

ANNOUNCEMENT TO BMSB



MATERIAL LITIGATION GRAND-FLO BERHAD ("GRAND-FLO" OR "THE COMPANY") KUALA LUMPUR HIGH COURT COMMERCIAL SUIT NO. KLHC WA-22NCC-165-05/2018 AND STATEMENT OF CLAIM FILED BY LABELS NETWORK SDN BHD ("LNSB"), A WHOLLY-OWNED SUBSIDIARY OF GRAND-FLO, AGAINST QLM LABEL MAKERS SDN BHD ("QLM") AND KOPACKLABELS PRESS SDN BHD ("KOPACK")

Type	Announcement
Subject	MATERIAL LITIGATION
Description	GRAND-FLO BERHAD ("GRAND-FLO" OR "THE COMPANY") KUALA LUMPUR HIGH COURT COMMERCIAL SUIT NO. KLHC WA-22NCC-165-05/2018 AND STATEMENT OF CLAIM FILED BY LABELS NETWORK SDN BHD ("LNSB"), A WHOLLY-OWNED SUBSIDIARY OF GRAND-FLO, AGAINST QLM LABEL MAKERS SDN BHD ("QLM") AND KOPACKLABELS PRESS SDN BHD ("KOPACK")

The Board of Directors of Grand-Flo wishes to announce that Grand-Flo through its wholly-owned subsidiary, LNSB, has taken legal action against QLM and Kopack by filing a Writ and Statement of Claim. The Amended Statement of Claim was filed on 24 May 2018.

1. Particulars of the claims under the Statement of Claim

The claims pursuant to the Statement of Claim are as follows:

- (a) Specific performance of clause 6, clause 8.2(a) and clause 8.2(b) of the Share Sale Agreement dated 29 August 2016 ("SSA") (refer to the Company's announcement made on 30 August 2016) against QLM;
- (b) Damages against QLM to be assessed by the Court in lieu of or in addition to specific performance;
- (c) Against QLM and Kopack jointly and/or severally for the sum of RM650,078.45 being the unpaid portion of the debt due to LNSB;
- (d) Interest at 5% per annum on (b) to (c) above from date of this action until full payment;
- (e) Costs; and
- (f) Any such further or other relief that the Honourable Court may deem fit and proper in the circumstances.

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2. Details of the circumstances leading to the filing of the Statement of Claim against QLM and Kopack

QLM had in breach of the express and/or implied terms of the SSA and/or Supplementary Agreement: -

- (a) failed to present the original share certificates together with the transfer to the Company Secretary for the purpose of registration of the transfer or in any event failed to cause the transfer in breach of clause 6 of the SSA thereof or failed to lodge the information with the Companies Commission of Malaysia;
- (b) failed to procure and/or cause the Kopack to procure the release of securities and/or corporate guarantees to Hap Seng Credit Sdn Bhd and Hong Leong Bank Berhad given by LNSB and/or its related company in breach of clause 8.2(a) and 8.2(b) of the SSA thereof;
- (c) failed to pay and/or cause the Kopack to pay the LNSB the whole of the debt due to LNSB; and
- (d) further and/or alternatively, after QLM had taken over the control, management and operation of Kopack, QLM had operated, managed and/or conducted the affairs of Kopack in such a way as to defraud LNSB, as its creditors and/or deprive LNSB, its creditors of its dues, namely the debt due to LNSB and/or avoid paying LNSB the debt due to LNSB, and thereafter threatened to or wind up and/or put Kopack into administration with LNSB as its only shareholder.

By reason of the breach, LNSB had suffered loss and damages. Kopack is jointly and/or severally liable with QLM to LNSB for the debt due to LNSB.

3. The financial and operational effect of the Statement of Claim on Grand-Flo

This Statement of Claim has no material effect on the financial on Grand-Flo for the financial year ending 31 December 2018.

Further announcement on the development of the above matter will be made to Bursa Malaysia Securities Berhad in due course.

This announcement is dated 24 May 2018.

Announcement Info

Company Name	GRAND-FLO BERHAD
Stock Name	GRANFLO

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Date Announced	24 May 2018
Category	General Announcement for PLC
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