

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

The unaudited results of Grand-Flo Berhad and its subsidiaries for the 9 months period ended 30 September 2014 are as follows:-

	NOTE	FOR THE QUARTER 3 MONTHS ENDED		FOR THE CUMULATIVE PERIOD 9 MONTHS ENDED	
		30/9/2014 RM	30/9/2013 RM	30/9/2014 RM	30/9/2013 RM
REVENUE	A8	19,317,081	19,979,164	50,075,111	60,082,163
COST OF SALES		<u>(13,747,588)</u>	<u>(15,065,497)</u>	<u>(35,706,544)</u>	<u>(43,797,226)</u>
GROSS PROFIT		5,569,493	4,913,667	14,368,567	16,284,937
OTHER INCOME	A8(b)	1,391,683	187,384	5,258,956	12,569,778
SELLING AND DISTRIBUTION EXPENSES		(764,177)	(729,110)	(2,003,492)	(2,081,671)
ADMINISTRATIVE EXPENSES		(3,635,299)	(3,488,618)	(10,646,191)	(11,532,231)
OTHER OPERATING EXPENSES		<u>1,500</u>	<u>(1,577,267)</u>	<u>(1,976)</u>	<u>(1,598,783)</u>
RESULTS FROM OPERATING ACTIVITIES		2,563,200	(693,944)	6,975,864	13,642,030
FINANCE COSTS		(143,286)	(142,651)	(471,529)	(466,680)
SHARE OF (LOSS)/PROFIT OF ASSOCIATES, NET OF TAX		<u>(19,195)</u>	<u>85,238</u>	<u>(423,585)</u>	<u>1,108,792</u>
PROFIT/(LOSS) BEFORE TAXATION	A8	2,400,719	(751,357)	6,080,750	14,284,142
INCOME TAX EXPENSES	B4	(227,904)	(105,087)	(411,701)	(2,735,288)
PROFIT/(LOSS) AFTER TAXATION	A8	<u>2,172,815</u>	<u>(856,444)</u>	<u>5,669,049</u>	<u>11,548,854</u>
OTHER COMPREHENSIVE ITEM					
Exchange translation differences		146,299	137,987	(73,910)	239,120
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<u>2,319,114</u>	<u>(718,457)</u>	<u>5,595,139</u>	<u>11,787,974</u>
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
OWNERS OF THE PARENT		1,875,500	(858,481)	5,381,544	11,531,781
NON-CONTROLLING INTERESTS		<u>297,315</u>	<u>2,037</u>	<u>287,505</u>	<u>17,073</u>
		<u>2,172,815</u>	<u>(856,444)</u>	<u>5,669,049</u>	<u>11,548,854</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:-					
OWNERS OF THE PARENT		2,021,799	(720,494)	5,307,634	11,770,901
NON-CONTROLLING INTERESTS		<u>297,315</u>	<u>2,037</u>	<u>287,505</u>	<u>17,073</u>
		<u>2,319,114</u>	<u>(718,457)</u>	<u>5,595,139</u>	<u>11,787,974</u>
EARNINGS PER ORDINARY SHARE (SEN):-					
BASIC	B10	0.54	(0.26)	1.61	3.55
DILUTED	B10	0.40	(0.19)	1.17	2.54

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 SEPTEMBER 2014

		(UNAUDITED)	(AUDITED)
		AS AT	AS AT
	Note	30/9/2014	31/12/2013
		RM	RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	A9	22,284,274	22,697,729
Land held for property development		14,829,226	13,840,539
Investment in associate, quoted		12,969,343	12,262,628
Investment in associate, unquoted		1,380,815	1,093,604
Other investment, unquoted		16,127	16,434
Development costs		2,409,904	2,789,646
Goodwill		39,209,748	24,364,422
Deferred tax assets		339,000	339,000
		<u>93,438,437</u>	<u>77,404,002</u>
Current Assets			
Inventories		12,632,528	9,945,599
Trade receivables		17,090,077	22,777,675
Other receivables & prepayment		2,643,308	931,105
Property development cost		7,702,926	-
Amount due from associate		25,796	136,691
Amount due from related parties		133,114	245,676
Tax recoverable		695,632	358,491
Fixed deposit with licensed banks		1,356,943	8,523,739
Cash and bank balances		10,899,282	6,186,087
		<u>53,179,606</u>	<u>49,105,063</u>
TOTAL ASSETS		<u>146,618,043</u>	<u>126,509,065</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		36,332,362	32,578,515
Share premium		11,203,156	3,819,265
Treasury shares, at cost	A6	(158,868)	(76,236)
Warrant reserves		949,544	1,112,078
Other reserves		1,109,451	1,109,451
Foreign exchange fluctuation reserve		(6,424)	67,486
Revaluation surplus		6,341,680	6,341,680
Retained earnings		43,717,629	41,662,207
Total equity attributable to owners of the Company		<u>99,488,530</u>	<u>86,614,446</u>
Non controlling interests		1,229,530	787,354
Total Equity		<u>100,718,060</u>	<u>87,401,800</u>
LIABILITIES			
Non-Current Liabilities			
Long-term borrowings	B6	8,917,841	9,165,252
Deferred tax liabilities		2,049,123	2,107,506
		<u>10,966,964</u>	<u>11,272,758</u>
Current Liabilities			
Short-term borrowings	B6	11,045,077	9,708,887
Trade payables		8,684,291	10,952,760
Other payables & accruals		15,117,227	6,547,998
Amount due to related parties		-	183,208
Tax payable		86,424	441,654
		<u>34,933,019</u>	<u>27,834,507</u>
Total Liabilities		<u>45,899,983</u>	<u>39,107,265</u>
TOTAL EQUITY AND LIABILITIES		<u>146,618,043</u>	<u>126,509,065</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO			
ORDINARY OWNERS OF THE PARENT (SEN)			
		27.38	26.59
NTA per share (sen)		15.93	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.



UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	← Attributable to owners of the Company →								Total	Non Controlling Interests (NCI)	Total Equity
	← Non-Distributable →					Distributable					
	Share Capital	Share Premium	Treasury Shares	Warrant Reserves	Other Reserves	Foreign Exchange Fluctuation Reserve	Revaluation Reserves	Retained Earnings			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance as at 1 January 2013	31,956,585	3,639,189	(303,343)	1,174,271	1,109,451	(283,106)	4,929,691	31,944,451	74,167,189	306,569	74,473,758
Total Comprehensive income for the year	-	-	-	-	-	350,592	1,411,989	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)
Balance as at 31 December 2013	32,578,515	3,819,265	(76,236)	1,112,078	1,109,451	67,486	6,341,680	41,662,207	86,614,446	787,354	87,401,800
Balance as at 1 January 2014	32,578,515	3,819,265	(76,236)	1,112,078	1,109,451	67,486	6,341,680	41,662,207	86,614,446	787,354	87,401,800
Total Comprehensive income for the year	-	-	-	-	-	(73,910)	-	5,381,544	5,307,634	287,505	5,595,139
<i>Transactions with owners:</i>											
Acquisition of subsidiary	2,941,177	7,058,823	-	-	-	-	-	-	10,000,000	154,671	10,154,671
Shares repurchased	-	-	(81,865)	-	-	-	-	-	(81,865)	-	(81,865)
Transaction costs	-	-	(767)	-	-	-	-	-	(767)	-	(767)
Conversion of warrants	812,670	325,068	-	(162,534)	-	-	-	-	975,204	-	975,204
Dividend paid	-	-	-	-	-	-	-	(3,326,122)	(3,326,122)	-	(3,326,122)
Total transactions with owners	3,753,847	7,383,891	(82,632)	(162,534)	-	-	-	(3,326,122)	7,566,450	154,671	7,721,121
Balance as at 30 September 2014	36,332,362	11,203,156	(158,868)	949,544	1,109,451	(6,424)	6,341,680	43,717,629	99,488,530	1,229,530	100,718,060

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 SEPTEMBER 2014**

	9 MONTHS ENDED 30/9/2014 RM	9 MONTHS ENDED 30/9/2013 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,080,750	14,284,142
Adjustments for:-		
Amortisation of development costs	983,924	872,464
Amortisation of leasehold land	28,075	28,075
Amortisation of other investment	308	887
Depreciation of plant and equipment	1,648,733	1,466,393
Gain/loss on disposal of property, plant and equipment	(58,960)	10,366
Gain on deemed disposal of associate	(4,588,922)	(1,212,122)
Hire Purchase and lease Interest	166,364	167,837
Provision of doubtful debts	9,967	-
Interest income	(222,724)	(220,073)
Interest expense	201,719	204,545
Overdraft interest	28,195	22,857
Property, plant and equipment written off	2,200	-
Share of associates' profits/loss	423,585	(1,108,792)
Term loan interest	75,251	71,636
Unrealised gain/loss on foreign exchange	424	(14)
	<u>(1,301,861)</u>	<u>304,059</u>
Operating profit before working capital changes	4,778,889	14,588,201
Inventories	(2,690,397)	(3,144,031)
Trade and other receivables	2,979,468	6,690,661
Trade and other payables	(1,096,172)	3,350,774
Land held for development	3,868,507	(69,243)
Subsidiaries	(7,547,924)	(4,280,394)
	<u>(4,486,518)</u>	<u>2,547,767</u>
CASH FROM OPERATIONS	292,371	17,135,968
Tax paid	<u>(1,095,011)</u>	<u>(2,805,225)</u>
NET CASH FROM OPERATING ACTIVITIES	(802,640)	14,330,743
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of subsidiary companies, net of cash and cash equivalents acquired	602,179	58,144
Additional investment in associate	(2,050,696)	(185,346)
Development costs incurred	(604,182)	(776,847)
Disposal of an associate	1,750,044	6,609,213
Proceeds from disposal of an associate	3,472,063	-
Interest received	222,724	220,073
Proceeds from disposal of property, plant and equipment	60,001	1,245
Proceeds from disposal of other investments	-	50,842
Purchase of property, plant and equipment	<u>(1,271,947)</u>	<u>(4,050,980)</u>
NET CASH FOR INVESTING ACTIVITIES	2,180,186	1,926,344
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(229,914)	(3,250,252)
Dividend paid to company shareholders	(3,326,122)	-
Drawdown on finance lease payables	791,818	2,930,200
Disposal of treasury shares	-	345,493
Hire purchase and lease interest	(166,364)	(167,837)
Proceeds from issuance of treasury shares	-	6,503
Proceeds from other short term borrowings	13,008,259	13,220,000
Proceeds from issuance of warrants	162,534	-
Proceeds from issuance of share	812,670	746,316
Purchase of treasury shares	(81,865)	(77,361)
Share issuance expenses	(767)	(594)
Repayment of term loan	(949,982)	(636,744)
Repayment of bills payable	(12,584,259)	(18,579,000)
Repayment of hire purchase and lease payables	(1,023,316)	(1,036,016)
Term loan interest	(75,251)	(71,636)
	<u>(3,662,559)</u>	<u>(6,570,928)</u>
NET CASH FROM/(FOR) FINANCING ACTIVITIES	(3,662,559)	(6,570,928)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,285,013)	9,458,757
Foreign exchange fluctuation reserve	(88,876)	200,944
CASH AND CASH EQUIVALENTS B/F	13,790,764	5,633,455
CASH AND CASH EQUIVALENTS C/F	<u>11,416,875</u>	<u>15,293,156</u>
NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise:		
Cash and bank balances	10,899,282	6,486,897
Fixed deposit with licensed banks	1,356,943	9,906,025
Less: Fixed deposit pledged with licensed banks	(641,482)	(622,245)
Less: Overdraft	<u>(197,868)</u>	<u>(477,521)</u>
	<u>11,416,875</u>	<u>15,293,156</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.

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

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 (“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 September 2014 save for the following:-

(i) Details of treasury shares held

	Number of Treasury Shares
Balance as at 30 June 2014	567,700
Repurchased during the quarter ended 30 September 2014	10,000
Balance as at 30 September 2014	577,700

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

A6. DEBT AND EQUITY SECURITIES (CONT'D)

(ii) Details of conversion of warrants

	Number of Warrants
Balance as at 30 June 2014	121,670,710
Converted during the quarter ended 30 September 2014	(852,000)
Balance as at 30 September 2014	<u>120,818,710</u>

(iii) Details of shares issued during the quarter ended 30 September 2014

	Number of Shares
Balance as at 30 June 2014	333,059,853
Issued from conversion of warrants	852,000
Issued from allotment of shares arises from acquisition	29,411,765
Balance as at 30 September 2014	<u>363,323,618</u>

A7. DIVIDEND PAID

Final tax exempt dividend of 10% or 1 sen per share for the financial year ended 31 December 2013 was paid on 31 July 2014.

A8. OPERATING SEGMENT

(a) Analysis of revenue by geographical area

	Quarter Ended 30/9/2014				Quarter Ended 30/9/2013			
	Malaysia RM'000	Others RM'000	Eliminations RM'000	Group RM'000	Malaysia RM'000	Others RM'000	Eliminations RM'000	Group RM'000
EDCCS*	13,412	1,836	(4,263)	10,985	14,513	1,878	(1,583)	14,808
Labels	6,509	461	(1,876)	5,094	6,132	492	(1,453)	5,171
Property	3,238	-	-	3,238	-	-	-	-
Total Revenue	23,159	2,297	(6,139)	19,317	20,645	2,370	(3,036)	19,979

	9 Months Period Ended 30/9/2014				9 Months Period Ended 30/9/2013			
	Malaysia RM'000	Others RM'000	Eliminations RM'000	Group RM'000	Malaysia RM'000	Others RM'000	Eliminations RM'000	Group RM'000
EDCCS*	35,778	4,627	(8,933)	31,472	44,225	5,118	(5,515)	43,828
Labels	19,309	1,311	(5,254)	15,365	19,229	1,159	(4,134)	16,254
Property	3,238	-	-	3,238	-	-	-	-
Total Revenue	58,325	5,938	(14,187)	50,075	63,454	6,277	(9,649)	60,082

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

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

A8. OPERATING SEGMENT (CONT'D)

(b) Analysis of revenue by product categories

Quarter Ended	<u>EDCCS*</u>	<u>Labels</u>	<u>Property</u>	<u>Eliminations</u>	<u>Total</u>
30.9.2014	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	10,985	5,094	3,238	-	19,317
Inter-segment sales	4,263	1,876	-	(6,139)	-
Total revenue	15,248	6,970	3,238	(6,139)	19,317
Results					
Interest income	54	-	4	-	58
Net gain on disposal/deemed disposal of quoted investment	1,198	-	-	-	1,198
Finance cost	73	70	-	-	143
Depreciation and amortisation	435	845	-	-	1,280
Gain/(loss) on foreign exchange	25	-	-	-	25
Share of loss/(profit) of associates	131	(112)	-	-	19
Income tax expense	34	28	166	-	228
Segment profit after taxation	1,379	210	584	-	2,173

9 Months Period Ended	<u>EDCCS*</u>	<u>Labels</u>	<u>Property</u>	<u>Elimination *</u>	<u>Total</u>
30.9.2014	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	31,472	15,365	3,238	-	50,075
Inter-segment sales	8,933	5,254	-	(14,187)	-
Total revenue	40,405	20,619	3,238	(14,187)	50,075
Results					
Interest income	219	-	4	-	223
Net gain on disposal/deemed disposal of quoted investment	4,589	-	-	-	4,589
Finance cost	240	232	-	-	472
Depreciation and amortisation	1,403	1,258	-	-	2,661
Gain/(loss) on foreign exchange	62	1	-	-	63
Share of loss/(profit) of associates	711	(287)	-	-	424
Income tax expense	77	169	166	-	412
Segment profit after taxation	5,294	667	544	(836)	5,669

* Including in the elimination is a dividend from a subsidiary of RM0.8 million

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

A8. OPERATING SEGMENT (CONT'D)

(b) Analysis of revenue by product categories (cont'd)

Quarter Ended 30.09.2013	<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	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 profit of associates	(51)	(34)	-	(85)
Income tax expense	30	75	-	105
Segment (loss)/profit after taxation	(1,060)	204	-	(856)

9 Months Period Ended 30.09.2013	<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	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 profit of associates	(988)	(121)	-	(1,109)
Income tax expense	2,459	276	-	2,735
Segment profit after taxation	10,579	970	-	11,549

a non-cash loss of RM1.6 million from an accounting treatment was resulted for the deemed disposal of Simat Technologies Public Company Limited ("Simat") shares

^ Including 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 30 SEPTEMBER 2014**

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 under review, save as disclosed in the notes herein.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group for the financial period ended 30 September 2013 save for the following:-

- (i) On 28 August 2014, 27,737,017 ordinary shares of Baht 1.00 each was issued from conversion of warrants to shares by other Simat warrant holders and a private placement of 10,000,000 new ordinary shares of Baht 1.00 each on 2 September 2014 to a specific investor at a pre-determined unit price of Baht 5.00 resulted in the dilution of Grand-Flo's shareholding in Simat from 23.07% to 20.72%. This deemed disposal yielded a gain of RM0.2 million.
- (ii) The Company had on 29 September 2014 disposed of 3.0 million Simat shares representing 0.90% equity interest in Simat at Baht 5.00 per share for a total cash consideration of Baht 15,000,000 (equivalent to RM1,484,426). This disposal yielded a gain of RM1.0 million.
- (iii) The proposed acquisition of 50.0004% of the issued and paid-up share capital in Innoceria Sdn Bhd ("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 was completed on 19 August 2014 and its results thereafter were consolidated into the Group accordingly.

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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 Baht 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:

Utilisation up to 30.9.2014	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	5,892	-
Investment	10,000	9,920	9,920	-
Total	15,940	15,812	15,812	-

- (b) As disclosed in A11(ii), Grand-Flo had on 29 September 2014 disposed of 0.9% of share investment (3,000,000 ordinary shares of Baht 5.00 each) in Simat for a total cash consideration of RM1,484,426. The sale proceeds are utilized for working capital purpose.

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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 reduced approximately 3.3% from RM20.0 million in the previous year’s corresponding quarter to RM19.3 million for the quarter under review. This was mainly due to lower sales by the EDCCS division and this drop was offset by the new business in property development.

The Group’s Profit Before Taxation (“PBT”) of RM2.4 million for the current quarter ended 30 September 2014 was increased by 419.5% or RM3.2 million as compared to the previous year’s corresponding quarter. Included in the PBT was a net gain of RM1.2 million from disposal/deemed disposal of Simat shares as explained in note A11(i) and (ii).

With the exclusion of the exceptional gain on disposal/deemed disposal of quoted investment in Simat, the PBT would have been RM1.2 million for the current quarter ended 30 September 2014. Similarly the PBT for the previous year’s corresponding quarter ended 30 September 2013 would have been RM0.8 million and RM0.4 million for the previous quarter ended 30 June 2014.

The increase in PBT of 45.4% from RM0.8 million for the previous year’s corresponding quarter to RM1.2 million for the current quarter was mainly attributable to the profit from the new property division of the Group.

B2. DETAILED ANALYSIS OF THE GROUP’S OPERATING SEGMENTS

i) EDCCS Segment

The EDCCS division recorded a decrease in revenue of RM3.8 million representing 25.8% lower as compared to the previous year’s corresponding quarter was due to lower Malaysia EDCCS sales for the current quarter under review.

With the exclusion of the gain on disposal/deemed disposal of Simat shares, the PBT for the current quarter of RM0.2 million dropped by 61.0% as compared to the previous year’s corresponding quarter ended 30 September 2013 of RM0.5 million. However, it was improved by 50.4% or RM0.1 million as compared to the previous quarter ended 30 June 2014.

ii) Labels Business Segment

For the current quarter under review, Labels division recorded a marginal decrease in revenue of 1.5% as compared to the previous year’s corresponding quarter. The PBT of the segment for the current quarter was RM0.2 million, reduced by 14.5% as compared to the previous year’s corresponding quarter. The drop in PBT was due to lower margin sale for the current quarter under review.

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

iii) Property Development Segment

Property development division has posted a revenue of RM3.0 million for the quarter ended 30 September 2014 contributed by the Vortex project of ISB.

B3. COMMENTARY ON PROSPECTS

With the newly added property segment as a core business alongside with the Company existing EDCCS and Labels segments, the Board of Directors believes that the Group will perform satisfactorily.

B4. TAXATION

	Quarter ended 30/9/2014 RM'000	Period ended 30/9/2014 RM'000
Estimated income tax :		
Malaysia income tax	192	326
Foreign income tax	36	86
	228	412

- (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 a subsidiary of the Group as it is accorded the Multimedia Super Corridor ("MSC") Status and was granted Pioneer Status which exempts 100% of its 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 25 NOVEMBER 2014

- (1) 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;

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B5. STATUS OF CORPORATE PROPOSALS AS AT 25 NOVEMBER 2014 (CONT'D)

- (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.

In respect of the above proposals, 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 Baht 6.40 per Simat Share for a total cash consideration of Baht 37,760,000 (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 28 August 2014, the Company has announced to the Bursa Securities that the approval from the shareholders of Grand-Flo in relation to the above proposals has expired on 28 August 2014, thus making the completion of these proposals.

(2) 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 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 A11, 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 25 November 2014, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

- (3) on 28 August 2014, 27,737,017 ordinary shares of Baht 1.00 each was issued from conversion of warrants to shares by other Simat warrant holders and a private placement of 10,000,000 new ordinary shares of Baht 1.00 each to a specific investor at a pre-determined unit price of Baht 5.00 resulted in the dilution of Grand-Flo’s shareholding in Simat from 23.07% to 20.72%.
- (4) on 29 September 2014 disposed of 3.0 million Simat shares representing 0.90% equity interest in at Baht 5.00 per Simat Share for a total cash consideration of Baht 15,000,000 (equivalent to RM1,484,426).

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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B6. BORROWINGS

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

	As at 30/9/2014 RM'000	As at 30/09/2013 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	5,242	3,618
Overdraft	198	478
Term loan	4,237	9,264
Hire purchase & Lease payables	1,368	840
	<u>11,045</u>	<u>14,200</u>
Secured Long-term (due after 12 months):		
Term loan	7,113	941
Hire purchase & Lease payables	1,805	3,257
	<u>8,918</u>	<u>4,198</u>
Total Borrowings	<u>19,963</u>	<u>18,398</u>

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 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 25 November 2014, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

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B8. PROPOSED DIVIDEND PAYABLE

No dividend was proposed or declared for the current financial period ended 31 December 2014.

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 30/9/2014	Period ended 30/9/2013
Total retained profits of the Group:		
-Realised	46,919	43,059
-Unrealised	1,710	2,351
	<u>48,629</u>	<u>45,410</u>
Total share of retained profits from the associates		
- Realised	6,882	7,206
Less: Consolidation adjustments	(11,793)	(12,390)
Total Group retained profits as per consolidated accounts	<u>43,718</u>	<u>40,226</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 RM1.876 million for the current quarter and the RM5.382 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 347,336,504 and 333,519,000 respectively as follows:-

	Quarter Ended 30/9/2014	Period Ended 30/9/2014
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,876	5,382
Weighted average number of ordinary shares in issue ('000)	347,337	333,519
Basic earnings per share (sen)	<u>0.54</u>	<u>1.61</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.

	Quarter Ended 30/9/2014	Period Ended 30/9/2014
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,876	5,382
Weighted average number of ordinary shares in issue ('000)	347,337	333,519
Effect of conversion of warrants ('000)	121,142	125,844
Diluted earnings per share (sen)	0.40	1.17