
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2017**

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 2016.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2016.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2016 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 2017 save for the following:-

Details of treasury shares held

	Number of Treasury Shares
Balance as at 31 December 2016	5,806,800
Repurchased during the quarter ended 31 March 2017	287,100
Balance as at 31 March 2017	6,093,900

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A7. DIVIDEND PAID

There was no dividend paid during the quarter under review.

A8. OPERATING SEGMENT

(a) Analysis of revenue by geographical area

	Quarter & 3 Months Period Ended 31/3/2017			Quarter & 3 Months Period Ended 31/3/2016		
	Malaysia	Others	Group	Malaysia	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EDCCS* & Labels	11,182	2,921	14,103	14,125	2,291	16,416
Properties	6,267	-	6,267	15,184	-	15,184
Total Revenue	17,449	2,921	20,370	29,309	2,291	31,600

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

(b) Analysis of revenue by product categories

Quarter & 3 Months Period Ended	EDCCS* & Labels	Properties	Total
31.3.2017	RM '000	RM '000	RM '000

Revenue

Sales to external customers	14,103	6,267	20,370
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Results

Interest income	24	10	34
Finance cost	(236)	-	(236)
Depreciation and amortisation	(353)	-	(353)
Share of results of equity-accounted associates	613	-	613
Gain on foreign exchange	62	-	62
Income tax expense	(56)	(266)	(322)
Segmental (loss)/profit after taxation	289	683	972

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A8. OPERATING SEGMENT (CONT'D)

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

Quarter & 3 Months Period Ended	EDCCS* & Labels	Properties	Eliminations	Total
31.3.2016	RM '000	RM '000	RM '000	RM '000
Revenue				
Sales to external customers	16,416	15,184	-	31,600
Results				
Interest income	44	6	-	50
Finance cost	(177)	-	-	(177)
Depreciation and amortisation	(842)	-	-	(842)
Share of results of equity-accounted associates	(293)	-	-	(293)
Gain on foreign exchange	83	-	-	83
Income tax expense	(15)	(643)	-	(658)
Segmental (loss)/profit after taxation	(738)	1,994	(162)	1,094

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 2017.

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 2016.

All property, plant and equipment, except for land and building, are stated at cost less accumulated depreciation and less any impairment losses. Land and building are shown at fair values, based on valuations by external independent valuers, less subsequent accumulated depreciation on buildings and any accumulated impairment losses.

A10. SUBSEQUENT EVENTS

There were no other material events subsequent to the end of the current quarter ended 31 March 2017 except Grand-Flo had on 16 May 2017 entered into a Shares Sale Agreement with Thanawat Lertwattanak, a Thai national, to dispose of 32,000,000 ordinary shares of Thai Baht (THB) 1.00 each held in Simat Technologies Public Company Limited ("Simat"), an associated company of Grand-Flo, representing approximately 8.086% equity interest in Simat, at THB3.33 per share for a total cash consideration of THB106,560,000 (equivalent to RM13,347,173) (The Disposal).

The expected completion of The Disposal is 30 days from the date of the agreement.

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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 2017.

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 except for the following:-

	Quarter & Period ended 31/3/2017 RM'000
Management fees to a related party	18

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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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

The Group recorded revenue of RM20.4 million (2016: RM31.6 million) and Profit Before Taxation (öPBTö) of RM1.3 million (2016: RM1.8 million) for the quarter under review.

The Group revenue for the current quarter ended 31 March 2017 was 35.5% lower as compared to the previous yearös corresponding quarter mainly due to lower billings by the property development division as the projects are expected to be completed in 2017.

As a result, the Group PBT of RM1.3 million for the current quarter ended 31 March 2017 was dropped by 26.2% as compared to the previous yearös corresponding, is in tandem with the lower revenue for the quarter under review as mentioned earlier.

B2. DETAILED ANALYSIS OF THE GROUP’S OPERATING SEGMENTS

i) EDCCS & Labels

For the current quarter under review, EDCCS and labels division recorded a decrease in revenue of 14.1% as compared with the previous yearös corresponding quarter. The division posted a PBT of RM0.3 million as compared to the PBT of RM0.1 million for the previous quarter ended 31 December 2016.

ii) Property Development

Property development divisionös revenue for the quarter ended 31 March 2017 was mainly derived from the progress billings of The Glades project with a PBT of RM1.1 million for the current quarter under review.

B3. COMMENTARY ON PROSPECTS

Moving forward, the Board remains optimistic of the EDCCS segmentös continued viability. The growth of this segment will be mainly driven by continuous support from new and existing customers through the rising adoption of electronic commerce as well as technology refresh.

For the Property segment, cognisant of the potential impact of the generally subdued market conditions, the focus will be on ensuring that marketing activities are confirmed to be carried out effectively to sell the remaining units of Vortex and Glades.

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B4. TAXATION

	Quarter & Period ended 31/3/2017 RM'000
Estimated income tax :	
Malaysia income tax	285
Foreign income tax	37
	322

B5. STATUS OF CORPORATE PROPOSALS AS AT 30 MAY 2017

There were no corporate proposals announced but not completed as at 30 May 2017, 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.(öISBö).

The Proposed extension of Profit Guarantee period was approved by the shareholders during the Extraordinary General Meeting held on 2 August 2016. On the date of this report, the Year 3 Extended Guaranteed PAT has been achieved in the FYE 31 December 2016 and the Retained Sum has been paid to the Vendors on 5 May 2017, as full and final settlement of the Purchase Consideration. Thus, marking the completion of the Extension of Profit Guarantee Period.

- (ii) Reference is made to Note A10 on the proposed disposal by Grand-Flo of 32,000,000 ordinary shares of Thai Baht (THB) 1.00 each held in Simat, representing approximately 8.086% equity interest in Simat, at THB3.33 per share for a total cash consideration of THB106,560,000 (equivalent to RM13,347,173). The expected completion of The Disposal is on 15 June 2017.

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B6. BORROWINGS

The borrowings of the Company as at 31 March 2017 were as follows:-

	As at 31/3/2017 RM'000	As at 31/3/2016 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	7,144	6,679
Overdraft	-	377
Term loan	6,314	13,307
Hire purchase & Lease payables	136	1,219
	<u>13,594</u>	<u>21,582</u>
Secured Long-term (due after 12 months):		
Term loan	6,307	4,145
Hire purchase & Lease payables	169	386
	<u>6,476</u>	<u>4,531</u>
Total Borrowings	<u>20,070</u>	<u>26,113</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 (๓CAT๓) 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.

Save for the above, the Directors are not aware of any material litigations or claims against the Group and Company as 30 May 2017, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

B8. PROPOSED DIVIDEND PAYABLE

There was no dividend proposed in respect of the current financial year during the financial period under review.

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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:-

	Period ended 31/3/2017 RM'000	Period ended 31/12/2016 RM'000
Total retained profits of the Group:		
-Realised	58,061	57,641
-Unrealised	703	765
	58,764	58,406
Total share of retained profits from the associates		
- Realised	6,524	5,911
Less: Consolidation adjustments	(24,614)	(24,295)
Total Group retained profits as per consolidated accounts	40,674	40,022

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 divided by the weighted average number of ordinary shares of RM0.10 each in issue during the period as follows:-

	Quarter & Period Ended 31/3/2017
Profit attributable to ordinary equity holders of the parent (RM:000)	652
Weighted average number of ordinary shares in issue (-000)	483,116
Basic earnings per share (sen)	0.13

(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.