

GRAND-FLO BERHAD (“GRAND-FLO” OR THE “COMPANY”)

PROPOSED DISPOSAL BY GRAND-FLO OF 32,000,000 ORDINARY SHARES OF THAI BAHT (“THB”) 1.00 EACH HELD IN SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED (“SIMAT”) (“SIMAT SHARE(S)), AN ASSOCIATED COMPANY OF GRAND-FLO, REPRESENTING APPROXIMATELY 8.086% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF SIMAT, AT THB3.33 PER SHARE FOR A TOTAL CASH CONSIDERATION OF THB106,560,000 (EQUIVALENT TO RM13,347,173) (THE “DISPOSAL”)

1 INTRODUCTION

The Board of Directors of Grand-Flo (“Board”) wishes to announce that the Company has on 16 May 2017 entered into a Shares Sale Agreement (“Agreement”) with Thanawat Lertwattanak (‘‘Purchaser’’), a Thai national, residing at 33/130 Chan Road, Yannawa, Bangkok 10120 Thailand, to dispose of 32,000,000 Simat Shares, 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) (“Consideration”). For the purpose of this announcement, the exchange rate of THB12.5255:RM1, being the middle rate as quoted by Bank Negara Malaysia on 15 May 2017 has been adopted.

2 INFORMATION ON SIMAT

Simat was incorporated in Thailand with the Ministry of Commerce under the laws of Thailand on 19 March 1999 as a private limited company under the name of Simat Mobile Computer Company Limited. Grand-Flo had acquired 49% equity interest in Simat in 2005 as part of its expansion plans into Thailand.

Simat was then converted into a public limited company under its present name on 18 July 2006 and was subsequently listed on the Market for Alternative Investment of the Stock Exchange of Thailand (“SET”) on 12 December 2007. To facilitate the listing of Simat on the SET, Grand-Flo’s shareholdings in Simat was diluted to 36.75% arising from the issuance of new Simat Shares to the public investors. As at the date of this announcement, Grand-Flo holds 71,899,373 Simat Shares, or approximately 18.17% equity interest in Simat.

Simat is principally engaged in the provision of total solution of Information Technologies services and broadband internet services.

As at the date of this announcement, the authorised share capital of Simat is THB477,234,076 (equivalent to RM59,775,954) comprising 477,234,076 Simat Shares, of which THB395,742,431 (equivalent to RM49,568,718) comprising 395,742,431 have been issued and fully paid-up.

The current directors of Simat are Tan Bak Hong, Thongkam Manasilapapan, Tan Bak Leng, Tan Chuan Hock, Thammanoon Korkiatwanich, Ranchana Rajatanavin, Narongrit Rerkpattanapipat, Kanwara Aurlpokaiyakul, Nattawut Pinto and Vorachi Charoenprasittiporn.

The substantial shareholders of Simat and their direct shareholdings in Simat based on the Register of Directors’ Shareholdings as at 15 May 2017 are as follows:

Substantial shareholders	No. of Simat Shares	%
Grand-Flo	71,899,373	18.17
Thongkam Manasilapapan	52,139,559	13.18
Natthapas Manasilapapan	25,000,000	6.32
Thai NDVR Co., Ltd.	24,664,728	6.23

The latest audited consolidated net loss and shareholders' funds of Simat for the financial year ended ("FYE") 31 December 2016 are THB2,174,000 (equivalent to RM272,304) and THB644,487,000 (equivalent to RM80,725,219), respectively.

3 SALIENT TERMS OF THE AGREEMENT

3.1 Agreement to Sell

Subject to and upon the terms and conditions contained in the Agreement, Grand-Flo hereby agrees to sell and the Purchaser hereby agrees to purchase the Simat Shares.

The Simat Shares are sold –

- i. Free from all encumbrances or claims of any nature whatsoever (other than the rights of pre-emption under the Company's articles of association);
- ii. With all rights attaching thereto; and
- iii. On the basis of the Warranties under item 3.4 below.

3.2 Consideration And Deposit

3.2.1 Amount

The cash consideration payable for Simat Shares is THB106,560,000 (equivalent to RM13,347,173) only ("Consideration").

3.2.2 Deposit

Upon the execution of the Agreement, the Purchaser shall pay a non-refundable deposit to Grand-Flo in the amount of 10% amounting THB10,656,000 (equivalent to RM1,334,717) of the Consideration ("Deposit").

3.2.3 Balance

The Purchaser shall pay the remaining purchase price (Consideration less Deposit) ("Remaining Purchase Price") to be paid to the Vendor upon satisfaction of all conditions under the Agreement.

3.3 Completion

Completion shall take place 30 days from the date of this Agreement or other earlier or later date as the parties may agree. The Purchaser shall cause the Remaining Purchase Price to be paid to Grand-Flo and it shall be deemed that obligation of the Purchaser to pay the Purchase Price for the Shares hereunder shall be not discharged until the time Grand-Flo has duly received the Remaining Purchase Price in full in its designated account.

Grand-Flo shall deliver (or cause to be delivered) to the Purchaser the following:

- i. Duly executed share transfer document or share transfer instruction for script less shares into the name of the Purchaser and/or its designated persons in respect of all of the Shares, together with the relevant share certificates; and
- ii. Duly caused a complete share register book of the Company in which the name and address of the Purchaser and/or its designated persons are duly entered as the holders of the Shares, and inform the relevant governmental agency (if required) to effect the share transfer.

3.4 Warranties

Grand-Flo and the Purchaser each acknowledge that the other has entered into this Agreement in reliance upon the Warranties that have been given to it.

Each party undertakes to notify the other party in writing promptly if it becomes aware of any circumstance arising after the date of this Agreement but on or before the Completion Date which would cause any Warranty (if the Warranties were repeated with reference to the facts and circumstances then existing) to become untrue or inaccurate or misleading in any respect.

3.4.1 Authorisation

Grand-Flo and the Purchaser each represent and warrant to the other, as at the Completion, that:

- i. it has obtained all corporate authorisations and has obtained or will obtain prior to Completion all other applicable governmental, statutory, regulatory or other consents, licences, waivers or exemptions required to empower it to enter into and to perform its obligations under this Agreement;
- ii. this Agreement constitutes a binding obligation and is enforceable against it in accordance with its terms;
- iii. the execution and delivery of, and the performance by it of its obligations hereunder, and the completion of the transactions contemplated by this Agreement, will not:
 - a. result in a breach of any provision of its articles of association or similar documents of incorporation;
 - b. result in a breach of, or constitute a default under, any agreement or instrument to which it is a party or by which it is bound; or
 - c. result in a breach of any order, judgment or decree of any court or governmental agency to which it is a party or by which it is bound.

3.4.2 Vendor' Warranties

Except as otherwise disclosed to the Purchaser, the Vendor represent and warrant to the Purchaser as follows:

- i. All of the Shares are fully-paid and are owned by the Vendor free from all Encumbrances or claims of any nature whatsoever;
- ii. The Shares comprise of 8.086% of the total issued share capital of the Company;
- iii. The Company is (i) duly organised and validly existing under the laws of Thailand, (ii) has full corporate power to carry on its business as it is now and has since its incorporation being conducted, and (iii) qualified to do business and has all necessary permits, licenses and approvals required to conduct such business;
- iv. The Company has obtained, is maintaining, and is in material compliance with all licences, permissions, authorisations and consents which are required for carrying on its business and whose absence or loss would have a material adverse effect;

- v. The registered capital of the Company is Baht 477,234,076 and its paid-up capital is 395,742,431, having 395,742,431 issued shares, THB 1 par value per share; and all issued and outstanding shares of the Company have been validly authorised and issued;
- vi. The books and accounts give a true and fair view in all material respects of (i) the state of affairs of the Company as at their respective dates, and (ii) the results of the Company for the financial year or half year, as applicable, ended on such dates;
- vii. The Company does not have any material contingent or disputed liabilities except as disclosed to the Purchaser prior to the Completion Date or as would not have a material adverse effect; and
- viii. No order has been made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of the Company or for the appointment of any provisional liquidator and no compromise or arrangement between it and its creditors and/or members or any class of its creditors and/or members, has been proposed, sanctioned or approved.

3.5 Liability

3.5.1 Breach of Warranty by the Vendor

Grand-Flo shall indemnify and hold the Purchaser harmless from and against all Losses assessed, incurred or sustained by or against it arising out of, or resulting from (i) the failure of any Warranty made by Grand-Flo in this Agreement to be true and correct in all material respects on the date given, or (ii) any material breach or non-fulfillment of any covenant or obligation of the Vendor contained in this Agreement.

3.5.2 Breach of Warranty by the Purchaser

The Purchaser shall indemnify and hold the Vendor harmless from and against all Losses assessed, incurred or sustained by or against it arising out of, or resulting from any material breach or non-fulfillment of any covenant or obligation of the Purchaser contained in this Agreement.

4 BASIS AND JUSTIFICATION OF ARRIVING AT THE CONSIDERATION

The Consideration of the Disposal of Simat Shares was determined and based on a willing-buyer willing-seller basis, taking into consideration:

- 4.1 the cost of investment of per Simat share as at 31 December 2016 was RM0.073; and
- 4.2 the sale consideration of THB3.33 (equivalent RM0.42) per Simat share was arrived at a 12% discount to a five-day average of daily quoted closing price of Simat shares ended 15 May 2017.

5 ORIGINAL COST AND DATE OF INVESTMENT

The original cost of investment by Grand-Flo for the Simat shares and the respective dates of investment are as follows:

<u>Date</u>	<u>Number of Simat shares acquired/ (disposed of)</u>	<u>Cost of investment (RM)</u>
Simat Shares		
04.02.2005	490,000	3,699,629
05.02.2005	490,000	477,260
27.06.2005	245,000	225,400
10.10.2006	11,025,000	- ⁽¹⁾
26.10.2006	15,312,500	- ⁽²⁾
25.08.2011	27,562,500	2,811,400
17.05.2012	5,512,500	- ⁽³⁾
10.04.2013	(15,300,000)	(1,683,734)
02.05.2013	(1,425,000)	(156,819)
03.05.2013	(2,375,000)	(261,365)
07.05.2013	13,845,833	- ⁽⁴⁾
19.03.2014	(5,900,000)	(1,223,544)
31.03.2014	20,425,190	2,050,697
22.05.2014	6,990,850	- ⁽³⁾
29.09.2014	(3,000,000)	(526,500)
27.03.2015	(2,000,000)	(146,481)
Total	71,899,373	5,265,943

Notes:

- (1) Subdivision of THB10.00 par value shares to THB1.00 par value shares.
- (2) Share dividend on the basis of 1.25 share dividend for every one (1) existing Simat Share held.
- (3) Share dividend on the basis of one (1) share dividend for every ten (10) existing Simat Shares held.
- (4) Share dividend on the basis of one (1) share dividend for every three (3) existing Simat Shares held.

The average cost of investment per Simat Share is approximately RM0.073.

6 UTILISATION OF PROCEEDS FROM THE DISPOSAL OF SIMAT SHARES

The proceeds to be raised from the Disposal of Simat Shares shall be utilized for the following:

6.1 Repayment of term loan

Approximately 57% of the total gross proceeds, approximately RM7,500,000, will be used to repay a 2-year term loan within three (3) months from the completion of the Disposal.; and

6.2 Working capital and new business investment

Approximately 43% of the total gross proceeds amounting to approximately RM5,847,173 will be utilised to fund the day-to-day business operations of the Grand-Flo group, which shall include but not limited to, amongst others, staff salaries, payment of creditors and general operating expenses. However, this portion of gross proceeds to be allocated for staff salaries, payment of creditors and general operating expenses are unable to be ascertained at this juncture. The management of Grand-Flo doesn't dismiss the idea of new business investment should any potential investments or businesses arise.

The cash proceeds that has been earmarked for the Grand-Flo group's working capital and new business investment are expected to be fully utilised within twelve (12) months from the completion of the Disposal.

7 ASSUMPTION OF LIABILITIES

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Purchaser and/or the Grand-Flo group pursuant to the Disposal.

8 FINANCIAL EFFECTS

8.1 Share capital and major shareholders' shareholdings

The Disposal will not have any effect in the share capital and major shareholders' shareholdings as no new shares of Grand-Flo are to be issued.

8.2 Net Assets ("NA")

The Disposal will not have any effect to the NA of Grand-Flo except for the effect on the gain on disposal arising from the Agreement as disclosed at 8.3 below.

8.3 Earnings

Grand-Flo expects the Disposal to record a gain on disposal of approximately RM8,171,385 million for the financial year ending 31 December 2017.

8.4 Gearings

The Disposal will reduce the gearings of Grand-Flo as approximately 57% of the gross proceeds shall be utilized to repay certain outstanding term loan as stated in 6.1 above.

9 RISK FACTORS

The Disposal of Simat Shares, is not expected to pose any risk factors, which could materially and/or adversely affect the business operations and financial performance of the Grand-Flo group.

9.1 Business Risk

As Simat is involved in the provision of broadband internet services, its future performance is subject to general business risks, as well as risks inherent in the telecommunication and wireless technology industries. These include, inter-alia, changes in the telecommunication infrastructure, changes in the laws, regulations

and policies applicable to the telecommunication and/or wireless industries, introduction of new technological products and services, as well as slowdown in growth in certain segments of the telecommunication and/or wireless industries, particularly in the areas/regions/countries in which Simat may operate.

Whilst Simat seeks to mitigate these risks through its continued initiatives in research and development, strategic business alliance, implementation of prudent business strategies and continuous review of its operations, there is no assurance that any of the aforementioned risks will not materially and adversely affect its financial performance and business operations.

9.2 Loss of profit contribution from Simat group

Upon completion of the Disposal of Simat Shares, the Grand-Flo group will have a lower equity interest in Simat or its current equity interest of 18.17% will be reduced to 10.08% and as such, moving forward, the Company will be equity accounting lower share of profit and loss results of Simat.

The Disposal of Simat Shares may have adverse impact on the future performance (i.e. operationally and financially) of the Grand-Flo Group. Nonetheless, as a mitigating factor, the Grand-Flo group intends to continue with its existing businesses and may seek out new opportunities and/or other business opportunities within the ICT industry which may provide or generate attractive returns to Grand-Flo group.

9.3 General political, economic and regulatory conditions

Simat's financial and business prospects and that of the industry in which it operates, will depend largely, on the developments and changes in the political and regulatory front in Thailand and regionally. The political, economic and regulatory uncertainties include, but are not limited to, changes in political leadership, war, terrorism activities, expropriation, unfavourable changes in government policies and regulations on interest rates, foreign exchange rates, taxation, exchange control and licensing.

Whilst Simat will continue to adopt effective measures such as prudent management and periodic review of investment/operating procedures to mitigate these uncertainties, there can be no assurance that any adverse change in the political, economic and regulatory conditions will not materially and adversely affect Simat.

10 RATIONALE AND JUSTIFICATION FOR THE DISPOSAL

The rationale for the Disposal was the declining level of synergy between Grand-Flo and Simat over the recent years as Simat is very much concentrating on growing its new broadband internet services business whilst Grand-Flo is busy focusing on its property development and Enterprise Data Collection and Collation System businesses. As such the management of Grand-Flo decided to unlock the two groups by gradually disposing of its investment in Simat as the businesses of the two groups are no longer complementing each other.

11 ESTIMATED TIME FRAME

Barring any unforeseen events arising from the fulfilment of conditions set in the Agreement, the Disposal is expected to be completed three (3) months from the date of the Agreement.

12 APPROVALS OF SHAREHOLDERS AND THE RELEVANT GOVERNMENT AUTHORITIES

The Agreement is not subject to the approval of the shareholders of Grand-Flo and/or other regulatory bodies.

The Proposal is not conditional upon each other and any other corporate exercise undertaken or to be undertaken by the Company.

13 HIGHEST PERCENTAGE RATIO APPLICABLE PURSUANT TO PARAGRAPH 10.02(G)(V) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

The highest percentage ratio applicable to the Settlement pursuant to paragraph 10.02(g)(v) of Bursa Malaysia Securities Berhad Main Market Listing Requirements is 12.13%, arrived at based on the aggregate value of the Consideration compared with the NA of the Company.

14 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors, major shareholders of the Company and/or persons connected with them, as defined in the Listing Requirements, have any interests, whether direct or indirect, in the Proposal.

15 DIRECTORS' RECOMMENDATION

The Board of Directors of Grand-Flo, after having considered all aspects of the Disposal, including but not limited to the rationale and effects of the Disposal, is of the opinion that the Disposal is in the best interest of the Company.

16 DOCUMENTS FOR INSPECTION

The Agreement is available for inspection at the registered office of Grand-Flo at Third Floor No. 79 (Room A), Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 16 May 2017.