
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2015**

PART A – EXPLANATORY NOTES

A1. BASIS OF PREPARATION

The interim financial report is unaudited and is prepared in accordance with the requirements of the Financial Reporting Standards (“FRS”) 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 2014.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014.

A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2014 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 March 2015 save for the following:-

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A6. DEBT AND EQUITY SECURITIES (CONT'D)

(i) Details of treasury shares held

	Number of Treasury Shares
Balance as at 31 December 2014	1,536,800
Repurchased during the quarter ended 31 March 2015	1,173,300
Balance as at 31 March 2015	<u>2,710,100</u>

(ii) Details of conversion of warrants

	Number of Warrants
Balance as at 31 December 2014	117,050,710
Converted during the quarter ended 31 March 2015	(34,023,960)
Balance as at 31 March 2015	<u>83,026,750</u>

(iii) Details of shares issued during the quarter ended 31 March 2015

	Number of Shares
Balance as at 31 December 2014	367,091,618
Issued from conversion of warrants	34,023,960
Balance as at 31 March 2015	<u>401,115,578</u>

A7. DIVIDEND PAID

There was no dividend paid during the financial period ended 31 March 2015.

A8. OPERATING SEGMENT

(a) Analysis of revenue by geographical area

	Quarter Ended 31/3/2015				Quarter Ended 31/3/2014			
	<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*	15,603	1,055	-	16,658	7,683	1,409	-	9,092
Labels	4,714	592	-	5,306	4,685	424	-	5,109
Properties	5,257	-	-	5,257	-	-	-	-
Total Revenue	<u>25,574</u>	<u>1,647</u>	<u>-</u>	<u>27,221</u>	<u>12,368</u>	<u>1,833</u>	<u>-</u>	<u>14,201</u>

	3 Months Period Ended 31/3/2015				3 Months Period Ended 31/3/2014			
	<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*	15,603	1,055	-	16,658	7,683	1,409	-	9,092
Labels	4,714	592	-	5,306	4,685	424	-	5,109
Properties	5,257	-	-	5,257	-	-	-	-
Total Revenue	<u>25,574</u>	<u>1,647</u>	<u>-</u>	<u>27,221</u>	<u>12,368</u>	<u>1,833</u>	<u>-</u>	<u>14,201</u>

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

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A8. OPERATING SEGMENT (CONT'D)

(b) Analysis of revenue by product categories

Quarter Ended 31.3.2015	<u>EDCCS*</u> RM '000	<u>Labels</u> RM '000	<u>Properties</u> RM '000	<u>Eliminations</u> RM '000	<u>Total</u> RM '000
Revenue					
Sales to external customers	16,658	5,306	5,257	-	27,221
Inter-segment sales	4	192	-	(196)	-
Total revenue	16,662	5,498	5,257	(196)	27,221
Results					
Interest income	29	-	6	-	35
Finance cost	96	59	-	-	155
Depreciation and amortisation	103	418	-	-	521
Share of results of equity-accounted associates	494	(116)	-	-	378
Net gain on disposal/deemed disposal of quoted investment #	1,479	-	-	-	1,479
(Gain)/loss on foreign exchange	28	(1)	-	-	27
Income tax expense	(159)	(87)	(401)	-	(647)
Segment profit after taxation	4,111	326	1,203	-	5,640

3 Months Period Ended 31.3.2015	<u>EDCCS*</u> RM '000	<u>Labels</u> RM '000	<u>Properties</u> RM '000	<u>Elimination *</u> RM '000	<u>Total</u> RM '000
Revenue					
Sales to external customers	16,658	5,306	5,257	-	27,221
Inter-segment sales	4	192	-	(196)	-
Total revenue	16,662	5,498	5,257	(196)	27,221
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Income tax expense	(159)	(87)	(401)	-	(647)
Segment profit after taxation	4,111	326	1,203	-	5,640

Included in the other operating income is a non-cash gain on deemed disposal of quoted investment in Simat Technologies Public Company Limited ("Simat") of RM0.5 million from Simat's private placement and a gain on disposal of in Simat of RM1.0 million as disclosed in Note A11.

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A8. OPERATING SEGMENT (CONT'D)

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

Quarter Ended	<u>EDCCS</u>	<u>Labels</u>	<u>Property</u>	<u>Eliminations</u>	<u>Total</u>
31.3.2014	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	9,092	5,109	-	-	14,201
Inter-segment sales	3	223	-	(226)	-
Total revenue	9,095	5,332	-	(226)	14,201
Results					
Interest income	73	-	-	-	73
Gain on disposal of quoted investment [^]	2,514	-	-	-	2,514
Gain on conversion of warrants [^]	982	-	-	-	982
Finance cost	81	76	-	-	157
Depreciation and amortisation	116	431	-	-	547
Foreign exchange gain or loss	8	(2)	-	-	6
Share of results of associates	262	66	-	-	328
Income tax expense	(14)	(77)	-	-	(91)
Segment profit after taxation	3,083	268	(17)	-	3,334

3 Months Period Ended	<u>EDCCS</u>	<u>Labels</u>	<u>Property</u>	<u>Eliminations</u>	<u>Total</u>
31.3.2014	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	9,092	5,109	-	-	14,201
Inter-segment sales	3	223	-	(226)	-
Total revenue	9,095	5,332	-	(226)	14,201
Results					
Interest income	73	-	-	-	73
Gain on disposal of quoted investment [^]	2,514	-	-	-	2,514
Gain on conversion of warrants [^]	982	-	-	-	982
Finance cost	81	76	-	-	157
Depreciation and amortisation	116	431	-	-	547
Foreign exchange gain or loss	8	(2)	-	-	6
Share of results of associates	262	66	-	-	328
Income tax expense	(16)	(77)	-	-	(91)
Segment profit after taxation	3,083	268	(17)	-	3,334

[^] Included in the other operating income is a gain on disposal of quoted investment in Simat of RM2.5 million and a gain of RM1.0 million was resulted from the conversion of Simat warrants to Simat shares.

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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 ended 31 March 2015.

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 2014.

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 31 March 2015 save for the following:-

- (i) On 9 March 2015, Simat undertook a private placement of 7.0 million Simat shares resulted a dilution of Grand-Flo's interest in Simat from 19.91% to 19.54% and a gain on deemed disposal of RM0.5 million.
- (ii) The Company had on 27 March 2015 disposed of 2.0 million Simat shares representing 0.53% equity interest in Simat at Baht 5.85 per share for a total cash consideration of Baht 11,670,604 (equivalent to RM1,308,108). This disposal reduced the Group's interest in Simat from 19.54% to 19.01% and a gain of RM1.0 million was resulted.

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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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

As disclosed in Note A11, Grand-Flo had on 27 March 2015 disposed of 2.7% of share investment (2,000,000 ordinary shares of Baht 1.00 each) in Simat for a total cash consideration of RM1,307,108 (BAHT11,670,604). The sale proceeds will be utilizing 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 increased approximately 91.7% from RM14.2 million in the previous year’s corresponding quarter to RM27.2 million for the quarter under review. The increase was contributed by EDCCS’s 83.2% sales growth compared to the previous year corresponding quarter and the new property development division with a turnover of RM5.3 million for the quarter under review.

In tandem with the increase in revenue for the quarter, the Group’s Profit Before Taxation (“PBT”) of RM6.3 million for the current quarter ended 31 March 2015 increased 83.5% as compared to the previous year’s corresponding quarter of RM3.4 million. The PBT contribution from the Group’s EDCCS and property development division for the quarter were RM5.9 million

B2. DETAILED ANALYSIS OF THE GROUP’S OPERATING SEGMENTS

i) EDCCS Segment

The EDCCS division recorded an increase in revenue of RM7.6 million over the previous year’s corresponding quarter in revenue representing 83.2% growth for the current quarter ended 31 March 2015. The current quarter PBT of RM4.3 million increased by RM4.3 million and RM1.2 million as compared to the previous quarter and the previous year’s corresponding quarter respectively, as a result of strong sales demand and software implementation due to GST (“Goods and Service Tax”) requirement for EDCCS Malaysia for the current quarter.

With the exclusion of the gain on disposal/deemed disposal of Simat shares for the previous quarter and previous year’s corresponding quarter, the increase of PBT would have been RM2.8 million and RM3.2 million as compared to the previous quarter and previous year’s corresponding quarter respectively.

ii) Labels Business Segment

For the current quarter under review, Labels division recorded a marginal increase in revenue of 3.8% as compared to the previous year’s corresponding quarter. The PBT of the segment for the current quarter was RM0.4 million, increased by 19.% as compared to the previous year’s corresponding quarter.

iii) Property Development Segment

Property development division has posted a revenue of RM5.3 million for the quarter ended 31 March 2015 which was mainly contributed by the Vortex project of ISB and a PBT of RM1.6 million.

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B3. COMMENTARY ON PROSPECTS

The Group maintains its positive outlook for the financial year ending 31 December 2015 despite the challenging economic conditions locally and regionally. Barring any unexpected circumstances, the Board of Directors believes that the Group will perform satisfactorily.

B4. TAXATION

	Quarter ended 31/03/2015	Period ended 31/03/2015
	RM'000	
	RM'000	
Estimated income tax :		
Malaysia income tax	676	676
Foreign income tax	(29)	(29)
	647	647

- (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 MAY 2015

There were no corporate proposals announced but not completed as at 25 March 2015, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

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B6. BORROWINGS

The borrowings of the Company as at 31 March 2015 were as follows:-

	As at 31/3/2015 RM'000	As at 31/3/2014 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	7,229	7,059
Overdraft	433	553
Term loan	3,676	4,295
Hire purchase & Lease payables	1,582	1,398
	<u>12,920</u>	<u>13,305</u>
Secured Long-term (due after 12 months):		
Term loan	13,380	5,556
Hire purchase & Lease payables	1,351	2,114
	<u>14,731</u>	<u>7,670</u>
Total Borrowings	<u>27,651</u>	<u>20,975</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 May 2015, 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

The Board of Directors has proposed a final single-tier dividend of 10% or 1 sen per share for the financial year ended 31 December 2014 which is subject to the approval of the shareholders in the forthcoming annual general meeting.

The entitlement and payment shall be finalized and announced in due course.

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 31/03/2015	Period ended 31/03/2014
Total retained profits of the Group:		
-Realised	55,057	47,999
-Unrealised	1,707	1,710
	<u>56,764</u>	<u>49,709</u>
Total share of retained profits from the associates		
- Realised	5,465	5,519
Less: Consolidation adjustments	(12,191)	(10,225)
Total Group retained profits as per consolidated accounts	<u>50,038</u>	<u>45,003</u>

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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 RM5.029 million for the current quarter and 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 370,549,512 and 484,142,329 respectively as follows:-

	Quarter Ended 31/03/2015	Period Ended 31/03/2015
Net profit attributable to ordinary equity holders of the parent (RM'000)	5,029	5,029
Weighted average number of ordinary shares in issue ('000)	370,549	370,549
Basic earnings per share (sen)	<u>1.36</u>	<u>1.36</u>

(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 31/03/2015	Period Ended 31/03/2015
Net profit attributable to ordinary equity holders of the parent (RM'000)	5,029	5,029
Weighted average number of ordinary shares in issue ('000)	370,549	370,549
Effect of conversion of warrants ('000)	113,593	113,593
Diluted earnings per share (sen)	<u>1.04</u>	<u>1.04</u>