

# ANNOUNCEMENT TO BMSB



**OTHERS PROPOSED DISPOSAL BY GRAND-FLO BERHAD ("GRAND-FLO" OR "THE COMPANY") OF ITS ENTIRE SHAREHOLDING COMPRISING 48,899,373 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 12.31% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF SIMAT, AT THB2.70 PER SHARE FOR A TOTAL CASH CONSIDERATION OF THB132,028,307 (EQUIVALENT TO APPROXIMATELY RM16,715,840) ("THE DISPOSAL")**

Type	Announcement
Subject	OTHERS
Description	PROPOSED DISPOSAL BY GRAND-FLO BERHAD ("GRAND-FLO" OR "THE COMPANY") OF ITS ENTIRE SHAREHOLDING COMPRISING 48,899,373 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 12.31% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF SIMAT, AT THB2.70 PER SHARE FOR A TOTAL CASH CONSIDERATION OF THB132,028,307 (EQUIVALENT TO APPROXIMATELY RM16,715,840) ("THE DISPOSAL")

## 1. INTRODUCTION

The Board of Directors of Grand-Flo ("Board") wishes to announce that the Company has on 18 October 2017 entered into a Share Sale and Purchase Agreement ("Agreement") with Nattapong Seetavorarat ("Purchaser"), a Thai national residing at No. 11, Soi Areesampan 4, Phaholyothin Road, Samsen Nai Sub-district, Phayathai District, Bangkok 10400 Thailand, to dispose of 48,899,373 Simat Shares, representing approximately 12.31% equity interest in Simat ("Sale Shares"), at THB2.70 per share for a total cash consideration of THB132,028,307 (equivalent to approximately RM16,715,840) ("Purchase Consideration").

## 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 48,899,373 Simat Shares, or approximately 12.31% 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 THB516,550,596 (equivalent to approximately RM65,399,438) comprising 516,550,596 Simat Shares, of which THB397,204,252 (equivalent to approximately RM50,289,236) comprising 397,204,252 have been issued and fully paid-up.

The current directors of Simat are Tan Bak Hong, Thongkam Manasilapapan, Tan Bak Leng, Tan Chuan Hock, Natthawut Pinto,

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Thammanoon Korkiatwanich, Ranchana Rajatanavin, Narongrit Rerkpattanapipat, Kanwara Aurlpokaiyakul and Vorachi Charoenprasittiporn.

The substantial shareholders of Simat and their direct shareholdings in Simat based on the Register of Directors' Shareholdings as at 18 October 2017 are as follows:

Substantial shareholders	No. of Simat Shares	%
Thongkam Manasilapapan	52,623,549	13.25
Grand-Flo	48,899,373	12.31
Natthapas Manasilapapan	25,000,000	6.29
Thai NDVR Co., Ltd.	24,684,331	6.21

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 approximately RM275,246) and THB644,487,000 (equivalent to approximately RM81,597,210), respectively.

### 3. SALIENT TERMS OF THE AGREEMENT

#### 3.1 Agreement to Sell

Subject to the terms and conditions of the Agreement, the Vendor shall sell the Sale Shares to the Purchaser and the Purchaser shall purchase the Sale Shares from the Vendor.

The Sale Shares are sold –

- i. Upon payment of each instalment as set out in Schedule 2 of the Agreement. The number of Sale Shares to be transferred by the Vendor to the Purchaser at each instalment shall be those corresponding to such instalments as listed in Schedule 2 of the Agreement.
- ii. Free from all encumbrances or claims of any nature whatsoever (other than the rights of pre-emption under Simat's Articles of Association);
- iii. With all rights attaching thereto;
- iv. At any time prior to the payment of the Purchase Price of each Instalment, the Purchaser may designate any person(s) not party to this Agreement to purchase all or any portion of the Sale Shares or otherwise perform any of the Purchaser's obligations or exercise any of its rights thereunder.

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## 3.2 Purchase Price, Deposit and Transfer of Sale Shares

### 3.2.1 Purchase Price

The price of the Sale Shares shall be fixed at THB2.70 per Simat Share, and the total purchase price payable to the Vendor for the Sale Shares shall be THB132,028,307 (equivalent to approximately RM16,715,840).

The parties also agree that the Purchase Price shall be paid in one or more instalments as set out in Schedule 2 of the Agreement or otherwise agreed by the Parties (the "Instalments"). The Parties agree that the aggregate numbers of Instalments shall not exceed four instalments.

### 3.2.2 Non-refundable Deposit

Pursuant to Schedule 2 of the Agreement, on the date of the Agreement, the Purchaser agrees to pay a non-refundable deposit to the Vendor in the amount of 10% of the Purchase Price, equivalent to THB13,202,831 (equivalent to approximately RM1,671,584) as the 1st Instalment and the Vendor agrees to transfer 4,889,937 of its Simat Shares to the Purchaser.

### 3.2.3 Transfer of Sale Shares

The Sale Shares shall be transferred to the Purchaser in such numbers corresponding to the amount of the Purchase Price to be paid at each Instalment to the Purchaser's Securities Account subject to Clause 3.2 and 3.3 of the Agreement.

## 3.3 Board of Directors of Simat ("Board")

Within 90 days after the completion of the transfer of all Sale Shares pursuant to Clause 3 of the Agreement, the Vendor shall procure the resignation of 3 (three) directors of Simat it nominated namely Mr. Tan Bak Hong, Mr. Tan Chuan Hock and Mr. Tan Bak Leng, so that the Purchaser may nominate such number of directors for consideration and appointment by the Board and/or the shareholders of Simat (as required) to replace such resigning directors.

## 3.4 Assignment

Neither party shall be entitled to assign its rights or obligations under the Agreement without the prior written approval of the other party.

The Purchaser may assign or transfer its rights and obligations under this Agreement to any other person who is financially capable of completing the sale and purchase of the Sale Shares pursuant to the terms and conditions of the 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 for the Simat Shares as at 31 December 2016 was RM0.073 per share; and
- 4.2 the sale consideration of THB2.70 (equivalent approximately RM0.34) per Simat Share was arrived at a 10.0% discount to a five-day average of daily quoted closing price of Simat Shares ended 18 Oct 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:

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<b>Date</b>	<b>Number of Simat Shares acquired/ (disposed of)</b>	<b>Cost of investment (RM)</b>
<b>Simat Shares</b>		
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)

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27.03.2015	(2,000,000)	(146,481)
20.06.2017	(15,000,000)	(1,098,607)
22.06.2017	(8,000,000)	(585,924)
<b>Total</b>	<b>48,899,373</b>	<b>3,581,413</b>

## 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 working capital and new business investment. The sale proceeds amounting to approximately RM16,715,840 will be utilised to fund the day-to-day business operations of Grand-Flo Group, which shall include but not limited to, amongst others, staff salaries, payment of creditors and general operating expenses. However, at this juncture Grand-Flo is unable to ascertain the portion of gross proceeds to be allocated for staff salaries, payment of creditors and general operating expenses. The management of Grand-Flo doesn't dismiss the idea of new business investment should any potential investments or businesses arise.

The cash proceeds to be utilized for 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 Substantial Shareholders' Shareholdings

The Disposal will not have any effect in the share capital and substantial 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

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Agreement as disclosed at 8.3 below.

## 8.3 Earnings

Grand-Flo expects the Disposal to record a gain on disposal of approximately RM8,292,480 for the financial year ending 31 December 2017.

## 8.4 Gearing

The Disposal will not have any effect to the gearings of Grand-Flo as there is no financing involved for the Disposal.

## 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 not have any equity interest in Simat and as such, moving forward, Simat will cease being an associated company of the Grand-Flo Group.

The Disposal of Simat Shares may have adverse impact on the future performance (i.e. operationally and financially) of 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

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The rationale for the Disposal was the declining level of synergy between Grand-Flo and Simat over the recent years as Simat is focused 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 has 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 Disposal is not subject to the approval of the shareholders of Grand-Flo and/or other regulatory bodies.

The Disposal 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 Disposal pursuant to paragraph 10.02(g)(v) of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") is 15.19%, 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 Disposal.

## **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 19 October 2017.