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

PROPOSED DISPOSALS

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1. INTRODUCTION

On behalf of the Board of Directors of Grand-Flo (“**Board**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”) wishes to announce that the Company had on 10 September 2020 entered into the following conditional share sale agreements (referred to individually as the “**SSA**” and collectively as “**SSAs**”):

(a) A SSA with Radiant Globaltech Berhad (“**RGB**”) for the proposed disposal of 800,000 ordinary shares in Grand-Flo Spritvest Sdn Bhd (“**GFS**”) (“**GFS Shares**”), representing 80% equity interest in GFS for a cash consideration of RM11,600,000 (“**Disposal Consideration 1**”) (“**SSA 1**”) (“**Proposed Disposal 1**”); and

(b) A SSA with Jejaka 7 Capital Sdn Bhd (“**Jejaka**”) for the proposed disposal of 200,000 GFS Shares, representing 20% equity interest in GFS for a cash consideration of RM2,900,000 (“**Disposal Consideration 2**”) (“**SSA 2**”) (“**Proposed Disposal 2**”).

(RGB and Jejaka are collectively referred to as the “**Purchasers**”) (The Disposal Consideration 1 and the Disposal Consideration 2 are collectively referred to as the “**Disposal Consideration**”) (The Proposed Disposal 1 and the Proposed Disposal 2 are collectively referred to as the “**Proposed Disposals**”). For the avoidance of doubt, the Proposed Disposal 1 and the Proposed Disposal 2 are inter-conditional upon one another.

As at the LPD, GFS is a wholly-owned subsidiary of Grand-Flo which is principally engaged in the provision of information technology solutions (“**IT Solutions**”) specialising in automated data collection processes and mobile computing (“**EDCCS Segment**”). Further information pertaining to GFS is set out in **Appendix I** of this announcement.

2. DETAILS OF THE PROPOSED DISPOSALS

The Proposed Disposals entail the Purchasers agreeing to purchase and Grand-Flo agreeing to sell the 1,000,000 GFS Shares (“**Sale Shares**”) for the Disposal Consideration. The Sale Shares are sold, inter-alia:

(i) free from all claims, liens, charges and encumbrances and with full legal and beneficial title; and

(ii) with all rights, benefits and advantages attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof),

with effect from the Completion Date (as defined herein) or such other date as may be agreed upon between the respective Purchasers and Grand-Flo.

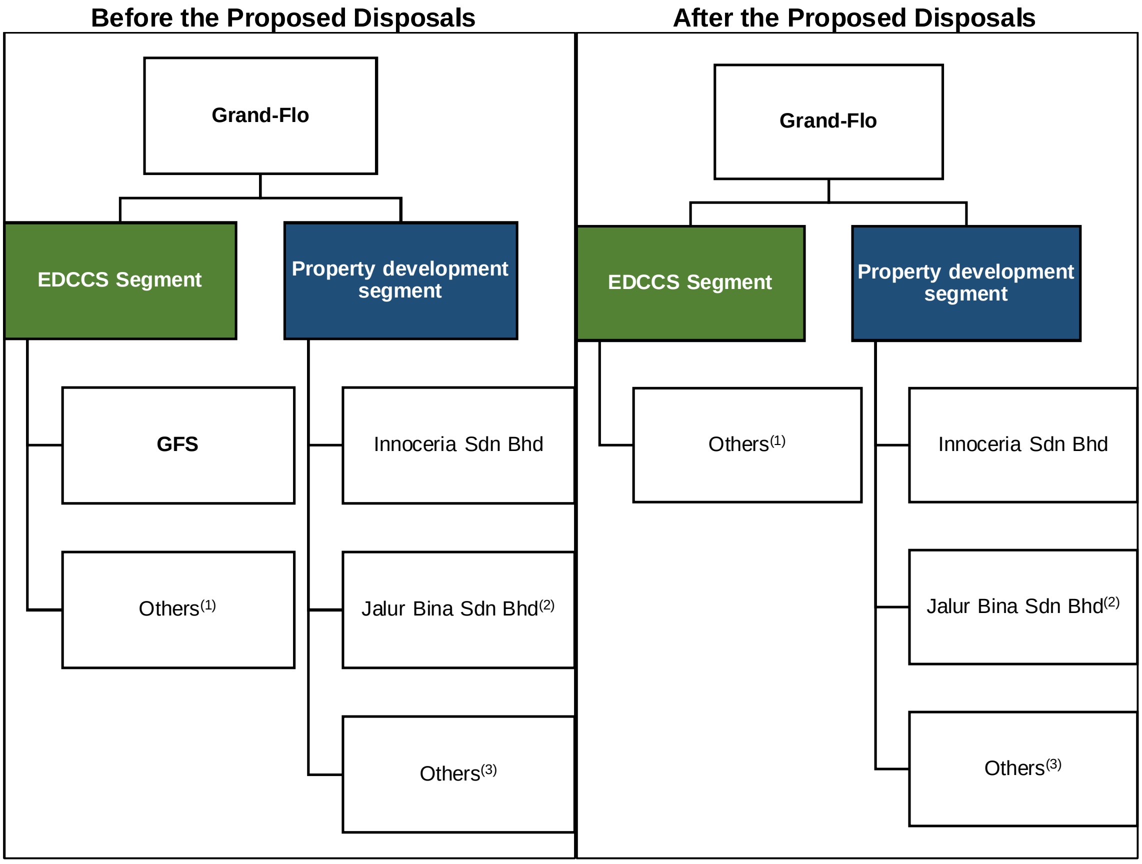
As at the date of the SSAs, there is a net amount to RM2,445,927 owing from GFS to Grand-Flo and its group of subsidiaries (collectively, the “**Grand-Flo Group**” or “**Group**”) (“**Vendor’s Advances**”) made up of the following:

(i) an amount owing from GFS to the Group amounting to RM3,716,911and

(ii) an amount owing by the Group to GFS amounting to RM1,270,984.

Pursuant to the SSAs, the Vendor's Advances shall be settled in tranches, details of which are as set out in Section 2.4 of this announcement. The salient terms of the SSAs are further set out in **Appendix II** and **Appendix III** of this announcement.

For information purposes, the group structure of Grand-Flo Group before and after the Proposed Disposals is as follows:



Notes:

*As at 28 August 2020, being the latest practicable date prior to this announcement ("**LPD**"), all of the subsidiaries within the Grand-Flo Group are wholly-owned by the Company.*

(1) Comprise of Grand-Flo Electronic System Sdn Bhd and Labels Network Sdn Bhd. As at the LPD, the companies do not have any material operations.

(2) A wholly-owned, indirect subsidiary of Grand-Flo.

(3) Comprise of Grand-Flo Capital Sdn Bhd, Grandcon Sdn Bhd and BKW Residences Sdn Bhd. As at the LPD, the companies do not have any material operations.

After the completion of the Proposed Disposals, GFS will cease to be a subsidiary of Grand-Flo. Moving forward, the Grand-Flo Group's business will be predominately engaged in the property development segment.

Based on the audited consolidated financial statements of the Grand-Flo Group for the financial year ended ("**FYE**") 31 December 2019 and the financial period ended ("**FPE**") 30 June 2020, the contribution of GFS to the Group's financial results are as follows:

	Audited FYE 31 December 2019		**Unaudited FPE 30 June 2020**	
	Revenue (RM'000)	**Profit / (loss) after tax (RM'000)**	**Revenue (RM'000)**	**Profit / (loss) after tax (RM'000)**
EDCCS Segment				
- GFS	53,322[1]	1,599[1]	21,045	(1,150)
- Others[2]	9,844	(3,414)	-	(1,866)
Subtotal of EDCCS Segment	**63,166**	**(1,815)**	**21,045**	**(3,016)**
Property development	69,381	5,241	21,260	2,644
Total	**132,547**	**3,426**	**42,305**	**(371)**
Percentage contribution of GFS to the Group	40.2%	46.7%	49.7%	n.m.

Notes:

n.m. Not meaningful

(1) After eliminating inter-company transactions.

*(2) The remaining EDCCS Segment comprises of Grand-Flo (HK) Limited ("**GFHK**") (which was disposed on 27 May 2020), Grand-Flo Electronic System Sdn Bhd and Labels Network Sdn Bhd. The remaining subsidiaries do not have any material operations.*

Notwithstanding the potential loss of contributions from GFS after the Proposed Disposals, the Group will be able to redeploy its resources to further strengthen its property development business as set out in Section 3 of this announcement.

2.1 Basis for the Disposal Consideration

The Disposal Consideration was arrived at on a "willing buyer willing selling" basis, after taking into consideration, amongst others, the share valuation undertaken by Ferrier Hodgson Corporate Advisory Sdn Bhd ("**FHCA**") (via its valuation letter dated 7 September 2020), being an independent firm appointed by the Company for the purpose of determining the valuation of GFS ("**FHCA Valuation Letter**"). The fair market value of the entire equity interest in GFS as ascribed by FHCA ranges from approximately RM12.0 million to RM18.2 million.

As summarized below, the fair market value of the equity interest in GFS is derived based on the price-to-earnings ("**PE**") multiple as well as enterprise value ("**EV**") over earnings before interest, tax, depreciation and amortization ("**EBITDA**") ("**EV/EBITDA**") multiple, taking into account the historical earnings of GFS.

In its assessment, FHCA has taken into account the trading multiples of profitable public listed companies on Bursa Malaysia Securities Berhad ("**Bursa Securities**") which are primarily involved in the provision of IT Solutions involving various industries and with a market capitalisation of less than RM350 million ("**Comparable Companies**").

Based on the parameters above, the Comparable Companies selected are as follows:

Comparable Companies[(1)]	**Principal activities**	**Market capitalisation[(2)] (RM'million)**	**PE multiple[(2)]**	**EV/EBITDA multiple[(2)]**
Omesti Berhad	Provision of business performance improvement, distribution and reselling hardware and software as well as provision of a comprehensive range of tele/data communication, networking solutions and related services	323.81	13.48	6.05
Rexit Berhad	Provides information technology solutions and related services which includes hardware sales and software-based activities	118.80	15.06	7.94
Microlink Solutions Berhad	Provision of business and technical services for financial institution, enterprise technology solutions, distribution and maintenance of computer equipment and software and provision of project and software solutions delivery services.	310.98	30.08	15.82
RGB	Provision of retail technology solutions, which consist of providing hardware and software for retail industry, as well as maintenance and technical support services for retail hardware and software.	194.32	34.70	18.25
Willowglen MSC Berhad	Research, design, development, engineering, supply, sale, implementation of computer-based control systems and integrated monitoring system	226.27	15.19	6.82
Average			**21.70**	**10.98**
Median			**15.19**	**7.94**

(Source : FHCA Valuation Letter)

Notes:

(1) It should be noted that there is no public listed company on Bursa Securities which may be considered to be identical to GFS in terms of, amongst others, composition of business activities, geographical markets, scale of business operations, risk profile, track record, future prospects and competitive environment. Whilst the comparison may reflect market sentiments towards the sector and provide guidance on valuation, the analysis does not consider differences in accounting policies and standards as well as the operating environments, business models and/or tax treatments.

(2) Calculated based on the closing market prices as at 2 September 2020, being the latest practicable date for the purposes of the share valuation performed by FHCA and the latest audited financial results of the Comparable Companies.

The value of the entire equity interest in GFS as ascribed by FHCA are summarised as follows:

(a) Based on the PE multiple analysis range of 15.19 times and 21.70 times set out above and the average profit after tax ("**PAT**") of GFS[(1)] of RM0.84 million, the value of the entire equity interest ranges from approximately RM12.8 million to RM18.2 million; and

(b) Based on the EV/EBITDA multiple analysis range of 7.94 times and 10.98 times set out above and the average EBITDA of GFS[(1)] of RM1.54 million, the value of the entire equity interest ranges from approximately RM12.0 million to RM16.7 million.

<u>Notes:</u>

(1) It was noted that GFS financial results over the years demonstrated large fluctuations year-to-year comprising the following:

(ii) There was a high concentration of customers with large orders in the FYE 31 December 2017 to the FYE 31 December 2019 wherein almost 50% of GFS revenue was contributed by its top three (3) customers. It was also noted that during these years, some of the orders were one-off large orders by its customers whilst some repeat orders from prior year customers were on a declining trend. Whereas in the FYE 31 December 2015 and the FYE 31 December 2016, the top 3 customers only contributed approximately 30% to 35% of the total revenue of GFS. Given the fluctuation of GFS' contracts year-on-year, a longer period for its financial results was taken to reflect a normalised revenue stream on an annual basis.

*(ii) An inconsistent trend was observed for the main expenses of GFS comprising purchases of hardware, staff costs (including commissions paid to staff as well as director's emolument), sub-contract charges and provision for slow moving stocks / stocks written off. This resulted in fluctuations in GFS' profit margins caused by, inter-alia, movements in exchange rates (RM:United State Dollar ("**USD**") rates) for the purchase of hardware sourced from the United States of America. For the FYE 31 December 2017 to the FYE 31 December 2019, GFS had registered profit margins due to stronger RM against the USD. Additionally, GFS' profitability for the FYE 31 December 2015 to the FYE 31 December 2016 was dampened by the provision of slow-moving stocks which was not as prevalent in subsequent financial years.*

In order to normalise the above fluctuations, the Company had to apply the PE and EV/EBITDA multiples on the five (5) year average PAT and EBITDA for the valuation of GFS to moderate one-off events and/or significant movements affecting the financial results of GFS in a particular year. This is as opposed to just considering the latest PAT and EBITDA of the Company which may not be a fair representation of the sustainable earnings of the Company due to the fluctuations mentioned above.

2.2 Justification for the Disposal Consideration

The Board is of the opinion that the Disposal Consideration is reasonable and justified after taking into consideration the following factors:

(i) The long-term strategy of Grand-Flo to focus on property development as further discussed in Section 3 of this announcement.

(ii) GFS operates in a niche spectrum within the information technology industry due to the specialized nature of its business. In view of this, it may be difficult to seek suitable buyers for the disposal of the entire equity interests in GFS, which is made more challenging due to the current economic environment. As such, the Proposed Disposals present the Company with a ready-buyer for GFS, at a price which is within the range of the fair market value of GFS as prescribed by FHCA of approximately RM12.0 million to RM18.2 million. Further, the implied PE and EV/EBITDA multiple (as represented by the Disposal Consideration vis-à-vis GFS' five (5)-year average PAT and EBITDA) of 17.3 times and 9.6 times respectively are within the range of the Comparable Companies multiples as set out above.

(iii) Following the aforementioned as set out in (i) and (ii) above, the Proposed Disposals provide a timely opportunity for the Company to monetize its investment in GFS amounting to RM14.5 million and channel such resources into growing its property development business.

The management takes cognizance the following:

(a) the Group's property development segment has been showing better traction as compared to the EDCCS Segment wherein it had registered a PAT of RM5.2 million for the FYE 31 December 2019 as compared to a loss after tax of RM1.8 million incurred by the EDCCS Segment. For the FPE 30 June 2020, the Group's property development segment generated a PAT of RM2.6 million compared to loss after tax of RM3.0 million by the EDCCS Segment. In this respect, the contribution to the Group's property development financial performance was largely from, inter-alia, Acacia Project and Mahkota Kampar Project (as defined and further elaborated under Section 2.8 of this announcement); and

(b) limited leverage to further increase the competitive edge of GFS without further investments in human capital and technology refresh as the GFS' IT business is highly dependent on human capital with specialised skillsets as well as susceptibility to technology changes.

Accordingly, the Group believes the proceeds generated from the Proposed Disposals will enable the Group to further enhance its property development segment in improving the overall financial performance of the Group.

(iv) The Proposed Disposals will enable the Group to reprioritize its business focus to property development post Proposed Disposals. This is aligned to the experience and expertise of its Executive Chairman / Group Managing Director, Dato' Sri Yap Ngan Choy ("**Dato' Sri YNC**") and Group Executive Director, Dato' Yap Fook Choy ("**Dato' YFC**"), both of whom have more than 40 years of experience in the property development and property related investment sector.

(v) As part of the terms of the Proposed Disposals, the Company will also be able to benefit from the cash settlement of the Vendors' Advances amounting to RM2.4 million, which are currently unsecured and has no fixed repayment term. The Company will use such additional funds for its existing property development projects and working capital of the Group.

2.3 Mode of settlement

The Disposal Consideration will be satisfied by the Purchasers entirely in cash in the following manner:

Payment of Disposal Consideration	Timing of settlement	Disposal Consideration 1 (RM)	Disposal Consideration 2 (RM)	Disposal Consideration (RM)
Tranche 1 payment	Upon the signing of the SSAs	1,160,000	290,000	1,450,000
Tranche 2 payment	On the Completion Date(1)	4,640,000	1,160,000	5,800,000
Tranche 3 payment	Within two (2) months after the Completion Date	2,900,000	725,000	3,625,000
Tranche 4 payment	Within four (4) months after the Completion Date	2,900,000	725,000	3,625,000
Total		**11,600,000**	**2,900,000**	**14,500,000**

Note:
(1) The business day falling fourteen (14) days after the day which all the conditions precedent are fulfilled or any extended date as may mutually be agreed between the parties to the SSAs in writing on which completion of the SSAs takes place.

(The tranche 3 payment and tranche 4 payment are collectively referred to as the "**Balance Disposal Consideration**").

Further details on the salient terms of the SSAs are set out in **Appendix II** and **Appendix III** of this announcement.

2.4 Settlement of Vendor's Advances

Grand-Flo Group have, prior to the date of the SSAs, extended Vendor's Advances to GFS amounting to a net amount of RM2,445,927 made up of the following:

(i) an amount owing from GFS to the Group amounting to RM3,716,911; and

(ii) an amount owing by the Group to GFS amounting to RM1,270,984.

Pursuant to the terms of the SSAs, the Vendor's Advances shall be settled in the following manner:

Settlement Period	Vendor's Advances (RM)
On or before the Completion Date	400,000
Within twelve (12) months from the date of the SSAs ("**Balance Vendor's Advances**")	2,045,927
Total	**2,445,927**

2.5 Original cost and date of investment

Grand-Flo's original cost of investment and date of investment in GFS are as follows:

Date of investment	No. of shares	Original cost of investment (RM)
13 October 2006	1,000,000	14,431,374
28 May 2008	-	428,178[1]
	1,000,000	**14,859,552**

Note:

(1) *Additional payment made to the previous shareholders of GFS as the profit target as set out pursuant to the conditional sale and purchase agreement dated 22 March 2006 has been achieved.*

2.6 Expected loss arising from the Proposed Disposals

Upon the completion of the Proposed Disposals, the Grand-Flo Group expects to realise a net loss of approximately RM1.18 million arising from the Proposed Disposals as illustrated below:

	RM ('000)
Disposal Consideration	14,500
Less:	
*Net asset ("**NA**") of GFS[1]*	*(5,339)*
Derecognition of goodwill arising from the Proposed Disposals	*(10,338)*
Estimated net loss from the Proposed Disposals	**(1,177)**

Note:

(1) *Derived based on the audited NA of GFS as at 31 December 2019 of RM6.49 million and after taking into consideration the loss after tax of GFS for the FPE 30 June 2020 of approximately RM1.15 million.*

2.7 Liabilities remaining with Grand-Flo

There are no liabilities, including contingent liabilities and guarantees which will remain with Grand-Flo after the completion of the Proposed Disposals.

2.8 Utilisation of proceeds

The Disposal Consideration and the settlement of the Vendor's Advances to be received pursuant to the Proposed Disposals will be utilised in the following manner:

	Notes	RM'000	Estimated utilisation timeframe upon receipt of the proceeds
Property development activities	(i)	7,900	Within 12 months
Partial payment for the acquisition of the Acacia Project (as defined herein)	(ii)	7,900	Within 3 months
Working capital	(iii)	496	Within 12 months
Estimated expenses	(iv)	650	Within 1 month
		16,946	

Notes:

(i) *The proceeds will be utilised to finance the property development activities of the Group, which includes but not limited to construction costs, consultancy fees, advertising, sales and marketing expenditure, interest charges as well as administrative costs. The actual breakdown of proceeds to be utilised for each project has not been determined at this juncture and will depend on the status of development of the projects, sales take-up rate, actual funding requirement and the timing of completion of the Proposed Disposals. For information purposes, the property development projects that are currently undertaken by Grand-Flo includes, inter alia, the following:*

(a) *Mahkota Kampar, a mixed development project comprising 352 units of single-storey terrace houses and 24 units of double-storey shop houses in Kampar, Perak ("**Mahkota Kampar Project**"), which has commenced in June 2019 and is expected to be completed by June 2021. The estimated gross development value ("**GDV**") of the Mahkota Kampar Project is RM105.29 million. As at the LPD, the residual gross development cost ("**GDC**") of the Mahkota Kampar Project is RM27.25 million; and*

*(b) Acacia Residences ("**Acacia Project**"), a mix development of 428 units of serviced apartments, 50 units of affordable serviced apartments and 3 units of retail lots in Dengkil, Sepang Selangor with an estimated GDV attributable to Grand-Flo of RM144.15 million. The Acacia Project, which has commenced in May 2019, is slated to be completed in June 2022. As at the LPD, the residual GDC of the Acacia Project is RM101.05 million;*

(ii) *On 24 February 2020, Innoceria Sdn Bhd, a wholly-owned subsidiary of Grand-Flo had entered into a land and development purchase agreement ("**LDPA**") with NCT United Development Sdn Bhd to acquire the Acacia Project. Under the terms of the LDPA, the purchase consideration of RM17.00 million shall be fully settled on the completion date. Nonetheless, the parties had on 3 July 2020 entered into a supplemental letter agreement to extend the due date for the payment of the balance purchase consideration of RM15.80 million to 20 January 2021. Accordingly, Grand-Flo intends to allocate an amount of RM7.90 million towards the partial payment of such balance purchase consideration;*

(iii) *The proceeds are proposed to be used for the Group's day-to-day operating and administrative expenses, which include amongst others, sales and marketing expenses and other operating expenses (e.g. staff costs, utilities, administrative overheads and office expenses). The actual breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture and will depend on the operating and funding requirements of the Group at the relevant point in time; and*

(iv) *The estimated expenses include professional fees, fees payable to the relevant authorities, printing cost of circular to shareholders, advertisement and miscellaneous expenses. Any shortfall or excess in funds allocated for the estimated expenses will be funded from or used for the proceeds allocated for working capital.*

Pending utilisation of the proceeds from the Proposed Disposals for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as general working capital for the Group.

2.9 Cash company or PN17 company

The Proposed Disposals are not expected to result in Grand-Flo becoming a cash company or a PN17 company as defined under the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**").

2.10 Information on the Purchasers

2.10.1 RGB

RGB was incorporated in Malaysia on 10 July 2003 under the Companies Act 1965 and is deemed registered under the Companies Act 2016 ("**Act**") and is listed on the ACE Market of Bursa Securities. As at the LPD, RGB is principally involved in the provision of retail technology software solutions and investment holding. As at the LPD, the issued share capital of RGB is RM48,153,374 represented by 525,200,000 ordinary shares.

As at the LPD, the directors of RGB are Dato' Siow Kim Lun, Yap Ban Foo, Yap Sin Sang, Tevanaigam Randy Chitty and Mashitah Binti Osman.

The substantial shareholders of RGB and their respective shareholdings in RGB as at the LPD are as follows:

	Direct		Indirect	
Director/Shareholder	**No. of shares**	**%**	**No. of shares**	**%**
Global Merits Sdn Bhd	171,232,800	32.60	-	-
Practical Resources Sdn Bhd	139,463,200	26.55	-	-
AI Capital Sdn Bhd	50,712,000	9.66	-	-
Tan Chuan Hock	-	-	50,712,000(1)	9.66
Dato' Siow Kim Lun	500,000	0.10	-	-
Yap Ban Foo	-	-	171,232,800(2)	32.60
Yap Sin Sang	-	-	139,463,200(3)	26.55
Tevanaigam Randy Chitty	1,050,000	0.20	-	-
Mashitah Binti Osman	100,000	0.02	-	-

Notes:

(1) *Deemed interested by virtue of his interest in AI Capital Sdn Bhd pursuant to Section 8(4) of the Act.*

(2) *Deemed interested by virtue of his interest in Global Merits Sdn Bhd pursuant to Section 8(4) of the Act.*

(3) *Deemed interested by virtue of his interest in Practical Resources Sdn Bhd pursuant to Section 8(4) of the Act.*

2.10.2 Jejaka

Jejaka, was incorporated in Malaysia on 17 July 2020 under the Act. As at the LPD, Jejaka is principally an investment holding company. As at the LPD, the issued share capital of Jejaka is RM1,000 represented by 1,000 ordinary shares.

As at the LPD, the directors of Jejaka are Cheng Ping Leong and Yang Siew Wai, who are all Malaysians.

The shareholders of Jejaka as at the LPD are as follows:

Shareholders	Nationality	No of Jejaka shares	%
Cheng Ping Liong	Malaysian	550	55
Tan Bak Leng	Malaysian	50	5
Gan Piak Sim	Malaysian	50	5
Yang Siew Wai	Malaysian	50	5
Mark Chan Chun Jet	Malaysian	50	5
Tan Gim Ling	Malaysian	50	5
Sharifah Nazhatul Shaiha binti Said Zubir	Malaysian	50	5
Au Sheau Yen	Malaysian	50	5
Ng Joo Heng	Malaysian	50	5
Ong Wei Leng	Malaysian	50	5
Total		**1,000**	**100**

3. RATIONALE OF THE PROPOSED DISPOSALS

The Group, as spearheaded by Dato' Sri YNC and Dato' YFC, undertook a strategic review on the strategy and future business direction of the Group in order to enhance the Group's prospects for future growth.

Following the review, the management took note that the performance and financial results of GFS has been fluctuating and uncertain. This is mainly attributed to the revenue nature of GFS as it is generally dependent on purchase orders from customers on an "as and when" required basis, which in turn is dependent on technological refresh/investment needs of its customers. Due to the challenging operating environment, the profitability of GFS has reduced significantly in the FYE 31 December 2019. GFS' performance has dropped further to a loss-making position for the FPE 30 June 2020.

Moving forward, the management expects the performance of GFS to remain uncertain and challenging. The orderbook replenishment has been sluggish due to the coronavirus disease (COVID-19) outbreak and the movement control order which has restricted business activities and dampened business spending and/or expenditures.

Simultaneously with the above, pursuant to the strategic review of the Group's operations, the Board is of the view that the long-term strategic direction of Grand-Flo will be focused on the property development segment as it expects the segment to be the main revenue and profit contributor to the Group. Thus, the Company will be focussing and re-deploying its resources to further strengthen its property development business.

In line with the above, the Group, in addition to focusing on its existing property development projects (i.e. The Glades, a gated residence in Bukit Mertajam and Vortex Business Park, a commercial development located in Batu Kawan), the Group has entered into several property transactions to boost its property development pipeline projects and earnings as follows:

(a) Joint venture with Pembinaan Maka Cemerlang Sdn Bhd for the development of Mahkota Kampar Project, with an estimated gross development profit ("**GDP**") of approximately RM14 million. The project is expected to provide earnings visibility to the Group up to the FYE 31 December 2022; and

(b) Acquisition of the Acacia Project from NCT United Development Sdn Bhd with an estimated GDP of approximately RM26 million. The project is expected to provide earnings visibility to the Group up to the FYE 31 December 2022.

In addition to the above, the Company will also continuously endeavour to scale up its property businesses via launching of new projects and/or acquisition/entering into joint ventures for viable projects and landbanks to further strengthen the property development business and improve the financial performance of Group.

The Proposed Disposals present the Company with a ready-buyer for GFS and will enable the Company to monetise its investment in GFS to provide additional working capital to its on-going property development projects. In addition, the Proposed Disposals will also enable Grand-Flo to re-strategise and redeploy its resources towards the property development segment which are in line with the strategic plans of the Company under its current management.

4. RISK FACTORS

4.1 Non-completion of the Proposed Disposals

The completion of the Proposed Disposals is conditional upon the conditions precedent as set out in the SSAs being fulfilled, obtained and/or waived, as the case may be, as well as the performance by Grand-Flo and the Purchasers and their respective compliance with, amongst others, the warranties and covenants under the terms of the SSAs. The non-fulfilment of the conditions precedent or the failure to perform or comply with warranties and covenants may result in the termination of the SSAs.

Notwithstanding the above, the Board will endeavour to take all necessary steps to ensure that the conditions precedent and actions required to be undertaken by the Company are fulfilled in a timely manner to facilitate the completion of the Proposed Disposals.

4.2 Contractual risk

Grand-Flo is subject to certain contractual risks including, but not limited to, the representation, warranties, covenants and indemnities which are given or to be given pursuant to the SSAs. Grand-Flo may be subject to the contractual risks if the pre-completion and post-completion obligations under the SSAs are not fulfilled and/or in the event of any breach of the terms and conditions set out in the SSAs.

Grand-Flo shall endeavour to ensure full compliance in relation to the fulfilment of its obligations under the SSAs.

4.3 Failure to receive the Balance Disposal Consideration

Pursuant to the SSA 1 and SSA 2, the Balance Disposal Consideration of RM5.80 million and RM1.45 million respectively shall be settled in tranches by the Purchasers within four (4) months after the Completion Date. Nonetheless, Grand-Flo shall, subject to the receipt of the tranche 2 payment, give effect the transfer of the Sale Shares to the Purchasers following the unconditional date in accordance with the terms of the SSAs, which will result in Grand-Flo losing control of GFS to the Purchasers.

In addition, the Balance Vendor's Advances of RM2.05 million owing by GFS will have to be repaid within twelve (12) months from the date of the SSAs by GFS to the Company in accordance to the SSAs.

There is no assurance the Purchasers and/or GFS will be able to settle the Balance Purchase Consideration and/or the Balance Vendor's Advances in accordance to the terms set out in the SSAs, respectively. Notwithstanding the above, an interest at the rate of 8% per annum will be imposed on any outstanding sum of the Balance Disposal Consideration pursuant to the SSAs.

Further, in the event that the Purchasers and/or GFS defaults on the payment of the Balance Disposal Consideration and/or the Balance Vendor's Advances, respectively, Grand-Flo is entitled to initiate such actions as may be available to Grand-Flo in law to recover or claim for the outstanding Balance Disposal Consideration and/or Balance Vendor's Advances.

5. EFFECTS OF THE PROPOSED DISPOSALS

5.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Disposals will not have any effect on the issued share capital of the Company and the shareholdings of the substantial shareholders of the Company as the Proposed Disposals do not involve issuance of any new ordinary shares in Grand-Flo ("**Grand-Flo Shares**").

5.2 Earnings and earnings per share ("EPS")

The Proposed Disposals are expected to be completed by the fourth (4^{th}) quarter of calendar year 2020 and is expected to result in an estimated net loss of RM1.18 million. Following the completion of the Proposed Disposals, GFS will cease to be a subsidiary of the Group. In accordance with *Malaysian Financial Reporting Standards 5 Non-current Assets Held for Sale and Discontinued Operations*, the profit/loss from GFS for the FYE 31 December 2020 would be presented separately as discontinued operations, and as such, the Group's results for FYE 31 December 2020 will reflect predominately that of the Group's property development segment. For information purposes, based on the unaudited quarterly results of the Group for the FPE 30 June 2020, the property development segment contributed a PAT of approximately RM2.64 million.

For illustration purposes, assuming the Proposed Disposals were completed by 31 December 2019, the proforma effects of the Proposed Disposals on the earnings and EPS of the Grand-Flo Group for the FYE 31 December 2019 are set out below:

	Audited as at 31 December 2019 RM'000	**Proforma I Adjustment for subsequent events RM'000**	**Proforma II After the Proposed Disposals RM'000**
PAT attributable to owners of the Company	2,648	2,919[(2)]	1,092[(4)]
Number of Grand-Flo Shares in issue ('000)	484,918[(1)]	528,826[(3)]	528,826
EPS (sen)	0.55	0.55	0.21

Notes:

(1) *Excludes 12,698,000 treasury shares held as at 31 December 2019.*

(2) *After adjusting for the disposal of GFHK which was completed on 27 May 2020.*

(3) *After adjusting for the (i) acquisition of treasury shares by the Company from 1 January 2020 up to the LPD, (ii) the distribution of treasury shares via share dividend ("**Share Dividend**") and (iii) issuance of new Grand-Flo Shares via various tranches under the Company's private placement exercise*

(4) *After taking into consideration the estimated net loss of RM1.18 million from the Proposed Disposals and estimated expenses of RM0.65 million.*

5.3 NA and gearing

For illustration purposes, based on the audited consolidated financial statements of Grand-Flo for the FYE 31 December 2019, the proforma effects of the Proposed Disposals on the NA and net gearing of Grand-Flo are shown as follows:

	Audited as at 31 December 2019 RM'000	**Proforma I Adjustment for subsequent events[(2)] RM'000**	**Proforma II After the Proposed Disposals RM'000**
Share capital	66,620	74,695	74,695
Treasury shares	(2,979)	(304)	(304)
Foreign exchange fluctuation reserve	320	-	-
Revaluation reserve	4,435	4,435	4,435
Retained earnings	31,030	31,301	29,474[(3)]
Total equity attributable to owners of the Company	**99,426**	**110,127**	**108,300**
Number of Grand-Flo Shares in issue ('000)	484,918[(1)]	528,826[(4)]	528,826[(4)]
NA per Grand-Flo Share attributable to owner (RM)	0.21	0.21	0.20
Net borrowings/net gearing	Net cash	Net cash	Net cash

Notes:

(1) *Excludes 12,698,000 treasury shares held as at 31 December 2019.*

(2) *After adjusting for (i) disposal of GFHK which was completed on 27 May 2020; (ii) acquisition of treasury shares by the Company from 1 January 2020 up to the LPD; (iii) the Share Dividend; and (iv) issuance of new Grand-Flo Shares via various tranches under the Company's private placement exercise.*

(3) *After adjusting for the net loss of RM1.18 million from the Proposed Disposals and deducting the estimated expenses incidental to the Proposed Disposals of RM0.65 million.*

(4) *Excludes 1,331,809 treasury shares held after the Share Dividend.*

6. APPROVALS REQUIRED

The Proposed Disposals are subject to the approvals being obtained from the following:

(i) the shareholders of the Company at an extraordinary general meeting ("**EGM**") of Grand-Flo to be convened;

(ii) the shareholders of RGB at an EGM of RGB to be convened; and

(iii) any other relevant authorities / parties, if required.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the directors and/or major shareholders of the Company and/or persons connected to them has any interest, direct or indirect, in the Proposed Disposals.

8. ADVISERS

AmInvestment Bank has been appointed as the Principal Adviser to the Company for the Proposed Disposals.

In addition, the Board has appointed FHCA to conduct a share valuation on GFS.

9. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Disposals, including but not limited to the rationale of the Proposed Disposals, the terms and conditions of the SSAs as well as taking into consideration the FHCA Valuation Letter, is of the opinion that the Proposed Disposals are in the best interests of the Company.

10. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposals pursuant to paragraph 10.02(g) of the Listing Requirements is 47.37% based on the latest audited financial statements of Grand-Flo for the FYE 31 December 2019.

11. ESTIMATED TIMEFRAME FOR APPLICATION TO AUTHORITIES AND THE COMPLETION OF THE PROPOSED DISPOSALS

Barring any unforeseen circumstances, the Company will submit the application(s) in relation to the Proposed Disposals to the relevant authorities within one (1) month from the date of this announcement.

Further, barring any unforeseen circumstances, the Proposed Disposals are expected to be completed by the fourth (4^{th}) quarter of calendar year 2020.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The SSAs and the FHCA Valuation Letter are available for inspection at the registered office of Grand-Flo at Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia, from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 10 September 2020.

1. History and principal activities

GFS was incorporated in Malaysia on 26 June 1995 under the name of Spritvest Sdn Bhd under the Companies Act 1965 and is deemed registered under the Act. It subsequently assumed its present name on 19 March 2009. GFS is principally engaged in the provision of IT Solutions in Malaysia specialising in EDCCS Segment, with solutions focusing on the supply, installation and integration of electronic data capture ("**EDC**") hardware and devices, software, technical support and maintenance services. Its core revenue streams are derived from the following business activities:

- Supply, installation and integration of EDC hardware and devices, which include barcode readers or scanners, barcode printers, card printers, mobile computers, and wireless and network devices;

- Distribution and integration of its proprietary and third-party utility software. For information purposes, the proprietary software is developed in-house; and

- Maintenance and technical support relating to EDC hardware and devices, and software.

GFS offers its customers comprehensive automatic identification and data capture solutions which enables its customers to manage and collaborate their data efficiency using barcode printers, handled RFID and scanning devices. The software sold are developed in-house as well as sourcing from off the shelf options while its hardware products are mainly sourced from suppliers in the United States of America. GFS also provides repair and maintenance services for the devices and solutions sold based on the contracts with its customers. As at the LPD, GFS has 5 operational offices which are located in Kuala Lumpur, Penang, Seremban, Malacca and Johor Bahru, respectively.

2. Share capital

As at the LPD, the issued share capital of GFS is 1,000,000 GFS Shares.

3. Directors

As at the LPD, the existing directors of GFS are Dato' Sri YNC, Dato' YFC, Sae-Yap Atthakovit, Yap Chun Theng, Tan Bak Hong and Cheng Ping Liong.

4. Substantial shareholders

As at the LPD, GFS is a wholly-owned subsidiary of Grand-Flo.

5. Subsidiary and associated company

As at the LPD, GFS does not have any subsidiaries or associated companies.

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6. Financial information

A summary of the key financial information of GFS for the FYE 31 December 2017 to FYE 31 December 2019 as well as FPE 30 June 2019 and FPE 30 June 2020 are set out below:

	Audited					Unaudited	
	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	30 June 2019 (RM'000)	30 June 2020 (RM'000)
Revenue	47,305	42,166	60,327	61,901	53,352	29,871	21,045
Gross profit	7,388	5,325	11,533	17,468	14,538	9,293	3,798
(Loss) / Profit before tax ("**LBT**") / ("**PBT**")	(700)	(4,935)	1,920	7,719	2,388	2,974	(1,150)
(Loss after tax) / PAT	(692)	(4,909)	1,908	6,283	1,623	2,260	(1,150)
Share capital	1,000	1,000	1,000	1,000	1,000	1,000	1,000
(Capital deficiencies) / Shareholders' funds	1,758	(3,151)	(1,244)	4,866	6,489	7,125	5,338
Total borrowings	4,242	5,722	2,774	29	1,675	45	29
No. of GFS Shares issued	1,000	1,000	1,000	1,000	1,000	1,000	1,000
(Net liabilities) / NA per share (RM)	1.76	(3.15)	(1.24)	4.87	6.49	7.13	5.34
EPS / (net loss per share) (RM)	(0.69)	(4.91)	1.91	6.28	1.62	2.26	(1.15)
Gearing (times)	2.41	-	-	0.01	0.26	0.01	0.01

The financial summary for the FYE 31 December 2015 and FYE 31 December 2016 are included for information purpose only. The commentary of the key financial information for the FYE 31 December 2017 to FPE 30 June 2020 are as follows:

Commentaries:

FYE 31 December 2016 vs FYE 31 December 2017

The revenue of GFS increased significantly by approximately RM18.16 million or 43% in FYE 31 December 2017 as compared to the previous financial year due to higher revenue contribution from the technology refresh undertaken by one of its major customers amounting to RM19.82 million (99% higher as compared to FYE 2016 or RM9.97 million) and increase in sales from the retail and government-link companies.

Gross profit margin improved from approximately 13% in FYE 31 December 2016 to approximately 19% in FYE 31 December 2017, mainly due to the strengthening of RM against the USD. For information purposes, GFS sourced its hardware products from suppliers in the United States of America. Hence, the strengthening of the RM results in lower cost of sales due to comparatively cheaper purchases. Further, as compared to increase in revenue of RM18.2 million or 43%, its selling and distribution expenses increased by only RM0.13 million or 8% whilst the other operating expenses decreased by RM0.96 million or 61%, mainly due to a decrease in inventory written off as compared to the FYE 31 December 2016.

The PAT increased by approximately RM6.82 million or 139% as compared to the FYE 2016. This was mainly due to higher revenue, higher gross margin and lower other operating expenses incurred as compared to the FYE 2016.

FYE 31 December 2017 vs FYE 31 December 2018

For the FYE 31 December 2018, revenue of GFS increased by approximately RM1.57 million or 2.6% as compared to the preceding financial year mainly due to increase in sales from FMCG, government-linked companies and electronic industries. Its revenue contribution from its major customer reduced by RM6.19 million or 31% as compared to FYE 2017 following the one-off technology refresh implemented in the FYE 2017. However, it was offset by the increased in revenue contribution from a new major customer from the utilities sector of RM4.85 million as well as securing of higher sales from certain customers.

Gross profit margin improved from 19% to 28% due to improved pricing as well as the reduction in the reliance of third-party consultants. For information purposes, certain maintenance which as subcontracted to third party consultants previously was handled by an in-house team for cost optimisation.

Further, notwithstanding its selling and distribution expenses decreased by RM0.33 million or 18% due to lower commission paid (calculated based on receivables collected), marketing, promotional expenses as well as travelling expenses. Its other operating expenses also decreased by RM0.10 million or 18% due to lower provision of slow-moving inventories.

The PAT increased by approximately RM4.38 million or 229% as compared to the FYE 2017. This was mainly due to higher revenue, higher gross profit margin, lower selling and distribution expenses and lower other operating expenses.

FYE 31 December 2018 vs FYE 31 December 2019

For the FYE 2019, revenue of GFS decreased by approximately RM8.55 million or 14% as compared to the preceding financial year mainly due to the global economic slow-down causing weak consumer sentiment, which in turn results in significant reduction in capital spending from its customers.

Gross profit margin remained relatively stable at 27% despite the decrease in revenue. However, selling and distribution expenses recorded an increase of RM0.24 million or 16% (higher commission, entertainment and related travelling expenses in an effort to secure more sales). Further, administrative expenses increased by RM1.86 million or 23% as a result of the increase in directors' non-fees emoluments. Its staff cost and other operating expenses also increased by RM1.06 million or 17% and RM0.23 million or 53% respectively, mainly due to higher provision of slow-moving inventories.

The PAT decreased by approximately RM4.66 million or 74% as compared to the FYE 2018. This was mainly due to lower revenue and higher selling and distribution expenses, higher administrative expenses, higher staff cost and higher other operating expenses.

FPE 30 June 2019 vs FPE 30 June 2020

Revenue of GFS for FPE 30 June 2020 decreased by RM8.83 million or 29.5% as compared to the corresponding period in the previous year due to market uncertainties coupled with weak market sentiments, resulting from economic restrictions imposed as a result of COVID-19 pandemic, which in turn results in dampened capital spending from its customers.

Gross profit margin reduced from 31.1% to 18.0% as compared to the FPE 30 June 2019 mainly affected by the softer market condition, causing GFS to offer its products and/or services at a more competitive pricing in order to secure higher level of sales. The gross profit margins are further eroded due to weakening of RM against the USD in the period 2020.

GFS registered a loss after tax of RM1.15 million as compared to a PAT of RM2.26 million in the previous corresponding period mainly due the significant decrease in revenue, which was insufficient to cover the its overhead costs of GFS.

APPENDIX II – SALIENT TERMS OF SSA 1

The salient terms of SSA 1 are summarised as follows:

1. Disposal Consideration 1

The Disposal Consideration 1 shall be wholly satisfied in cash by RGB to Grand-Flo in the following manner:

(i) upon signing of the SSA 1, RGB shall pay Grand-Flo first tranche of the Disposal Consideration 1 of RM1,160,000 ("**RGB Tranche 1**");

(ii) on the Completion Date, RGB shall pay Grand-Flo second tranche of the Disposal Consideration 1 of RM4,640,000;

(iii) within two (2) months after the Completion Date, RGB shall pay Grand-Flo third tranche of the Disposal Consideration 1 of RM2,900,000 ("**RGB Tranche 3**"); and

(iv) within four (4) months after the Completion Date, RGB shall pay Grand-Flo the remaining balance of the Disposal Consideration 1 of RM2,900,000 ("**RGB Tranche 4**").

2. Conditions precedent

The obligations of Grand-Flo and RGB are conditional upon the following being fulfilled, obtained or waived (as the case may be) within 90 days from the date of the SSA 1 or such other extended date as the parties may mutually agree in writing ("**Conditional Period**"):

(i) Grand-Flo having obtained the approval of the Shareholders at an EGM for the Proposed Disposals;

(ii) RGB having obtained the approval of its shareholders at an extraordinary general meeting for the purchase of 800,000 Sale Shares ("**RGB Sale Shares**") in accordance with the provisions of the SSA 1;

(iii) Grand-Flo to procure, the duly executed but undated approval of the GFS's board of directors for the transfer of the RGB Sale Shares to RGB and/or its nominee(s) and the entry into the register of members of GFS, the name of RGB and/or its nominee(s), as holder of the RGB Sale Shares upon the terms and conditions set out in the SSA 1 to be held by the stakeholder and to be released to RGB only upon completion;

(iv) Grand-Flo having obtained, if required, the written consent from financiers/creditors of GFS for the sale and transfer of the RGB Sale Shares to RGB and the consequent change of shareholder in GFS and the release of any guarantees provided by Grand-Flo and the existing directors of GFS for the benefit of GFS;

(v) all the conditions precedent in respect of the Proposed Disposal 2 have been duly fulfilled, obtained or waived (as the case may be) in accordance with the terms of the SSA 2, other than the condition precedent set out in Section 2(iv) of **Appendix III** of this announcement; and

(vi) RGB having completed the audits, due diligence reviews and other inquiries and investigations into the business, matters and affairs of GFS and the due diligence irregularities having been rectified by Grand-Flo to RGB's satisfaction ("**Due Diligence**") in accordance with the provisions set out in the SSA 1.

In the event that any one of the conditions precedent is not or cannot be fulfilled, obtained or waived (as the case may be) during the Conditional Period, either party shall be entitled, by notice of termination to the other, to terminate the SSA 1 and upon such notice being served on the other and, subject to the performance by Grand-Flo and RGB of their respective obligations upon termination, the SSA 1 shall be null and void and be of no further effect and Grand-Flo shall refund all the monies paid by RGB pursuant to the SSA 1, together with interest, to RGB.

3. Due Diligence

For the purpose of the Due Diligence, in the event Grand-Flo did not or is unable to rectify any of the Due Diligence irregularities within the timeframe accorded under the SSA 1, and provided always that:

(i) if such irregularities is quantifiable in monetary terms and result in a loss of contractual value or potential loss or liability of an amount in excess of RM1,160,000; and

(ii) if not quantifiable in monetary terms, means any matter which would have a material and adverse impact on the business of GFS or its assets,

then the Due Diligence irregularities shall be deemed to have not been resolved.

In such an event, RGB shall grant an extension beyond the Conditional Period and proceed to completion subject to Grand-Flo agreeing to pay and indemnify fully, hold harmless and defend RGB from and against any and all of the deficiencies, losses, costs, expenses, damages, consequence and third party claim for damages suffered directly or indirectly by RGB in connection with and/or arising from Grand-Flo not being able to rectify such due diligence irregularities within the period stipulated within the SSA 1.

4. Vendor's Advances

(i) Grand-Flo and RGB agree and acknowledge that Grand-Flo and its related parties and persons connected with them ("**Related Parties**") have, prior to the date of the SSA 1, provided Vendor's Advances to GFS. The parties acknowledge and agree that Grand-Flo and its Related Parties shall not, at any time after the date of the SSA 1, extend any further loans and advances to GFS for any reason whatsoever.

(ii) RGB shall procure GFS to repay all such Vendor's Advances to Grand-Flo and/or its Related Parties in the following manner:

Date	Amount of Vendor's Advances
On or before the Completion Date Within twelve (12) months from the date of the SSAs	A sum not less than RM400,000.00 only The remaining sum of the Vendor's Advances which is approximately RM2,045,926.69 only
Total	**RM2,445,926.69 only**

5. Inter-conditionality

(i) Grand-Flo and RGB agree that the completion of the sale and purchase of the RGB Sale Shares pursuant to the SSA 1 is inter-conditional upon the completion of the Proposed Disposal 2 and *vice versa*.

(ii) In the event the SSA 2 is terminated before the Completion Date for whatsoever reason or not completed simultaneously with the completion of the SSA 1, the SSA 1 will be deemed to be automatically terminated and thereafter be of no effect, whereupon Grand-Flo and RGB will not have any rights against the other and Grand-Flo will not have the obligation to sell the RGB Sale Shares nor RGB to purchase the RGB Sale Shares save for the rights and obligations of Grand-Flo and RGB pursuant to any antecedent breach of the SSA 1. Grand-Flo shall refund all the monies paid by RGB to Grand-Flo, together with interest within seven (7) days from the date of the deemed termination of the SSA 1.

6. Completion of the SSA 1

(i) If the conditions precedent are fulfilled, obtained or waived (as the case may be) in accordance with the provisions of the SSA 1 within the Conditional Period and subject to the fulfilment of the respective parties' obligations under the provisions of the SSA 1, the completion of the sale and purchase of the RGB Sale Shares shall take place on the Completion Date. For the avoidance of doubt, the completion shall take place simultaneously with the completion of the Proposed Disposal 2 on the Completion Date.

(ii) The parties mutually agree to proceed with the completion notwithstanding that the Disposal Consideration 1 has not been fully paid and settled by RGB and the Vendor's Advances have not been fully repaid and settled by GFS to Grand-Flo or its Related Parties on the Completion Date, provided always that the payment of the RGB Tranche 3 and the RGB Tranche 4 and the repayment of the Vendor's Advances shall be made in accordance with the provisions set out in the SSA 1.

(iii) RGB agrees, confirms and acknowledges that in the event that RGB breaches its obligation under the SSA 1 to pay and settle any part of the RGB Tranche 3 and the RGB Tranche 4 in accordance with the provisions of the SSA 1, Grand-Flo shall be entitled to initiate such action as may be available to Grand-Flo in law to recover or claim for the outstanding part of the RGB Tranche 3 and/or RGB Tranche 4 on the basis of the RGB Tranche 3 and/or RGB Tranche 4 being a debt due from RGB to the Grand-Flo under the SSA 1.

7. Termination of the SSA 1

(i) Each party shall be entitled to issue a notice of termination to the other party, if, at any time prior to completion as contemplated under the SSA 1, the other party commits any continuing or material breach of any of its obligations under the SSA 1 which is incapable of remedy or if capable of remedy, is not remedied within fourteen (14) days of it being given notice to do so, or *inter alia*, a winding up or insolvency events occurs.

(ii) If the SSA 1 is terminated by Grand-Flo at any time prior to the Completion Date, Grand-Flo shall be entitled to forfeit the RGB Tranche 1 payment made by RGB as an agreed liquidated damages and all documents held by RGB and/or the stakeholder pursuant to the SSA 1 shall be returned to the other in accordance with the provisions set out in the SSA 1.

(iii) If the SSA 1 is terminated by RGB and RGB elects not to pursue the remedy of specific performance demanding Grand-Flo to complete the transaction as contemplated in the SSA 1, Grand-Flo shall refund all the monies paid by RGB to Grand-Flo, together with interest pursuant to the SSA 1 within fourteen (14) days upon receipt the notice of termination from RGB in exchange for the returned of all documents held by RGB and/or the stakeholder pursuant to the SSA 1 in accordance with the provisions set out in the SSA 1.

8. Non-compete and non-solicitation

Grand-Flo undertakes with RGB that except with the consent in writing of RGB:

(i) for the period of three (3) years after the Completion Date it will not in any country or place where GFS has carried on business within one (1) year prior to the date hereof, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner or agent or otherwise conducts businesses for provision of information technology solutions specialising in automated data collection processes and mobile computing business;

(ii) for the period of three (3) years after the Completion Date it will not either on its own account or in conjunction with or on behalf of any other person, firm or company solicit or entice away or attempt to solicit or entice away from GFS the custom of any person, firm, company or organisation who shall at any time within one (1) year prior to the date hereof have been a customer, client, identified prospective customer or client or agent of GFS; and

(iii) for the period of three (3) years after the Completion Date it will not either on its own account or in conjunction with or on behalf of any other person, firm or company employ, solicit or entice away or attempt to employ, solicit or entice away from GFS any person who is at the date hereof or who shall have been at the date of or within one (1) year prior to any purported breach of this provision an officer, manager, consultant or employee of GFS whether or not such person would commit a breach of contract by reason of leaving such employment.

9. Grand-Flo's indemnity

Grand-Flo shall be liable to indemnify RGB within two (2) years from the Completion Date for the losses arising from any inaccuracies or breach of warranties given by Grand-Flo as stipulated in the SSA 1 and any taxes payable by or any claims for taxes payable which have been or may be asserted against GFS and/or RGB for the period on or before the Completion Date.

10. Limitation of liability

The maximum aggregate liability of Grand-Flo in respect of any claims for the breach of any warranties given by Grand-Flo and any covenant or undertaking under the terms of the SSA 1, shall not exceed an amount equivalent to forty per cent (40%) of the Disposal Consideration 1. No liability shall attach to Grand-Flo where the amount of any claim is less than RM75,000 only.

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APPENDIX III – SALIENT TERMS OF SSA 2

The salient terms of SSA 2 are summarised as follows:

1. Disposal Consideration 2

The Disposal Consideration 2 shall be wholly satisfied in cash by Jejaka to Grand-Flo in the following manner:

(i) upon signing of the SSA 2, Jejaka shall pay Grand-Flo first tranche of the Disposal Consideration 2 of RM290,000 ("**Jejaka Tranche 1**");

(ii) on the Completion Date, Jejaka shall pay Grand-Flo second tranche of the Disposal Consideration 2 of RM1,160,000;

(iii) within two (2) months after the Completion Date, Jejaka shall pay Grand-Flo third tranche of the Disposal Consideration 2 of RM725,000 ("**Jejaka Tranche 3**"); and

(iv) within four (4) months after the Completion Date, Jejaka shall pay Grand-Flo the remaining balance of the Disposal Consideration 2 of RM725,000 ("**Jejaka Tranche 4**").

2. Conditions precedent

The obligations of Grand-Flo and Jejaka are conditional upon the following being fulfilled, obtained or waived (as the case may be) within the Conditional Period:

(i) Grand-Flo having obtained the approval of the shareholders at an EGM for the Proposed Disposals;

(ii) Grand-Flo to procure, the duly executed but undated approval of the GFS's board of directors for the transfer of 200,000 Sale Shares ("**Jejaka Sale Shares**") to Jejaka and/or its nominee(s) and the entry into the register of members of GFS, the name of Jejaka and/or its nominee(s), as holder of the Jejaka Sale Shares upon the terms and conditions set out in the SSA 2 to be held by the stakeholder and to be released to Jejaka only upon completion;

(iii) Grand-Flo having obtained, if required, the written consent from financiers/creditors of GFS for the sale and transfer of the Jejaka Sale Shares to Jejaka and the consequent change of shareholder in GFS and the release of any guarantees provided by Grand-Flo and the existing directors of GFS for the benefit of GFS; and

(iv) all the conditions precedent in respect of the Proposed Disposal 1 have been duly fulfilled, obtained or waived (as the case may be) in accordance with the terms of the SSA 1, other than the condition precedent set out in Section 2(v) of **Appendix II** of this announcement.

In the event that any one of the conditions precedent is not or cannot be fulfilled, obtained or waived (as the case may be) during the Conditional Period, either party shall be entitled, by notice of termination to the other, to terminate the SSA 2 and upon such notice being served on the other and, subject to the performance by Grand-Flo and Jejaka of their respective obligations upon termination, the SSA 2 shall be null and void and be of no further effect and Grand-Flo shall refund all the monies paid by Jejaka pursuant to the SSA 2, free of interest, to Jejaka.

3. Vendor's Advances

(i) Grand-Flo and Jejaka agree and acknowledge that Grand-Flo and the Related Parties have, prior to the date of the SSA 2, provided Vendor's Advances to GFS. The parties acknowledge and agree that Grand-Flo and the Related Parties shall not, at any time after the date of the SSA 2, extend any further loans and advances to GFS for any reason whatsoever.

(ii) Grand-Flo and Jejaka agree that all such Vendor's Advances shall be settled and repaid by GFS to Grand-Flo and/or its Related Parties in the following manner:

Date	Amount of Vendor's Advances
On or before the Completion Date Within twelve (12) months from the date of the SSAs	A sum not less than RM400,000.00 only The remaining sum of the Vendor's Advances which is approximately RM2,045,926.69 only
Total	**RM2,445,926.69 only**

4. Inter-conditionality

(i) Grand-Flo and Jejaka agree that the completion of the sale and purchase of the Jejaka Sale Shares pursuant to the SSA 2 is inter-conditional upon the completion of the Proposed Disposal 1 and *vice versa*.

(ii) In the event the SSA 1 is terminated before the Completion Date for whatsoever reason or not completed simultaneously with the completion of the SSA 2, the SSA 2 will be deemed to be automatically terminated and thereafter be of no effect, whereupon Grand-Flo and Jejaka will not have any rights against the other and Grand-Flo will not have the obligation to sell the Jejaka Sale Shares nor Jejaka to purchase the Jejaka Sale Shares save for the rights and obligations of Grand-Flo and Jejaka pursuant to any antecedent breach of the SSA 2. Grand-Flo shall refund all the monies paid by Jejaka to Grand-Flo, together with interest within seven (7) days from the date of the deemed termination of the SSA 2.

5. Completion of the SSA 2

(i) If the conditions precedent are fulfilled, obtained or waived (as the case may be) in accordance with the provisions of the SSA 2 within the Conditional Period and subject to the fulfilment of the respective parties' obligations under the provisions of the SSA 2, the completion of the sale and purchase of the Jejaka Sale Shares shall take place on the Completion Date. For the avoidance of doubt, the completion shall take place simultaneously with the completion of the Proposed Disposal 1 on the Completion Date.

(ii) The parties mutually agree to proceed with the completion notwithstanding that the Disposal Consideration 2 has not been fully paid and settled by Jejaka and the Vendor's Advances have not been fully repaid and settled by GFS to Grand-Flo or its Related Parties on the Completion Date, provided always that the payment of the Jejaka Tranche 3 and the Jejaka Tranche 4 and the repayment of the Vendor's Advances shall be made in accordance with the provisions set out in the SSA 2.

(iii) In the event that Jejaka breaches its obligation under the SSA 2 to pay and settle any part of the Jejaka Tranche 3 and the Jejaka Tranche 4 in accordance with the provisions of the SSA 2, Jejaka shall, inter-alia, be liable to pay to Grand-Flo interest at the rate of eight per cent (8%) per annum on the amount due calculated on a daily basis from the due date for payment until the date of actual receipt of full payment.

6. Termination of the SSA 2

(i) Each party shall be entitled to issue a notice of termination to the other party, if, at any time prior to completion as contemplated under the SSA 2, the other party commits any continuing or material breach of any of its obligations under the SSA 2 which is incapable of remedy or if capable of remedy, is not remedied within 14 days of it being given notice to do so, or *inter alia*, a winding up or insolvency events occurs.

(ii) If the SSA 2 is terminated by Grand-Flo at any time prior to the Completion Date, Grand-Flo shall be entitled to forfeit the Jejaka Tranche 1 payment made by Jejaka as an agreed liquidated damages and all documents held by Jejaka and/or the stakeholder pursuant to the SSA 2 shall be returned to the other in accordance with the provisions set out in the SSA 2.

(iii) If the SSA 2 is terminated by Jejaka and Jejaka elects not to pursue the remedy of specific performance demanding Grand-Flo to complete the transaction as contemplated in the SSA 2, Grand-Flo shall refund all the monies paid by Jejaka to Grand-Flo, together with interest pursuant to the SSA 2 within fourteen (14) days upon receipt the notice of termination from Jejaka in exchange for the returned of all documents held by Jejaka and/or the stakeholder pursuant to the SSA 2 in accordance with the provisions set out in the SSA 2.

7. Non-compete and non-solicitation

Grand-Flo undertakes with Jejaka that except with the consent in writing of Jejaka:

(i) for the period of three (3) years after the Completion Date it will not in any country or place where GFS has carried on business within one (1) year prior to the date hereof, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner or agent or otherwise conducts businesses for provision of information technology solutions specialising in automated data collection processes and mobile computing business;

(ii) for the period of three (3) years after the Completion Date it will not either on its own account or in conjunction with or on behalf of any other person, firm or company solicit or entice away or attempt to solicit or entice away from GFS the custom of any person, firm, company or organisation who shall at any time within one (1) year prior to the date hereof have been a customer, client, identified prospective customer or client or agent of GFS; and

(iii) for the period of three (3) years after the Completion Date it will not either on its own account or in conjunction with or on behalf of any other person, firm or company employ, solicit or entice away or attempt to employ, solicit or entice away from GFS any person who is at the date hereof or who shall have been at the date of or within one (1) year prior to any purported breach of this provision an officer, manager, consultant or employee of GFS whether or not such person would commit a breach of contract by reason of leaving such employment.

8. Limitation of liability

The maximum aggregate liability of Grand-Flo in respect of any claims for the breach of any warranties given by Grand-Flo and any covenant or undertaking under the terms of the SSA 2, shall not exceed an amount equivalent to forty per cent (40%) of the Disposal Consideration 2. No liability shall attach to Grand-Flo where the amount of any claim is less than RM75,000 only.