
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

A1. BASIS OF PREPARATION

The interim financial report is unaudited and is prepared in accordance with the requirements of the Financial Reporting Standard (FRS) 134: Interim Financial issued by Malaysian Accounting Standards Board (“MASB”) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market.

The interim financial statements should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2007.

The same accounting policies and methods of presentation adopted by the Company and its subsidiaries (“Group”) in the interim financial statements are consistent with those adopted for the financial year ended 31 December 2007.

A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the financial year ended 31 December 2007 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.

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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 9 months financial period ended 30 September 2008 except for the following:

- (a) On 17 January 2008, the Company issued 244,000 new ordinary shares of RM0.10 each in Grand-Flo (“Grand-Flo Shares”) pursuant to the exercise of the Company’s Employees’ Shares Option Scheme (“ESOS”) options.
- (b) The details of shares held as treasury shares for the period ended 30 September 2008 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 1 January 2008	-	-
Repurchased during the quarter ended 30/09/2008	5,000	2,043
Balance as at 30 September 2008	5,000	2,043
	5,000	2,043

The average price paid for the shares repurchased was RM0.40 per share and the repurchase transactions were financed by internally generated funds.

A7. DIVIDEND PAID

Dividend paid during the period ended 30 September 2008 was as follows:

	Dividend per share SEN	Amount of dividend RM’000
Final dividend of 2.0 sen per share less tax exempt in respect of the financial year ended 31 December 2007, paid on 1 August 2008.	2.0	2,489
	2.0	2,489
	2.0	2,489

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A8. SEGMENTAL INFORMATION

(a) Analysis of revenue by geographical area

	Current Quarter Ended 30/09/2008				Year-to-Date Ended 30/09/2008			
	Malaysia RM'000	Other Countries RM'000	Elimina- tions RM'000	Group RM'000	Malaysia RM'000	Other Countries RM'000	Elimina- tions RM'000	Group RM'000
External revenue	9,718	-	-	9,718	27,975	-	-	27,975
Intersegment	1,630	-	(1,630)	-	5,723	-	(5,723)	-
Total Revenue	11,348	-	(1,630)	9,718	33,698	-	(5,723)	27,975
Results from operation	138	-	-	138	2,538	-	-	2,538
Finance expenses	(133)	-	-	(133)	(299)	-	-	(299)
Share of profit in associate co.	-	57	-	57	-	318	-	318
Profit before taxation	5	57	-	62	2,239	318	-	2,557
Taxation	65	-	-	65	(373)	-	-	(373)
Profit after taxation	70	57	-	127	1,866	318	-	2,184
Profit attributable to:								
Equity holders of the Company	(34)	57	-	23	1,539	318	-	1,857
Minority interest	104	-	-	104	327	-	-	327
Net profit att. to shareholders	70	57	-	127	1,866	318	-	2,184

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/09/2008				Year-to-Date Ended 30/09/2008			
	Malaysia RM'000	Other Countries RM'000	Elimina- tions RM'000	Group RM'000	Malaysia RM'000	Other Countries RM'000	Elimina- tions RM'000	Group RM'000
EDCCS*	6,533	-	(733)	5,800	20,693	-	(3,092)	17,601
Labels	4,815	-	(897)	3,918	13,005	-	(2,631)	10,374
Total Revenue	11,348	-	(1,630)	9,718	33,698	-	(5,723)	27,975

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

A9. CARRYING AMOUNT OF REVALUED ASSETS

The Company did not revalue any of its property, plant and equipment during the quarter. As at 30 September 2008, all property, plant and equipment were stated at cost less accumulated depreciation.

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A10. SUBSEQUENT EVENTS

Save for the below, there were no other material event subsequent to the end of the current quarter ended 30 September 2008:-

Further to the announcement dated 9 April 2008 in respect of Simat Technologies Public Company Limited (“Simat”) proposed acquisitions of 40% each of the charter capital of Sino Company Limited (“Sino”) and High Rich Trading & Service Company Limited (“High Rich”) in Vietnam (“Proposed Acquisition”), the Company has made an announcement on 31 October 2008 that the due diligence process of the Proposed Acquisition has been completed and that on 21 October 2008, Simat and Simat Labels (Thailand) Company Limited (“Simat Labels”) (a 60% - 40% joint venture company between Simat and Labels Network Sdn Bhd (“LNSB”)) have entered into two (2) Supplemental Agreements to the Share Sale Agreement of the Proposed Acquisition respectively.

In accordance to the terms and conditions of the Supplemental Agreements, the total purchase consideration of USD760,000 is reduced to USD680,000, the profit guarantee after tax is increased from USD697,000 to USD795,000, and the profit guarantee period is extended to the financial year ended 31 December 2010.

Save for the purchase consideration, payment term and profit guarantee as set out in the Supplemental Agreements, all other terms and conditions of the Share Sale Agreement remain unchanged.

A11. CHANGES IN COMPOSITION OF THE GROUP

The Company’s 55%-owned subsidiary, LNSB, entered into a Share Acquisition Agreement dated 25 June 2008 with Chan Pik Khew, Tan Huai Wei and Yap Ten Song to acquire 80,000 ordinary shares of RM1.00 each in Penkopack Sdn Bhd (“Penkopack”), representing 80% of the issued and paid-up share capital of Penkopack, for a total purchase consideration of RM1,120,000, payable in cash, in three (3) tranches. The proposed acquisition was completed on 14 August 2008.

On 29 August 2008, Labels4U Automation Sdn Bhd (“Labels4U”) was incorporated as a wholly-owned subsidiary of LNSB with an authorized share capital of RM100,000, comprising of 100,000 ordinary shares of RM1.00 each, and the issued and paid-up share capital of RM2.00, comprising of 2 ordinary shares of RM1.00 each. Labels4U is presently dormant and its intended activities are intended to carry on the business as manufacturers and dealers in labeling machines, adhesive labels and stickers printers.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets of the Group during the quarter under review.

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A13. CAPITAL COMMITMENTS

There are no material commitments which require disclosure during the quarter except for the following:

	At 30/09/2008 RM'000
Approved and contracted for:-	
- Balance of payment for the acquisition of LNSB	1,905
- Purchase consideration for the proposed acquisition of CL Solutions (China) Limited ("CLS China")	10,107
- Purchase consideration for acquisition of Penkopack	560
- Authorised contracted capital expenditure	149
TOTAL	<u><u>12,721</u></u>

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA SECURITIES FOR THE MESDAQ MARKET**

B1. PERFORMANCE REVIEW

For the current financial quarter ended 30 September 2008, the Group has recorded revenue of RM9.718 million as compared to RM19.318 million in the preceding year's corresponding financial quarter ended 30 September 2007 whilst for the financial year-to-date, the Group's revenue of RM27.975 million was lower compared to RM47.867 million of the corresponding period in the previous year. The decrease in revenue was due to the status conversion of Simat from a "subsidiary" of the Group to an "associate" pursuant to the dilution of Grand-Flo's equity interest of 49% to 36.75% in Simat as a result of the Simat's listing on the Market for Alternative Investment in Thailand on 12 December 2007. Thereafter, Simat's financial results have not been consolidated into the Group but are accounted for on an equity method accordingly.

The profit before taxation of RM0.062 million and RM2.557 million for the current financial quarter and financial year-to-date respectively were lower compared to the preceding year's corresponding period of RM2.573 million and RM6.425 million respectively were mainly due to the status conversion of Simat mentioned earlier, lower profit margin resulted from higher cost of sales and certain operating overheads as well as the start-up costs associated with the Group's new labels business division in Thailand.

B2. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION ("PBT")

As compared with previous quarter ended 30 June 2008, the revenue remained stable at about RM9.700 million in both quarters.

The Group achieved a profit before taxation of RM0.062 million for the current financial quarter ended 30 September 2008 as compared to RM1.086 million in the preceding quarter ended 30 June 2008. The decrease of the pre-tax profit is due to lower profit margin resulted from higher cost of sales and certain operating overheads as well as the start-up costs associated with the Group's new labels business division in Thailand.

The newly acquired subsidiary, LNSB had contributed positively to the Group's bottomline and for the financial period ended 30 September 2008, LNSB has achieved 85% of its profit guarantee to Grand-Flo.

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B3. COMMENTARY ON PROSPECTS

The outlook in 2008 will see the Group's investment in LNSB making significant contribution to the Group's revenue and bottomline. It is the plan of the Group to leverage on its extensive marketing network to make an impact on the domestic front with its labels business.

Due to the global economic conditions and Thailand's political uncertainties, the investment in Simat Labels as a joint venture company between Simat and LNSB has yet to record positive results. However, the Board remains confident that in the longer term, Simat Labels would bring about a new exciting labels business division in Thailand and the Group making inroads to gain a significant market share of labels business in the country and its neighbours.

In addition, the recent proposed acquisitions of CLS China in China and Hong Kong by Grand-Flo and Sino and High Rich in Vietnam via Simat presented new business opportunities to the Group to tap into the tracking solution business in China, Hong Kong and Vietnam.

B4. TAXATION

	Current quarter ended 30/09/2008 RM'000	Year to Date ended 30/09/2008 RM'000
Estimated Malaysia income tax	(65)	373
	(65)	373

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 the Company and a subsidiary of the Group as they are accorded the Multimedia Super Corridor (MSC) Status and was granted Pioneer Status which exempts 100% of their 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.

B5. SALE OF UNQUOTED INVESTMENT AND PROPERTIES

There were no sales of unquoted investments and/or properties during the current financial period to date.

B6. QUOTED SECURITIES

The Group does not have any investment in quoted securities for the current financial year to date. There was no acquisition or disposal of quoted securities for the current financial year to date.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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B7. STATUS OF CORPORATE PROPOSALS AS AT 24 NOVEMBER 2008

There were no corporate proposals announced but not completed as at 24 November 2008, being the latest practicable date, not earlier than (7) days from the date of issuance of this report except for the following :-

- (a) As announced to Bursa Securities on 9 April 2008 that Grand-Flo's associate company, Simat has entered into a Share Sale and Purchase Agreement to acquire 40% each of the charter capital of Sino and High Rich .

The due diligence process of the Proposed Acquisition was completed and on 21 October 2008, Simat and Simat Labels have entered into two (2) Supplemental Agreements to the Share Sale Agreement of the Proposed Acquisition respectively.

In accordance to the terms and conditions of the Supplemental Agreements, the total purchase consideration of USD760,000 is reduced to USD680,000, the profit guarantee after tax is increased from USD697,000 to USD795,000, and the profit guarantee period is extended to the financial year ended 31 December 2010.

B7. STATUS OF CORPORATE PROPOSALS AS AT 24 NOVEMBER 2008 (CONT'D)

Save for the purchase consideration, payment term and profit guarantee as set out in the Supplemental Agreements, all other terms and conditions of the Share Sale Agreement remain unchanged.

- (b) The Board of Directors of Grand-Flo had on 30 July 2008 announced that Grand-Flo had on the same date entered into a Joint Venture Agreement with its wholly-owned subsidiary, Grand-Flo Electronic System Sdn. Bhd. and Credent Technology (Asia) Pte Ltd (formerly known as Intergraph Systems Singapore Pte Ltd) to form an unincorporated joint venture ("Proposed JV") to jointly submit a project proposal and if successful to undertake the project on a joint venture basis. As of 24 November 2008, there have been no updates to the status of the Proposed JV.
- (c) As announced on 10 September 2008, the Company had entered into a conditional Share Acquisition Agreement with CL Solutions Services Limited for the proposed acquisition of the entire issued and paid-up share capital of CLS China for and aggregate consideration of HKD25,000,000 (equivalent to approximately RM10,638,298) which shall be satisfied by way of cash of HKD13,750,000 (equivalent to approximately RM5,851,064) and the balance HKD11,250,000 (equivalent to approximately RM4,787,234) via the issuance of 11,398,176 new Grand-Flo Shares at an issue price of RM0.42 each. As of 24 November 2008, the acquisition is pending completion.

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B8. BORROWINGS

The borrowings of the Company as at 30 September 2008 are as follows:-

	At 30/09/2008	At 30/09/2007
	RM'000	RM'000
Secured Short-term (due within 12 months):		
Bankers's Acceptance / Factoring	3,333	265
Overdraft	615	-
Term loan	1,252	143
Hire purchase payables & Lease	1,234	720
	<u>6,434</u>	<u>1,128</u>
Secured Long-term (due after 12 months):		
Term loan	3,297	1,132
Hire purchase payables & Lease	1,116	759
	<u>4,413</u>	<u>1,891</u>
Total Borrowings	<u>10,847</u>	<u>3,019</u>

There is no unsecured borrowing for the current quarter. All borrowings are denominated in Ringgit Malaysia.

B9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Company does not have any financial instrument with off balance sheet risk as at the date of this report.

B10. MATERIAL LITIGATION

As at 24 November 2008, being the date of this report, the Directors are not aware of any material litigations or claims against the Group and Company.

B11. PROPOSED DIVIDEND PAYABLE

No dividend was proposed or declared for the current financial period ended 30 September 2008.

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B12. EARNINGS PER SHARE

(a) **Basic earnings per share**

The basic earnings per share is calculated based on the Group's net profit attributable to ordinary equity holders of the parent of approximately RM24,000 for the current quarter and approximately RM1.857 million for the cumulative year to date, and 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 125,244,536 as follows:-

	Current quarter Ended 30/09/2008	Year to Date Ended 30/09/2008
Net profit attributable to ordinary equity holders of the parent (RM'000)	24	1,857
Weighted average number of ordinary shares in issue ('000)	125,245	125,245
Basic earnings per share (sen)	0.02	1.48

(b) **Diluted earnings per share**

The Company granted share options to its employees pursuant to the Company's ESOS. 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.

	Current quarter Ended 30/09/2008	Year to Date Ended 30/09/2008
Net profit attributable to ordinary equity holders of the parent (RM'000)	24	1,857
Weighted average number of ordinary shares in issue ('000)	125,245	125,245
Effect of share options* and share buy-back ('000)	788	788
Diluted earnings per share (sen)	0.02	1.48

* Note: Effect on Share Options on diluted EPS is calculated based on the following:
Unexercised Options – (Unexercised Options X Exercise Price / Fair Value)