

**INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

The unaudited results of Grand-Flo Berhad and its subsidiaries for the 3 months period ended 31 March 2016 are as follows:-

	NOTE	FOR THE QUARTER 3 MONTHS ENDED		FOR THE CUMULATIVE PERIOD 3 MONTHS ENDED	
		31/3/2016 RM	31/3/2015 RM	31/3/2016 RM	31/3/2015 RM
REVENUE	A8	31,599,804	27,221,446	31,599,804	27,221,446
COST OF SALES		<u>(23,650,322)</u>	<u>(17,057,199)</u>	<u>(23,650,322)</u>	<u>(17,057,199)</u>
GROSS PROFIT		7,949,482	10,164,247	7,949,482	10,164,247
OTHER INCOME	A8(b)	263,064	1,938,105	263,064	1,938,105
SELLING AND DISTRIBUTION EXPENSES		(1,419,480)	(767,823)	(1,419,480)	(767,823)
ADMINISTRATIVE EXPENSES		(4,051,310)	(4,510,304)	(4,051,310)	(4,510,304)
OTHER OPERATING EXPENSES		<u>(520,280)</u>	<u>(3,277)</u>	<u>(520,280)</u>	<u>(3,277)</u>
RESULTS FROM OPERATING ACTIVITIES		2,221,476	6,820,948	2,221,476	6,820,948
FINANCE COSTS		(176,518)	(154,543)	(176,518)	(154,543)
SHARE OF LOSS OF ASSOCIATES, NET OF TAX		<u>(292,974)</u>	<u>(378,731)</u>	<u>(292,974)</u>	<u>(378,731)</u>
PROFIT BEFORE TAXATION	A8	1,751,984	6,287,674	1,751,984	6,287,674
INCOME TAX EXPENSES	B4	(658,430)	(647,476)	(658,430)	(647,476)
PROFIT AFTER TAXATION	A8	<u>1,093,554</u>	<u>5,640,198</u>	<u>1,093,554</u>	<u>5,640,198</u>
OTHER COMPREHENSIVE ITEM					
Exchange translation differences		<u>(1,606,902)</u>	<u>180,837</u>	<u>(1,606,902)</u>	<u>180,837</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>(513,348)</u></u>	<u><u>5,821,035</u></u>	<u><u>(513,348)</u></u>	<u><u>5,821,035</u></u>
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
OWNERS OF THE PARENT		100,352	5,029,380	100,352	5,029,380
NON-CONTROLLING INTERESTS		<u>993,202</u>	<u>610,818</u>	<u>993,202</u>	<u>610,818</u>
		<u><u>1,093,554</u></u>	<u><u>5,640,198</u></u>	<u><u>1,093,554</u></u>	<u><u>5,640,198</u></u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:-					
OWNERS OF THE PARENT		(1,506,550)	5,210,217	(1,506,550)	5,210,217
NON-CONTROLLING INTERESTS		<u>993,202</u>	<u>610,818</u>	<u>993,202</u>	<u>610,818</u>
		<u><u>(513,348)</u></u>	<u><u>5,821,035</u></u>	<u><u>(513,348)</u></u>	<u><u>5,821,035</u></u>
EARNINGS PER ORDINARY SHARE (SEN):-					
BASIC	B10	0.02	1.36	0.02	1.36
DILUTED	B10	n/a	1.04	n/a	1.04

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 31 MARCH 2016**

	Note	(UNAUDITED) AS AT 31/03/2016 RM	(AUDITED) AS AT 31/12/2015 RM
ASSETS			
Non-current assets			
Property, plant and equipment	A9	21,043,691	21,386,089
Investment in associate, quoted		11,449,696	11,864,750
Investment in associate, unquoted		2,102,138	1,980,058
Other investment, unquoted		15,512	15,614
Development costs		2,090,038	2,155,780
Goodwill on consolidation		39,209,748	39,209,748
Deferred tax assets		<u>339,000</u>	<u>339,000</u>
Total non-current assets		<u>76,249,823</u>	<u>76,951,039</u>
Current assets			
Property development cost		59,150,401	56,927,928
Inventories		11,269,177	11,881,830
Accrued billings		9,784,014	5,508,180
Trade receivables		49,647,486	47,138,287
Other receivables		3,506,131	1,447,036
Amount due from directors		4,695,718	4,706,310
Amount due from associates		285,024	107,052
Amount due from related parties		4,843,753	4,416,457
Tax recoverable		772,022	513,746
Dividend receivable		-	38,652
Fixed deposit with licensed banks		741,069	2,507,201
Cash and bank balances		<u>12,148,471</u>	<u>11,564,296</u>
Total current assets		<u>156,843,266</u>	<u>146,756,975</u>
Total assets		<u>233,093,089</u>	<u>223,708,014</u>
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	(1,182,023)	(1,098,173)
Other reserves		1,109,451	1,109,451
Foreign exchange fluctuation reserve		759,576	2,366,478
Revaluation reserve		6,160,852	6,160,852
Retained earnings		<u>52,239,341</u>	<u>52,138,989</u>
		121,937,043	123,527,443
Non controlling interests		<u>23,706,762</u>	<u>22,751,871</u>
Total Equity		<u>145,643,805</u>	<u>146,279,314</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	B6	4,530,865	6,808,908
Deferred tax liabilities		<u>1,345,496</u>	<u>1,348,662</u>
Total non-current liabilities		<u>5,876,361</u>	<u>8,157,570</u>
Current liabilities			
Trade payables		46,784,551	39,642,357
Other payables		8,414,152	5,787,501
Progress billings		-	1,226,619
Amount due to directors		3,700,020	1,400,040
Amount due to an associate		1,975	1,975
Amount due to related parties		223,795	890,324
Short-term borrowings	B6	21,582,168	19,484,446
Tax payable		<u>866,262</u>	<u>837,868</u>
Total current liabilities		<u>81,572,923</u>	<u>69,271,130</u>
Total liabilities		<u>87,449,284</u>	<u>77,428,700</u>
TOTAL EQUITY AND LIABILITIES		<u>233,093,089</u>	<u>223,708,014</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT (SEN)			
		25.24	25.57
NTA per share (sen)			
		16.69	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 31 MARCH 2016

	Attributable to owners of the Company										Non Controlling Interests (NCI)	Total Equity
	Non-Distributable					Distributable						
	Share Capital	Share application money	Share Premium	Treasury Shares	Warrant Reserves	Other Reserves	Foreign Exchange Fluctuation Reserve	Revaluation Reserves	Retained Earnings	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	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	-	-	-	-	-	-	(1,606,902)	-	100,352	(1,506,550)	993,202	(513,348)
<i>Transactions with owners:</i>												
Shares repurchased	-	-	-	(82,854)	-	-	-	-	-	(82,854)	-	(82,854)
Transaction costs	-	-	-	(996)	-	-	-	-	-	(996)	-	(996)
Dividend received	-	-	-	-	-	-	-	-	-	-	(38,311)	(38,311)
Total transactions with owners	-	-	-	(83,850)	-	-	-	-	-	(83,850)	(38,311)	(122,161)
Balance as at 31 March 2016	48,311,571	-	14,538,275	(1,182,023)	-	1,109,451	759,576	6,160,852	52,239,341	121,937,043	23,706,762	145,643,805

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 31 MARCH 2016**

	3 MONTHS ENDED 31/3/2016 RM	3 MONTHS ENDED 31/3/2015 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,751,984	6,287,674
Adjustments for:-		
Amortisation of development costs	275,164	189,026
Amortisation of other investment	102	103
Bad debts written off	841	-
Depreciation of plant and equipment	566,437	558,761
Gain/loss on disposal investment	-	(146,481)
Loss/gain on disposal of property, plant and equipment	2,936	257,599
Gain on disposal of associate	-	(1,160,627)
Gain on deemed disposal of associate	-	(318,544)
Hire Purchase and lease Interest	24,894	46,004
Interest income	(50,052)	(34,873)
Dividend income	341	-
Interest expense	112,795	96,539
Share of associates' profits/loss	292,974	378,731
Term loan interest	38,829	12,000
Unrealised gain/loss on foreign exchange	(35,432)	-
	<u>1,229,829</u>	<u>(121,762)</u>
Operating profit before working capital changes	2,981,813	6,165,912
Inventories	612,653	2,272,168
Trade and other receivables	(4,569,135)	(7,803,679)
Trade and other payables	9,804,277	975,090
Directors	10,592	-
Related parties	(1,093,825)	715,857
Progress billing / Accrued billing	(5,502,453)	-
	<u>(737,891)</u>	<u>(3,840,564)</u>
CASH FROM OPERATIONS	2,243,922	2,325,348
Tax paid	<u>(891,478)</u>	<u>(327,574)</u>
NET CASH FROM OPERATING ACTIVITIES	1,352,444	1,997,774
CASH FLOW FROM INVESTING ACTIVITIES		
Development costs incurred	(209,422)	(227,602)
Property development cost incurred	(2,222,473)	(1,166,097)
Interest received	50,052	34,873
Proceeds from disposal of property, plant and equipment	919	141,032
Proceeds from disposal of associate	-	1,160,627
Purchase of property, plant and equipment	(227,894)	(1,539,526)
NET CASH FOR INVESTING ACTIVITIES	<u>(486,810)</u>	<u>(1,596,693)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(112,795)	(96,539)
Drawdown on finance lease payables	-	495,416
Hire purchase and lease interest	(24,894)	(46,004)
Proceeds from other short term borrowings	-	(1,309,303)
Proceeds from issuance of warrants	-	451,066
Proceeds from issuance of share	-	4,686,231
Purchase of treasury shares	(82,854)	(305,855)
Share issuance expenses	(996)	(6,302)
Net drawdown of bills payable	102,379	1,382,000
Repayment of hire purchase and lease payables	(275,839)	(297,488)
Term loan interest	(38,829)	(12,000)
	<u>(433,828)</u>	<u>4,941,222</u>
NET CASH FROM/(FOR) FINANCING ACTIVITIES	<u>(433,828)</u>	<u>4,941,222</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	431,806	5,342,303
Foreign exchange fluctuation reserve	(1,606,902)	139,611
CASH AND CASH EQUIVALENTS B/F	12,746,507	11,614,617
CASH AND CASH EQUIVALENTS C/F	<u><u>11,571,411</u></u>	<u><u>17,096,531</u></u>
NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise:		
Cash and bank balances	12,148,471	16,135,924
Fixed deposit with licensed banks	741,069	960,607
Less: Fixed deposit pledged with licensed banks	(940,930)	-
Less: Overdraft	(377,199)	-
	<u><u>11,571,411</u></u>	<u><u>17,096,531</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 31 MARCH 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 (“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 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 31 March 2016 save for the following:-

Details of treasury shares held

	Number of Treasury Shares
Balance as at 31 December 2015	3,956,000
Repurchased during the quarter ended 31 March 2016	328,000
Balance as at 31 March 2016	4,284,000

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 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 31/3/2016			Quarter Ended 31/3/2015		
	Malaysia	Others	Group	Malaysia	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EDCCS*	9,229	1,746	10,975	15,603	1,055	16,658
Labels	4,896	545	5,441	4,714	592	5,306
Properties	15,184	-	15,184	5,257	-	5,257
Total Revenue	29,309	2,291	31,600	25,574	1,647	27,221

	3 Months Period Ended 31/3/2016			3 Months Period Ended 31/3/2015		
	Malaysia	Others	Group	Malaysia	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EDCCS*	9,229	1,746	10,975	15,603	1,055	16,658
Labels	4,896	545	5,441	4,714	592	5,306
Properties	15,184	-	15,184	5,257	-	5,257
Total Revenue	29,309	2,291	31,600	25,574	1,647	27,221

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

[The rest of this page is intentionally left blank]

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2016**

A8. OPERATING SEGMENT (CONT'D)

(b) Analysis of revenue by product categories

Quarter Ended	EDCCS*	Labels	Properties	Eliminations	Total
31.3.2016	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	10,975	5,441	15,184	-	31,600
Inter-segment sales	1	111	-	(112)	-
Total revenue	10,976	5,552	15,184	(112)	31,600
Results					
Interest income	43	1	6	-	50
Finance cost	98	79	-	-	177
Depreciation and amortisation	379	463	-	-	842
Share of results of equity-accounted associates	(415)	122	-	-	(293)
Gain on foreign exchange	62	21	-	-	83
Income tax expense	23	(38)	(643)	-	(658)
Segmental (loss)/profit after taxation	(941)	203	1,994	(162)	1,094

3 Months Period Ended	EDCCS*	Labels	Properties	Elimination	Total
31.3.2016	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Sales to external customers	10,975	5,441	15,184	-	31,600
Inter-segment sales	1	111	-	(112)	-
Total revenue	10,976	5,552	15,184	(112)	31,600
Results					
Interest income	43	1	6	-	50
Finance cost	98	79	-	-	177
Depreciation and amortisation	379	463	-	-	842
Share of results of equity-accounted associates	(415)	122	-	-	(293)
Gain on foreign exchange	(62)	(21)	-	-	(83)
Income tax expense	23	(38)	(643)	-	(658)
Segmental (loss)/profit after taxation	(941)	203	1,994	(162)	1,094

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2016**

A8. OPERATING SEGMENT (CONT'D)

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

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
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

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 31 MARCH 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 31 March 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 31 March 2016.

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 31 MARCH 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 31/3/2016 RM'000	Period ended 31/3/2016 RM'000
Management fees to a related party	193	193
Rental fees to a related party	17	17

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.

[The rest of this page is intentionally left blank]

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 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 increased by approximately 16.1% from RM27.2 million in the previous year's corresponding quarter to RM31.6 million for the quarter under review. The increase was mainly contributed by higher revenue from the property division and EDCCS business in Hong Kong.

However, the Malaysia EDCCS revenue dropped 40.9% as a result of soft market condition domestically. This has impacted the Group's Profit Before Taxation ("PBT") of RM1.8 million for the current quarter ended 31 March 2016 reduced by RM4.5 million as compared to the previous year's corresponding quarter of RM6.3 million.

B2. DETAILED ANALYSIS OF THE GROUP'S OPERATING SEGMENTS

i) EDCCS Segment

EDCCS division recorded a reduction in revenue by 34.1% or RM5.7 million against the previous year's corresponding quarter was due to lower software sales in the Malaysia EDCCS business and this has resulted a Loss Before Taxation ("LBT") of RM1.0 million compared to PBT of RM1.0 million for the previous quarter due to lower revenue for the current quarter under review.

ii) Labels Business Segment

For the current quarter under review, Labels division's revenue increased marginally by RM0.1 million or 2.5% as compared to the previous year's corresponding quarter. This division recorded a PBT of RM0.1 million for the current quarter, as compared to a LBT of RM0.1 million in the previous quarter, improved by 340.1% or RM0.1 million.

iii) Property Development Segment

Property development division's revenue for the quarter ended 31 March 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's expectations for the current financial year ending 31 December 2016 remain positive.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2016**

B4. TAXATION

	Quarter ended 31/3/2016 RM'000	Period ended 31/3/2016 RM'000
Estimated income tax :		
Malaysia income tax	680	680
Foreign income tax ⁽ⁱ⁾	(22)	(22)
	658	658

- (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 24 MAY 2016

There were no corporate proposals announced but not completed as at 24 May 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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2016**

B5. STATUS OF CORPORATE PROPOSALS AS AT 24 MAY 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 is subject to the approval of the Company's shareholders to be obtained at the forthcoming EGM to be convened.

B6. BORROWINGS

The borrowings of the Company as at 31 March 2016 were as follows:-

	As at 31/3/2016 RM'000	As at 31/3/2015 RM'000
Secured Short-term (due within 12 months):		
Bankers' Acceptance / Factoring	6,679	7,229
Overdraft	377	433
Term loan	13,307	3,676
Hire purchase & Lease payables	1,219	1,582
	21,582	12,920
Secured Long-term (due after 12 months):		
Term loan	4,145	13,380
Hire purchase & Lease payables	386	1,351
	4,531	14,731
Total Borrowings	26,113	27,651

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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2016**

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 24 May 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 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 31/3/2016 RM'000	Period ended 31/3/2015 RM'000
Total retained profits of the Group:		
-Realised	61,909	55,057
-Unrealised	1,042	1,707
	62,951	56,764
Total share of retained profits from the associates		
- Realised	5,222	5,465
Less: Consolidation adjustments	(15,934)	(12,191)
Total Group retained profits as per consolidated accounts	52,239	50,038

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
 FOR THE QUARTER ENDED 31 MARCH 2016**

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 RM0.100 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 483,115,711 respectively as follows:-

	Quarter Ended 31/3/2016	Period Ended 31/3/2016
Net profit attributable to ordinary equity holders of the parent (RM'000)	100	100
Weighted average number of ordinary shares in issue ('000)	483,116	483,116
Basic earnings per share (sen)	0.02	0.02

(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.