

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

The unaudited results of Grand-Flo Berhad and its subsidiaries for the 6 months period ended 30 June 2016 are as follows:-

	NOTE	FOR THE QUARTER		FOR THE CUMULATIVE PERIOD	
		3 MONTHS ENDED		6 MONTHS ENDED	
		30/6/2016	30/6/2015	30/6/2016	30/6/2015
		RM	RM	RM	RM
REVENUE	A8	41,378,169	20,249,839	72,977,974	47,471,285
COST OF SALES		(30,229,430)	(13,880,220)	(53,879,752)	(30,937,419)
GROSS PROFIT		11,148,739	6,369,619	19,098,222	16,533,866
OTHER INCOME	A8(b)	258,074	416,287	521,137	2,354,393
SELLING AND DISTRIBUTION EXPENSES		(1,335,239)	(832,755)	(2,754,720)	(1,600,576)
ADMINISTRATIVE EXPENSES		(5,314,161)	(3,557,150)	(9,365,471)	(8,067,453)
OTHER OPERATING EXPENSES		(567,575)	-	(1,065,303)	(3,277)
RESULTS FROM OPERATING ACTIVITIES		4,189,838	2,396,001	6,433,865	9,216,953
FINANCE COSTS		(190,648)	(150,602)	(389,717)	(305,146)
SHARE OF LOSS OF ASSOCIATES, NET OF TAX		(255,189)	(281,322)	(548,163)	(660,053)
PROFIT BEFORE TAXATION	A8	3,744,001	1,964,077	5,495,985	8,251,754
INCOME TAX EXPENSES	B4	(1,468,993)	(360,032)	(2,127,422)	(1,007,508)
PROFIT AFTER TAXATION	A8	2,275,008	1,604,045	3,368,563	7,244,246
OTHER COMPREHENSIVE ITEM					
Exchange translation differences		7,801	150,972	(1,614,703)	331,809
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,282,809	1,755,017	1,753,860	7,576,055
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
OWNERS OF THE PARENT		31,522	931,018	131,875	5,960,402
NON-CONTROLLING INTERESTS		2,243,486	673,027	3,236,688	1,283,844
		2,275,008	1,604,045	3,368,563	7,244,246
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:-					
OWNERS OF THE PARENT		39,323	1,081,990	(1,482,828)	6,292,211
NON-CONTROLLING INTERESTS		2,243,486	673,027	3,236,688	1,283,844
		2,282,809	1,755,017	1,753,860	7,576,055
(LOSS)/EARNINGS PER ORDINARY SHARE (SEN):-					
BASIC	B10	0.01	0.20	0.03	1.37
DILUTED	B10	n/a	0.19	n/a	1.23

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	(UNAUDITED) AS AT 30/06/2016 RM	(AUDITED) AS AT 31/12/2015 RM
ASSETS			
Non-current assets			
Property, plant and equipment	A9	20,686,178	21,386,089
Investment in associate, quoted		11,166,076	11,864,750
Investment in associate, unquoted		1,005,427	1,980,058
Other investment, unquoted		15,409	15,614
Development costs		2,022,963	2,155,780
Goodwill on consolidation		39,209,748	39,209,748
Deferred tax assets		339,000	339,000
Total non-current assets		74,444,801	76,951,039
Current assets			
Property development cost		62,135,256	56,927,928
Inventories		10,142,537	11,881,830
Accrued billings		7,433,934	5,508,180
Trade receivables		39,862,000	47,138,287
Other receivables		8,183,489	1,447,036
Amount due from directors		-	4,706,310
Amount due from associates		220,703	107,052
Amount due from related parties		3,218,009	4,416,457
Tax recoverable		897,005	513,746
Dividend receivable		-	38,652
Fixed deposit with licensed banks		901,314	2,507,201
Cash and bank balances		9,294,172	11,564,296
Total current assets		142,288,419	146,756,975
Total assets		216,733,220	223,708,014
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the parent:			
Share capital		48,311,571	48,311,571
Share premium		14,538,275	14,538,275
Treasury shares, at cost	A6	(1,229,124)	(1,098,173)
Other reserves		1,109,451	1,109,451
Foreign exchange fluctuation reserve		751,775	2,366,478
Revaluation reserve		6,160,852	6,160,852
Retained earnings		52,270,864	52,138,989
		121,913,664	123,527,443
Non controlling interests		25,948,559	22,751,871
Total Equity		147,862,223	146,279,314
LIABILITIES			
Non-current liabilities			
Long-term borrowings	B6	3,616,620	6,808,908
Deferred tax liabilities		1,346,325	1,348,662
Total non-current liabilities		4,962,945	8,157,570
Current liabilities			
Trade payables		31,947,321	39,642,357
Other payables		10,223,479	5,787,501
Progress billings		-	1,226,619
Amount due to directors		1,137,001	1,400,040
Amount due to an associate		1,975	1,975
Amount due to related parties		249,720	890,324
Short-term borrowings	B6	18,573,617	19,484,446
Tax payable		1,774,939	837,868
Total current liabilities		63,908,052	69,271,130
Total liabilities		68,870,997	77,428,700
TOTAL EQUITY AND LIABILITIES		216,733,220	223,708,014
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (SEN)			
		25.23	25.57
NTA per share (sen)			
		16.70	17.01

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 2015 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 2016

	←-----Attributable to owners of the Company-----→										Distributable	Non Controlling Interests (NCI)	Total Equity
	←-----Non-Distributable-----→												
	Share Capital RM	Share application money RM	Share Premium RM	Treasury Shares RM	Warrant Reserves RM	Other Reserves RM	Foreign Exchange Fluctuation Reserve RM	Revaluation Reserves RM	Retained Earnings RM	Total RM			
Balance as at 1 January 2015	36,709,161	39,920	11,369,843	(434,457)	866,200	1,109,451	299,472	6,160,852	45,009,084	101,129,526	2,370,004	103,499,530	
Total Comprehensive income for the year	-	-	-	-	-	-	2,067,006	-	11,930,661	13,997,667	4,161,931	18,159,598	
<i>Transactions with owners:</i>													
Shares repurchased	-	-	-	(657,402)	-	-	-	-	-	(657,402)	-	(657,402)	
Share application money	-	(39,920)	-	-	-	-	-	-	-	(39,920)	-	(39,920)	
Transaction costs	-	-	-	(6,314)	-	-	-	-	-	(6,314)	-	(6,314)	
Conversion of warrants	11,602,410	-	3,168,432	-	(866,200)	-	-	-	-	13,904,642	-	13,904,642	
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	16,219,936	16,219,936	
Dividend paid	-	-	-	-	-	-	-	(4,800,756)	-	(4,800,756)	-	(4,800,756)	
Total transactions with owners	11,602,410	(39,920)	3,168,432	(663,716)	(866,200)	-	-	-	(4,800,756)	8,400,250	16,219,936	24,620,186	
Balance as at 31 December 2015	48,311,571	-	14,538,275	(1,098,173)	-	1,109,451	2,366,478	6,160,852	52,138,989	123,527,443	22,751,871	146,279,314	
Balance as at 1 January 2016	48,311,571	-	14,538,275	(1,098,173)	-	1,109,451	2,366,478	6,160,852	52,138,989	123,527,443	22,751,871	146,279,314	
Total Comprehensive income for the year	-	-	-	-	-	-	(1,614,703)	-	131,875	(1,482,828)	3,236,688	1,753,860	
<i>Transactions with owners:</i>													
Shares repurchased	-	-	-	(129,124)	-	-	-	-	-	(129,124)	-	(129,124)	
Transaction costs	-	-	-	(1,827)	-	-	-	-	-	(1,827)	-	(1,827)	
Dividend received	-	-	-	-	-	-	-	-	-	-	(40,000)	(40,000)	
Total transactions with owners	-	-	-	(130,951)	-	-	-	-	-	(130,951)	(40,000)	(170,951)	
Balance as at 30 June 2016	48,311,571	-	14,538,275	(1,229,124)	-	1,109,451	751,775	6,160,852	52,270,864	121,913,664	25,948,559	147,862,223	

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the annual audited financial statements as at 31 December 2015 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 2016

	6 MONTHS ENDED 30/6/2016 RM	6 MONTHS ENDED 30/6/2015 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	5,495,985	8,251,754
Adjustments for:-		
Amortisation of development costs	549,996	498,636
Amortisation of other investment	205	205
Bad debts written off	841	-
Depreciation of plant and equipment	1,108,556	1,110,869
Loss/gain on disposal of property, plant and equipment	64,331	9,582
Gain on disposal of associate	-	(1,667,351)
Hire Purchase and lease Interest	45,542	84,992
Interest income	(86,554)	(135,521)
Dividend income	(1,348)	-
Interest expense	218,342	185,495
Share of associates' profits/loss	548,163	660,053
Term loan interest	81,500	34,659
Unrealised gain/loss on foreign exchange	(35,432)	-
	<u>2,494,142</u>	<u>781,619</u>
Operating profit before working capital changes	7,990,127	9,033,373
Inventories	1,739,293	992,070
Trade and other receivables	838,991	(5,461,901)
Trade and other payables	(3,223,626)	8,628,714
Land held for development	-	(10,271,546)
Directors	843,291	-
Related parties	557,844	-
Progress billing / Accrued billing	(3,152,373)	-
Subsidiaries	-	(4,025,440)
	<u>(2,396,580)</u>	<u>(10,138,103)</u>
CASH FROM OPERATIONS	5,593,547	(1,104,730)
Tax paid	<u>(1,575,947)</u>	<u>(268,624)</u>
NET CASH FROM OPERATING ACTIVITIES	4,017,600	(1,373,354)
CASH FLOW FROM INVESTING ACTIVITIES		
Advances/(repayment) from associates	(113,651)	-
Advances from directors	3,299,980	-
Development costs incurred	(417,179)	(464,540)
Property development cost incurred	(5,207,328)	-
Interest received	86,554	135,521
Proceeds from disposal of property, plant and equipment	9,346	388,000
Proceeds from disposal of associate	1,125,000	-
Purchase of property, plant and equipment	(482,322)	(1,750,982)
NET CASH FOR INVESTING ACTIVITIES	<u>(1,699,600)</u>	<u>(1,692,001)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(218,342)	(185,495)
Dividend paid to company shareholders	-	(4,800,756)
Drawdown on finance lease payables	-	4,600,395
Hire purchase and lease interest	(45,542)	(84,992)
Proceeds from issuance of warrants	-	672,495
Proceeds from issuance of share	-	9,587,403
Purchase of treasury shares	(129,124)	(440,971)
Share issuance expenses	(1,827)	(3,900)
Repayment of hire purchase	(486,245)	(658,080)
Net (repayment)/ drawdown of term loans and short term borrowing	(4,531,031)	(748,632)
Term loan interest	(81,500)	(34,659)
	<u>(5,493,611)</u>	<u>7,902,808</u>
NET CASH FROM/(FOR) FINANCING ACTIVITIES	<u>(5,493,611)</u>	<u>7,902,808</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,175,611)	4,837,453
Foreign exchange fluctuation reserve	(1,614,559)	248,111
CASH AND CASH EQUIVALENTS B/F	12,746,507	11,153,143
CASH AND CASH EQUIVALENTS C/F	<u><u>7,956,337</u></u>	<u><u>16,238,707</u></u>
NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise:		
Cash and bank balances	9,294,172	11,260,856
Fixed deposit with licensed banks	901,314	6,132,570
Less: Fixed deposit pledged with licensed banks	(940,930)	(940,930)
Less: Overdraft	(1,298,219)	(213,789)
	<u><u>7,956,337</u></u>	<u><u>16,238,707</u></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 2015.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2016**

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 (öFRSö) 134: Interim Financial issued by Malaysian Accounting Standards Board (öMASBö) and paragraph 9.22 (Appendix 9B part A) of the Main Market listing requirement of the Bursa Malaysia Securities Berhad ("Bursa Securitiesö).

The interim financial statements should be read in conjunction with Grand-Flo Berhadö (öGrand-Floö or the öCompanyö) audited consolidated financial statements for the financial year ended (öFYEö) 31 December 2015.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2015 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 2016 save for the following:-

Details of treasury shares held

	Number of Treasury Shares
Balance as at 31 March 2016	4,284,000
Repurchased during the quarter ended 30 June 2016	188,200
Balance as at 30 June 2016	4,472,200

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2016**

A7. DIVIDEND PAID

There was no dividend paid during the quarter under review.

A8. OPERATING SEGMENT

(a) Analysis of revenue by geographical area

	Quarter Ended 30/6/2016			Quarter Ended 30/6/2015		
	Malaysia	Others	Group	Malaysia	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EDCCS*	8,841	2,620	11,461	8,119	1,970	10,089
Labels	4,502	865	5,367	5,006	679	5,685
Properties	24,550	-	24,550	4,476	-	4,476
Total Revenue	37,893	3,485	41,378	17,601	2,649	20,250

	6 Months Period Ended 30/6/2016			6 Months Period Ended 30/6/2015		
	Malaysia	Others	Group	Malaysia	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EDCCS*	18,070	4,366	22,436	23,721	3,026	26,747
Labels	9,398	1,410	10,808	9,720	1,271	10,991
Properties	39,734	-	39,734	9,733	-	9,733
Total Revenue	67,202	5,776	72,978	43,174	4,297	47,471

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

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2016**

A8. OPERATING SEGMENT (CONT'D)

(b) Analysis of revenue by product categories

Quarter Ended	EDCCS*	Labels	Properties	Eliminations	Total
30.6.2016	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	11,461	5,367	24,550	-	41,378
Inter-segment sales	-	136	-	(136)	-
Total revenue	11,461	5,503	24,550	(136)	41,378
Results					
Interest income	27	-	9	-	36
Finance cost	123	68	-	-	191
Depreciation and amortisation	379	463	-	-	842
Share of results of equity-accounted associates	(283)	28	-	-	(255)
Gain on foreign exchange	92	8	-	-	100
Income tax expense	(25)	(33)	(1,411)	-	(1,469)
Segmental (loss)/profit after taxation	(135)	(195)	4,484	(1,879)	2,275

6 Months Period Ended	EDCCS*	Labels	Properties	Elimination	Total
30.6.2016	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	22,436	10,808	39,734	-	72,978
Inter-segment sales	1	247	-	(248)	-
Total revenue	22,437	11,055	39,734	(248)	72,978
Results					
Interest income	70	2	15	-	87
Finance cost	243	147	-	-	390
Depreciation and amortisation	755	903	-	-	1,658
Share of results of equity-accounted associates	(699)	151	-	-	(548)
Gain on foreign exchange	(155)	(30)	-	-	(185)
Income tax expense	(2)	(71)	(2,054)	-	(2,127)
Segmental (loss)/profit after taxation	(1,076)	8	6,478	(2,041)	3,369

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2016**

A8. OPERATING SEGMENT (CONT'D)

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

Quarter Ended	<u>EDCCS*</u>	<u>Labels</u>	<u>Properties</u>	<u>Eliminations</u>	<u>Total</u>
30.6.2015	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	10,089	5,685	4,476	-	20,250
Inter-segment sales	4	192	-	(196)	-
Total revenue	10,093	5,877	4,476	(196)	20,250
Results					
Interest income	95	1	6	-	102
Finance cost	84	67	-	-	151
Depreciation and amortisation	169	421	-	-	590
Share of results of equity-accounted associates	445	(164)	-	-	281
Net gain on deemed disposal of quoted investment	188	-	-	-	188
(Gain)/loss on foreign exchange	(11)	-	-	-	(11)
Income tax expense	170	(87)	(443)	-	(360)
Segment profit after taxation	(113)	393	1,324	-	1,604

6 Months Period Ended	<u>EDCCS*</u>	<u>Labels</u>	<u>Properties</u>	<u>Elimination</u>	<u>Total</u>
30.6.2015	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	26,747	10,991	9,733	-	47,471
Inter-segment sales	7	386	-	(393)	-
Total revenue	26,754	11,377	9,733	(393)	47,471
Results					
Interest income	124	-	11	-	135
Finance cost	179	126	-	-	305
Depreciation and amortisation	272	839	-	-	1,111
Share of results of equity-accounted associates	940	(280)	-	-	660
Net gain on disposal/deemed disposal of quoted investment #	1,861	-	-	-	1,861
(Gain)/loss on foreign exchange	(21)	(4)	-	-	(25)
Income tax expense	10	(174)	(844)	-	(1,008)
Segment profit after taxation	3,998	719	2,527	-	7,244

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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2016**

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 30 June 2016.

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 2015.

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 June 2016 save for the following:-

- a) Disposal of 40% equity interest in High Rich Trading & Corporation (High Rich) by Labels Network Sdn. Bhd., a wholly-owned subsidiary of Grand-Flo. Consequent thereupon, High Rich ceased to be an associate of Grand-Flo

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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 30 JUNE 2016**

A14. RELATED PARTY TRANSACTIONS

There were no related party transactions which would have a material impact on the financial position and the business of the Group during the current quarter under review except for the following:-

	Quarter ended 30/6/2016 RM'000	Period ended 30/6/2016 RM'000
Management fees to a related party	538	731
Rental fees to a related party	17	34

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.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2016**

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 rose from RM20.2 million in the previous year's corresponding quarter to RM41.4 million for the quarter under review. The increase was mainly contributed by higher revenue from the property division and EDCCS business in Hong Kong.

In line with the increase in revenue for the quarter, the Group Profit Before Taxation (öPBTö) of RM3.7 million for the current quarter ended 30 June 2016 increased 90.6% as compared to the previous year's corresponding quarter of RM2.0 million. The main contributor of the PBT was from the Group's property development division.

B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS

i) EDCCS Segment

EDCCS division posted an increase in revenue by 13.6% or RM1.4 million for the current quarter ended 30 June 2016 as compared with the previous year's corresponding quarter. Nevertheless, the division posted a Loss Before Taxation (öLBTö) of RM2.0 million as a result of lower margin due to lower software sales in the Malaysia EDCCS business as compared to LBT of RM1.0 million for the previous quarter.

ii) Labels Business Segment

For the current quarter under review, Labels division recorded a marginal decrease in revenue of 5.6% as compared to the previous year's corresponding quarter. The LBT of the segment for the current quarter was RM0.2 million, reduced by 403.0% as compared to the previous quarter ended 31 March 2016. The drop in PBT was due to lower margin sale for the current quarter under review.

iii) Property Development Segment

Property development division's revenue for the quarter ended 30 June 2016 was mainly contributed by the continuing Vortex project of ISB.

B3. COMMENTARY ON PROSPECTS

Amidst the global economic slowdown that continues to impact the Asian markets, the Board is confident that the company will record satisfactory performance for the financial year.

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B4. TAXATION

	Quarter ended 30/6/2016 RM'000	Period ended 30/6/2016 RM'000
Estimated income tax :		
Malaysia income tax	1,426	2,106
Foreign income tax ⁽ⁱ⁾	43	21
	1,469	2,127

- (i) 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 AUGUST 2016

There were no corporate proposals announced but not completed as at 25 August 2016, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report save from the following :-

- (i) The Company had on 25 March 2016 announced the Proposed extension of Profit Guarantee period for its 50.0004% owned subsidiary, Innoceria Sdn. Bhd. (ISB)

Reference is made to the announcements dated 25 April 2014, 20 June 2014, 11 July 2014, 25 July 2014, 12 August 2014, 20 August 2014 and 21 August 2014 in relation to the acquisition of 50.0004% of ISB which was completed on 21 August 2014 (the Acquisition).

The Acquisition involved the acquisition by Grand-Flo of 125,001 ordinary shares of RM1.00 each in ISB, representing 50.0004% of the total issued and paid-up share capital of ISB from Chuah Chew Hai and Chong Poh Yoong (the Vendors) for a total purchase consideration of RM15.0 million satisfied by an issuance and allotment of 29,411,765 new Grand-Flo Shares at an issue price of RM0.34 per Grand-Flo share and cash of RM5.0 million. The Vendors also irrevocably covenant, warrant and guarantee to Grand-Flo that ISB shall have an aggregate audited Profit After Tax (PAT) of at least RM15.0 million ("Profit Guarantee") as follows:

- RM5.0 million for the financial period commencing 1 January 2014 and ended 31 December 2014 (Year 1 Guaranteed PAT); and
- RM10.0 million for the financial period commencing 1 January 2015 and ending 31 December 2015 (Year 2 Guaranteed PAT)

The Board of Directors of Grand-Flo wishes to announce that the Profit Guarantee to Grand-Flo by the Vendors to have an aggregate audited PAT of at least RM15 million

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B5. STATUS OF CORPORATE PROPOSALS AS AT 25 AUGUST 2016 (CONT'D)

shall be extended to include financial period commencing 1 January 2016 and ending 31 December 2016. This agreement was reached after reasonable consideration of the unexpected longer gestation period in the development business which was not foreseen at the time of the Acquisition.

The Proposed extension of Profit Guarantee was approved by the shareholders during the Extraordinary General Meeting held on 2 August 2016.

B6. BORROWINGS

The borrowings of the Company as at 30 June 2016 were as follows:-

	As at 30/6/2016 RM'000	As at 30/6/2015 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	6,820	6,511
Overdraft	1,298	214
Term loan	9,307	3,624
Hire purchase & Lease payables	1,149	1,557
	<u>18,574</u>	<u>11,906</u>
Secured Long-term (due after 12 months):		
Term loan	3,370	17,512
Hire purchase & Lease payables	2,46	1,019
	<u>3,617</u>	<u>18,531</u>
Total Borrowings	<u>22,190</u>	<u>30,437</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 (๘CAT๖) 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.

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B7. MATERIAL LITIGATION (CONT'D)

Save for the above, the Directors are not aware of any material litigations or claims against the Group and Company as 25 August 2016, 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 proposed a first and final single-tier dividend of 0.5 sen per share for the financial year ended 31 December 2015 which was approved by the shareholders during the Annual General Meeting held on 15 June 2016 and subsequently paid on 15 July 2016.

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 30/6/2016 RM'000	Period ended 30/6/2015 RM'000
Total retained profits of the Group:		
-Realised	61,908	51,279
-Unrealised	1,043	1,709
	<u>62,951</u>	<u>52,988</u>
Total share of retained profits from the associates		
- Realised	5,222	5,794
Less: Consolidation adjustments	(15,902)	(12,613)
Total Group retained profits as per consolidated accounts	<u>52,271</u>	<u>46,169</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 RM0.03 million for the current quarter and RM0.1 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 483,115,711 respectively as follows:-

	Quarter Ended 30/6/2016	Period Ended 30/6/2016
Net profit attributable to ordinary equity holders of the parent (RM-000)	32	132
Weighted average number of ordinary shares in issue (-000)	483,116	483,116
Basic earnings per share (sen)	0.01	0.03

(b) **Diluted earnings per share**

Diluted earnings per share is not applicable as there were no potential ordinary shares in issue for the current quarter and cumulative quarter.