

ANNOUNCEMENT TO BMSB



OTHERS GRAND-FLO BERHAD Proposed Disposal by Labels Network Sdn Bhd of its entire shareholding comprising 240,000 ordinary shares, representing 80% of the issued and paid-up share capital of Kopacklabels (Pg) Sdn Bhd (KPSB) for a total cash consideration of RM700,000.00.

Type	Announcement
Subject	OTHERS
Description	GRAND-FLO BERHAD Proposed Disposal by Labels Network Sdn Bhd of its entire shareholding comprising 240,000 ordinary shares, representing 80% of the issued and paid-up share capital of Kopacklabels (Pg) Sdn Bhd (KPSB) for a total cash consideration of RM700,000.00.

1. INTRODUCTION

The Board of Directors (“Board”) of Grand-Flo Berhad (“Grand-Flo” or “Company”) wishes to announce that Labels Network Sdn Bhd (“LNSB” or “Vendor”), a wholly owned subsidiary of the Company, has on 19 October 2017 entered into a Share Sale Agreement (“Agreement”) with Mr. Tan Huai Wei and Mr. H’ng Han Sua (collectively “Purchasers”) for the disposal of the Company’s entire shareholding comprising 240,000 ordinary shares and representing 80% of the issued and paid-up share capital of KPSB (“Sale Shares”), for a cash consideration of RM700,000.00 (“Purchase Price”) (“Proposed Disposal”).

Upon completion of the Proposed Disposal, KPSB will cease to be a subsidiary company of Grand-Flo.

2. INFORMATION ON KPSB

2.1 Corporate Information

KPSB is a private limited company incorporated in Malaysia on 14 June 2000 under the name Penkopack Sdn Bhd and subsequently assumed its present name on 8 September 2010. As at the date of this announcement, the issued and paid-up share capital of KPSB is RM300,000.00 comprising of 300,000 ordinary shares.

As at the date of announcement, the Directors of KPSB are Tan Huai Wei and Tan Bak Leng.

2.2 Nature of Business

KPSB is principally engaged in the conversion of adhesive labels.

3. INFORMATION ON THE PURCHASERS

The Purchasers, Mr. Tan Huai Wei has agreed to purchase 150,000 ordinary shares in the Company representing 50% of the issued and paid-up share capital of the Company, and Mr. H’ng Han Sua has agreed to purchase 90,000 ordinary shares in the Company representing 30% of the issued and paid-up share capital of the KPSB.

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4. BASIS AND TERMS OF THE PURCHASE PRICE

The Purchase Price for the Proposed Disposal amounting to RM700,000.00, was arrived at a willing buyer-willing seller basis.

5. RATIONALE AND PROSPECTS OF THE PROPOSED DISPOSAL

KPSB had been experiencing flat growth in the past years and had recorded a loss for the financial year ended 31 December 2016 due to deteriorating sales from stiff competition, high capital commitment and lack of prospect in the labels printing business. The Proposed Disposal presents an opportunity for the Company to curtail further potential losses and to unlock its investment in KSB, and will allow Grand-Flo Group to streamline its operations and to focus on the core business in Enterprise Data Collection and Collation System ("EDCCS") and property-related business which we believe would enhance the Group's earnings significantly.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1 Issued and Paid-up Share Capital

The Proposed Disposal will not have any effect on the issued and paid-up share capital of Grand-Flo.

6.2 Substantial Shareholders' Shareholdings

The Proposed Disposal will not have any effect on the shareholdings of the substantial shareholders of Grand-Flo.

6.3 Earnings and Net Assets

The earnings and net assets of Grand-Flo Group for the financial year ending 31 December 2017 will be affected by the expected loss of RM1.24 million arising from the Proposed Disposal.

Upon completion of the Proposed Disposal, Grand-Flo Group is expected to incur a net loss of approximately RM1.24 million arising from the Proposed Disposal. This net loss attributable to owners of the Company represents an earnings per share of approximately RM0.003.

6.4 Gearing

The Proposed Disposal will not have any material effect on the gearing of the Group.

7. ORIGINAL COST OF INVESTMENT

LNSB acquired 80% of KPSB on 14 August 2008 and its original cost of investment for the Sale Shares was RM1,289,785.

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8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and/or major shareholders of Grand-Flo and/or persons connected to them have any interests, direct or indirect, in the Proposed Disposal.

9. APPROVALS REQUIRED

The Proposed Disposal does not require the approval of any government authorities and does not require the approval of the shareholders of Grand-Flo. Based on Grand-Flo's audited consolidated financial statements for the financial year ended 31 December 2016 and pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the highest percentage ratio applicable to the Proposed Disposal is 1.16%.

10. DIRECTORS' STATEMENT

Having considered the rationale and all aspects of the Proposed Disposal, the Board of Directors of Grand-Flo is of the opinion that the Proposed Disposal is in the best interest of Grand-Flo Group.

This announcement is dated 19 October 2017.