainly due to the gain on disposal of Simat shares and the gain on conversion of Simat warrants in the previous quarter ended 31 March 2014.

With the exclusion of the gain on disposal/deemed disposal of RM3.5 million for the previous quarter ended 31 March 2014 and RM9.3 million in the previous year's corresponding quarter ended 30 June 2013, the PBT would have dropped by 134.8% as compared to previous quarter and 83.3% as compared to previous year's corresponding quarter. The drop in PBT was mainly due to lower sales for the quarter under review.

**ii) Labels Business Segment**

For the current quarter under review, Labels division recorded a marginal dropped in revenue of 10.4% as compared to the previous year's corresponding quarter. The PBT of the segment for the current quarter was RM0.3 million, reduced by 40.7% as compared to the previous year's corresponding quarter. The drop in PBT was due to lower sales and profit margin for the current quarter under review.

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**B3. COMMENTARY ON PROSPECTS**

The diversification into the property development sector as a core business alongside with the Company existing EDCCS and Labels segments, the Board of Directors believes that the Group will achieve good financial performance record. Going forward, the Group will continue to seek new business and investment opportunities that will generate positive returns.

**B4. TAXATION**

	<b>Quarter ended 30/6/2014 RM'000</b>	<b>Period ended 30/6/2014 RM'000</b>
Estimated income tax :		
Malaysia income tax	62	134
Foreign income tax	29	50
	91	184

- (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 27 AUGUST 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.

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**B5. STATUS OF CORPORATE PROPOSALS AS AT 27 AUGUST 2014 (CONT'D)**

The Company had:-

- (i) on 19 March 2014 disposed of 5.9 million Simat shares representing 2.13% equity interest in Simat pursuant to the proposal (a) above at THB6.40 per Simat Share for a total cash consideration of THB37,760,000 (equivalent to RM3,855,658) ; and
- (ii) on 31 March 2014 exercised all Simat warrants into new Simat shares pursuant to the proposal (c) above.

On 24 April 2014, the Board announced to the Bursa:-

- (i) proposed acquisition by Grand-Flo of an aggregate 125,001 ordinary shares of RM1.00 each in Innoceria Sdn Bhd ("ISB"), representing 50.0004% of the total issued and paid-up share capital of ISB, for a total consideration of RM15.0 million to be satisfied by a combination of cash and issuance and allotment of new ordinary shares of RM0.10 each in Grand-Flo ("proposed acquisition"); and
- (ii) proposed diversification of the existing core businesses of Grand-Flo and its subsidiaries to include property development ("proposed diversification").

Both proposed acquisition and proposed diversification were approved by Company's shareholders on 12 August 2014. As disclosed in Note A10, the proposed acquisition of 50.0004% of ISB was completed in accordance with the terms of the Share Acquisition Agreement on 21 August 2014. Save for the above, there were no other corporate proposals announced but not completed as at 27 August 2014, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

**B6. BORROWINGS**

The borrowings of the Company as at 30 June 2014 were as follows:-

	<b>As at 30/6/2014 RM'000</b>	<b>As at 30/06/2013 RM'000</b>
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	5,030	4,259
Overdraft	484	215
Term loan	4,887	1,799
Hire purchase & Lease payables	1,392	897
	<u>11,793</u>	<u>7,170</u>
Secured Long-term (due after 12 months):		
Term loan	4,456	720
Hire purchase & Lease payables	1,755	3,587
	<u>6,211</u>	<u>4,307</u>
Total Borrowings	<u>18,004</u>	<u>11,477</u>

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

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**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 665.62 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.

On 22 February 2013, Simat had terminated the contract and proceed the litigation under civil court. The civil court however considered the contract as the administrative contract therefore the lawsuit should be under the administrative court. Simat withdrew the case from the civil court and filed a lawsuit to the administrative court on 6 February 2014.

On April 2, 2014, Simat was sued by a supplier, for a compensation of Baht 8.56 million as the Company’s breach of a purchase agreement. The case is currently under the consideration of the commercial court. However, the management of Simat believes that Simat will not be obliged to pay such compensation over than booked amount.

Save for the above, the Directors are not aware of any material litigations or claims against the Group and Company as at 27 August 2014, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

**B8. PROPOSED DIVIDEND PAYABLE**

The Board of Directors has recommended a final tax exempt dividend of 10% or 1 sen per share for the financial year ended 31 December 2013 which was approved by the shareholders during the Annual General Meeting held on 24 June 2014 and subsequently paid on 31 July 2014.

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**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:-

	<b>Period ended 30/6/2014</b>	<b>Period ended 30/6/2013</b>
Total retained profits of the Group:		
-Realised	48,531	44,578
-Unrealised	1,710	2,350
	<u>50,241</u>	<u>46,928</u>
Total share of retained profits from the associates		
- Realised	5,946	7,087
Less: Consolidation adjustments	(11,019)	(9,680)
Total Group retained profits as per consolidated accounts	<u>45,168</u>	<u>44,335</u>

**B10. EARNINGS PER SHARE**

(a) **Basic earnings per share**

The basic earnings per share is calculated based on Group's net profit attributable to the owners of the Company of approximately RM0.177 million for the current quarter and the RM3.506 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 327,188,756 and 328,469,881 respectively as follows:-

	<b>Quarter Ended 30/6/2014</b>	<b>Period Ended 30/6/2014</b>
Net profit attributable to ordinary equity holders of the parent (RM'000)	177	3,506
Weighted average number of ordinary shares in issue ('000)	327,188	328,470
Basic earnings per share (sen)	<u>0.05</u>	<u>1.07</u>

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**B10. 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 30/6/2014</b>	<b>Period Ended 30/6/2014</b>
Net profit attributable to ordinary equity holders of the parent (RM'000)	177	3,506
Weighted average number of ordinary shares in issue ('000)	327,188	328,470
Effect of conversion of warrants ('000)	127,542	126,261
Diluted earnings per share (sen)	0.04	0.77