

Type : **Announcement**  
Subject : **GRAND-FLO SOLUTION BERHAD (“GRAND-FLO” OR THE “COMPANY”)**

- (I) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 67,927,355 FIVE (5)-YEAR 2010/2015 WARRANTS ON THE BASIS OF ONE (1) NEW WARRANT FOR EVERY TWO (2) ORDINARY SHARES OF RM0.10 EACH IN GRAND-FLO (“GRAND-FLO SHARES”) HELD AT AN ISSUE PRICE OF RM0.02 PER WARRANT (“PROPOSED RIGHTS ISSUE”); AND**
- (II) **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF GRAND-FLO FROM RM25,000,000, COMPRISING 250,000,000 GRAND-FLO SHARES TO RM50,000,000, COMPRISING 500,000,000 GRAND-FLO SHARES, BY CREATION OF AN ADDITIONAL 250,000,000 GRAND-FLO SHARES (“PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL”).**

**(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)**

**Contents :**

## **1. INTRODUCTION**

On behalf of the Board of Directors of Grand-Flo Solution Berhad (“**Board**”), Kenanga Investment Bank Berhad (“**KIBB**”) is pleased to announce that the Company proposes to implement the following:-

- (i) A renounceable rights issue of up to 67,927,355 five (5)-year 2010/2015 warrants (“**Warrants**”) on the basis of one (1) new Warrant for every two (2) Grand-Flo Shares held at an issue price of RM0.02 per Warrant; and
- (ii) An increase in the authorised share capital of Grand-Flo from RM25,000,000, comprising 250,000,000 Grand-Flo Shares to RM50,000,000, comprising 500,000,000 Grand-Flo Shares, by the creation of an additional 250,000,000 Grand-Flo Shares.

## **2. DETAILS OF THE PROPOSALS**

### **2.1 Information on the Proposed Rights Issue**

As at the date of this announcement, the issued and paid-up share capital of Grand-Flo is RM13,585,471, comprising 135,854,709 Grand-Flo Shares of which 24,800 Grand-Flo Shares are being held as treasury shares by the Company (“**Treasury Shares**”).

The Company had on 18 January 2010 also announced the proposed acquisition of the remaining 45% equity interests in Labels Network Sdn Bhd not already held by Grand-Flo for a purchase consideration of RM3,600,000 to be satisfied entirely via the issuance of 9,230,769 new Grand-Flo Shares (“**Consideration Shares**”) at an issue price of RM0.39 per Consideration Share (“**Proposed Acquisition**”).

The Proposed Rights Issue and Proposed Acquisition are stand-alone proposals, the completion of which are not inter-conditional upon each other.

As part of the terms and conditions of the Proposed Acquisition, the Consideration Shares shall not be entitled to the Warrants in connection with the Proposed Rights Issue (details of which are set out in the Proposed Acquisition's announcement dated 18 January 2010).

Taking into account the abovementioned as well as the 24,800 Treasury Shares held by the Company as at the date of this announcement, the Proposed Rights Issue is expected to result in the issuance of up to 67,914,955 Warrants upon the Proposed Rights Issue's book closure date ("BCD"). However, the Company may decide to sell the Treasury Shares and as a result, such eventual buyers of the Treasury Shares would be entitled to the Proposed Rights Issue as shareholders of the Company. In the event that the Company disposes all of its Treasury Shares held prior to the BCD, the Proposed Rights Issue is expected to result in the issuance of up to 67,927,355 Warrants.

Notwithstanding the above, during the interim period up to the completion of the Proposed Rights Issue, the Company does not intend to effect any further share buy-backs.

The Warrants will be provisionally allotted and issued to the shareholders of Grand-Flo whose names appear in the Record of Depositors of the Company at the close of business on a BCD to be determined and announced later. Fractions of a Warrant shall be disregarded and the aggregate of such fractions and any Warrants not subscribed by the shareholders and/or their renounees will be dealt with on such terms and times as the Board may at their discretion deem fit and expedient. Assuming full exercise of the 67,914,955 Warrants, up to 67,914,955 new Grand-Flo Shares will be issued upon the exercise of the Warrants.

The indicative salient terms of the Warrants are set out in Section 2.3 of this announcement.

## **2.2 Information on the Proposed Increase in Authorised Share Capital**

Grand-Flo proposes to increase its authorised share capital from RM25,000,000, comprising 250,000,000 Grand-Flo Shares to RM50,000,000, comprising 500,000,000 Grand-Flo Shares by the creation of an additional 250,000,000 Grand-Flo Shares to accommodate its enlarged issued and paid-up share capital pursuant to the Proposed Rights Issue and the Proposed Acquisition, as well as any other future corporate exercises.

The completion of the Proposed Increase in Authorised Share Capital is not conditional upon the Proposed Rights Issue nor is the completion of the Proposed Rights Issue conditional upon the Proposed Increase in Authorised Share Capital.

## **2.3 Salient terms of the Warrants**

The Warrants shall be issued in registered form and will be constituted by a Deed Poll. The indicative salient terms of the Warrants are set out as follow:-

<b>Terms</b>	<b>Details</b>
Total Issue	: Up to 67,927,355 Warrants to be issued

<b>Terms</b>	<b>Details</b>
Form and Denomination	: The Warrants will be issued in registered form and are to be constituted by a Deed Poll to be executed
Issue Price	: RM0.02 per Warrant
Tenure	: Five (5) years from the date of issuance of the Warrants
Exercise Period	: The Warrants shall be exercisable at any time within the period commencing on, and inclusive of, the date of issue of the Warrants and ending on the date preceding the fifth (5 <sup>th</sup> ) anniversary of the date of issue of the Warrants, or if such date is not a market day, then it shall be the market day immediately preceding the said non market day, but excluding the five (5) clear market days prior to a books closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors and/or the Warrants Register is or are closed.  Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	: RM0.25 per new Grand-Flo Share, subject to the adjustments in accordance with the provisions of the Deed Poll to be constituted.
Entitlement	: Subject to the provisions to be included in the Deed Poll, each Warrant shall entitle the registered holder during the Exercise Period to subscribe for one (1) new Grand-Flo Share at the Exercise Price.
Mode of Exercise	: The registered holder of the Warrants shall pay cash at the Exercise Price when subscribing for the new Grand-Flo Shares.
Listing	Application will be made to Bursa Malaysia Securities Berhad (" <b>Bursa Securities</b> ") for the admission, listing of and quotation for the Warrants and the listing of and quotation for new Grand-Flo Shares to be issued upon exercise of the Warrants.
Board Lots	: The Warrants are tradable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Grand-Flo Shares
Transferability	: The Warrants shall be transferable in the manner to be set out in the Deed Poll subject always to the provisions of the Central Depositories Act and the Rules of Bursa Malaysia Depository Sdn Bhd.
Deed Poll	: The Warrants will be constituted by a Deed Poll to be executed by Grand-Flo.

<b>Terms</b>	<b>Details</b>
Ranking of the new Grand-Flo Shares from exercise of Warrants	: The new Grand-Flo Shares to be issued pursuant to the exercise of the Warrants shall, upon issue and allotment, rank <i>pari passu</i> in all respects with the then existing ordinary shares of the Company save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which precedes the relevant exercise date of the Warrants.
Rights of Warrant holders on winding up, compromise or arrangement of the Company	: In case of a winding up, compromise or arrangement of the Company, every Warrant holder is entitled, within six (6) weeks from the last approval for the winding up, compromise or arrangement (as the case may be) to exercise his rights represented by the Warrants by payment of the Exercise Price within the said six (6) weeks and upon such exercise, shall be deemed and be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement (as the case may be) been the holder of new Grand-Flo Shares arising from the exercise of the Warrants
Adjustment in the Exercise Price and/or the number of Warrants held by Warrant holders in the event of alteration to the share capital	: Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of Warrants held by each Warrant holder shall be adjusted by the Directors in consultation with the auditor or principal adviser, in the event of alteration to the share capital of the Company in accordance with the provisions as set out in the Deed Poll.
Governing law	: The laws of Malaysia

## **2.4 Pricing of the Warrants**

The issue price of RM0.02 per Warrant and the justification of the issue price were arrived at after taking into consideration the following:-

- (i) the closing price of the Grand-Flo Shares of RM0.38 on 15 January 2010, being the market day prior to the date of this announcement;
- (ii) the five (5)-day WAMP of the Grand-Flo Shares of RM0.39 up to 15 January 2010, being the market day prior to the date of this announcement;
- (iii) the ten (10)-day WAMP of the Grand-Flo Shares of RM0.37 up to 15 January 2010, being the market day prior to the date of this announcement;
- (iv) the fifteen (15)-day WAMP of the Grand-Flo Shares of RM0.37 up to 15 January 2010, being the market day prior to the date of this announcement; and
- (v) the exercise price of the Warrants of RM0.25 per new Grand-Flo Share.

The exercise price per Warrant is fixed at RM0.25 per Warrant after taking into consideration the following:-

- (i) the exercise price being a discount of RM0.13 or 34.2% as compared to the closing price of the Grand-Flo Shares of RM0.38 on 15 January 2010, being the market day prior to the date of this announcement;
- (ii) the exercise price being a discount of RM0.14 or 35.9% as compared to the five (5)-day WAMP of the Grand-Flo Shares of RM0.39 up to 15 January 2010, being the market day prior to the date of this announcement;
- (iii) the exercise price being a discount of RM0.12 or 32.4% as compared to the ten (10)-day WAMP of the Grand-Flo Shares of RM0.37 up to 15 January 2010, being the market day prior to the date of this announcement;
- (iv) the exercise price being a discount of RM0.12 or 32.4% as compared to the fifteen (15)-day WAMP of the Grand-Flo Shares of RM0.37 up to 15 January 2010, being the market day prior to the date of this announcement;
- (v) the issue price of RM0.02 per Warrant; and
- (vi) the historical volatility of the Grand-Flo Share.

## 2.5 Listing of the Warrants

As part of the Proposed Rights Issue, an application for the admission, listing of and quotation on Bursa Securities will be made for the Warrants to be issued pursuant to the Proposed Rights Issue and the listing of and quotation on the ACE Market of Bursa Securities for the new Grand-Flo Shares to be issued following the exercise of the Warrants.

## 2.6 Ranking of the new Grand-Flo Shares to be issued upon exercise of the Warrants

The new Grand-Flo Shares shall upon allotment and issue, rank *pari passu* in all respects with the then existing Grand-Flo Shares, save and except that they shall not be entitled to any dividends, rights, allotment and/or other distributions which are declared, made or paid prior to the date of their allotment.

## 2.7 Utilisation of Proceeds

The Proposed Rights Issue will enable Grand-Flo to raise up to RM1,358,547 upon issuance of the Warrants (assuming the Warrants are fully underwritten as set out in Section 2.8 below), the utilisation of which is set out as follow:-

Details of Utilisation	Amount (RM)
Working capital requirements	1,234,547
Estimated expenses for the Proposals	124,000
<b>Total</b>	<b>1,358,547</b>

The proceeds to be raised from the exercise of the Warrants, if any, are proposed to be utilised for working capital.

## 2.8 Irrevocable Undertakings and Underwriting Arrangements

Grand-Flo intends to procure irrevocable undertakings from certain shareholders, namely Grand-Flo Corporation Sdn Bhd, Tan Bak Hong, Tan Bak Leng, Tan Chuan Hock, Cheng Ping Liong, CL Solutions Services Limited (“**CLSS**”) and AI Capital Sdn Bhd, to subscribe for their respective rights entitlement pursuant to the Proposed Rights Issue.

For the remaining portion of Warrants which are not subscribed for by the other shareholders of Grand-Flo, if any, save for the abovementioned shareholders (“**Open Portion**”), Grand-Flo intends to procure irrevocable undertakings from certain shareholders, namely Grand-Flo Corporation Sdn Bhd, Tan Bak Hong, Tan Bak Leng, Tan Chuan Hock<sup>(1)</sup> and Cheng Ping Liong (“**Undertaking Shareholders**”), to subscribe for such Open Portion in proportion to the number of Grand-Flo Shares held by them.

In the event that Grand-Flo is unable to secure full undertakings from the Undertaking Shareholders, separate underwriting arrangements will be made.

*Note:-*

(1) *Including Tan Chuan Hock's indirect interest in Grand-Flo by virtue of his shareholdings in AI Capital Sdn Bhd pursuant to Section 6A of the Companies Act 1965 (“**Act**”).*

## 3. RATIONALE FOR THE PROPOSALS

The Proposed Rights Issue will enable the Company to raise immediate gross proceeds from the issuance of the Warrants for the working capital requirements and defrayment of expenses incidental to the Proposals. Moreover, if and when the Warrants are exercised, such funds will be used to finance the working capital requirements of Grand-Flo and its subsidiaries (“**Grand-Flo Group**”) and to further strengthen the capitalisation of the Company, as well as to improve the liquidity of the Grand-Flo Shares. The Proposed Rights Issue will also provide Grand-Flo's shareholders with the opportunity to further increase their equity participation in the Company at a pre-determined price over the tenure of the Warrants.

As the Warrants will be listed and traded on Bursa Securities, the Warrants are also expected to provide an attractive avenue for shareholders and/or potential investors to subscribe for / acquire the Warrants to benefit from potential future capital appreciation of the Warrants and the Grand-Flo Shares (arising from its exercise) that may arise depending on the performance of the Grand-Flo Group.

The issuance of Warrants will also minimise an immediate dilution on the earnings per share (“**EPS**”) of the Company, which would otherwise arise from a direct issuance of ordinary shares.

The Proposed Increase in Authorised Share Capital is intended to increase the Company's existing authorised share capital to a level to accommodate and facilitate the future issuance of equity capital, in particular the exercise of Warrants, the Proposed Acquisition and any other future corporate exercises.

#### 4. FINANCIAL EFFECTS OF THE PROPOSALS

The financial effects of the Proposed Rights Issue are set out in the ensuing sections of this announcement.

The Proposed Increase in Authorised Share Capital has no impact on the share capital, substantial shareholders' shareholding, net assets ("NA"), gearing and any existing convertible securities of Grand-Flo.

##### 4.1 Share Capital

The Proposed Rights Issue will not have an immediate effect on the issued and paid-up share capital of the Company. The issued and paid-up share capital of the Company will increase progressively depending on the number of new Grand-Flo Shares issued pursuant to the exercise of the Warrants during the Exercise Period.

For illustration purpose, assuming all the Warrants are exercised, the issued and paid-up share capital of the Company as at 31 December 2009 (being the latest practicable date in respect of the Company's shareholding information) shall increase as set out as follows:-

	No. of Grand-Flo Shares	RM
Issued and paid-up share capital as at 31 December 2009	135,854,709	13,585,471
<b>Add:</b> Consideration Shares to be issued pursuant to the Proposed Acquisition*	9,230,769	923,077
<b>Add:</b> Grand-Flo Shares to be issued upon full exercise of the Warrants^	67,914,955	6,791,496
<b>Enlarged issued and paid-up share capital</b>	<b>213,000,433</b>	<b>21,300,044</b>

Note:-

\* As part of the terms and conditions of the Proposed Acquisition, the Consideration Shares shall not be entitled to the Warrants pursuant to the Proposed Rights Issue. The Proposed Acquisition is currently pending completion.

^ In the event the 24,800 Treasury Shares held by the Company are resold back to the market by the Company, the number of Grand-Flo Shares to be issued upon full exercise of the Warrants shall increase by 12,400 to 67,927,355 Grand-Flo Shares, resulting in a potential enlarged issued and paid-up share capital of up to RM20,378,206 comprising 203,782,064 Grand-Flo Shares.

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## 4.2 Substantial Shareholders' Shareholding

The Proposed Rights Issue will not have an immediate effect on the substantial shareholders' shareholding in Grand-Flo. Any potential effect of the Proposed Rights Issue on the substantial shareholders' shareholding will depend on the number of new Grand-Flo Shares issued pursuant to the exercise of the Warrants during the Exercise Period.

For illustration purpose, assuming all the Warrants are exercised, the proforma effect of the Proposed Rights Issue on the substantial shareholders' shareholding in Grand-Flo as at 31 December 2009 is set out as follows:-

### *Minimum Scenario (Assuming all the Warrants are subscribed for by Grand-Flo's shareholders)*

Shareholders	Existing as at 31 December 2009 <sup>(1)</sup>				Proforma I – After the Completion of the Proposed Acquisition				Proforma II – After the full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%
Grand-Flo Corporation Sdn Bhd	23,559,990	17.35	-	-	23,559,990	16.24	-	-	35,339,985	16.59	-	-
Tan Bak Hong	4,824,736	3.55	23,559,990 <sup>(2)</sup>	17.35	4,824,736	3.33	23,559,990 <sup>(2)</sup>	16.24	7,237,104	3.40	35,339,985 <sup>(2)</sup>	16.59
Tan Bak Leng	11,480,660	8.45	-	-	11,480,660	7.91	-	-	17,220,990	8.09	-	-
Tan Chuan Hock	4,200,000	3.09	4,000,000 <sup>(3)</sup>	2.94	4,200,000	2.90	4,000,000 <sup>(3)</sup>	2.76	6,300,000	2.96	6,000,000 <sup>(3)</sup>	2.82
Yap Li Li	-	-	28,384,726 <sup>(4)</sup>	20.90	-	-	28,384,726 <sup>(4)</sup>	19.57	-	-	42,577,089 <sup>(4)</sup>	19.99
CLSS	11,398,176	8.39	-	-	11,398,176	7.86	-	-	17,097,264	8.03	-	-
CL International Holdings Limited ("CLIHL")	-	-	11,398,176 <sup>(5)</sup>	8.39	-	-	11,398,176 <sup>(5)</sup>	7.86	-	-	17,097,264 <sup>(5)</sup>	8.03
Leung Fung Shan	-	-	11,398,176 <sup>(6)</sup>	8.39	-	-	11,398,176 <sup>(6)</sup>	7.86	-	-	17,097,264 <sup>(6)</sup>	8.03
Cheng Ping Liong	6,666,667	4.91	-	-	6,666,667	4.60	-	-	10,000,001	4.70	-	-
Wan Kok Weng	1,500,000	1.10	-	-	6,115,385	4.22	4,615,384 <sup>(8)</sup>	3.18	6,865,385	3.22	4,615,384 <sup>(8)</sup>	2.17
Chan Pik Khew	-	-	1,500,000 <sup>(7)</sup>	1.10	4,615,384	3.18	6,115,385 <sup>(7)</sup>	4.22	4,615,384	2.17	6,865,385 <sup>(7)</sup>	3.22

Notes:-

- (1) *Excluding the 24,800 Treasury Shares as at the date of this announcement.*
- (2) *Deemed interested by virtue of his interest in Grand-Flo Corporation Sdn Bhd pursuant to Section 6A of the Act.*
- (3) *Deemed interested by virtue of his interest in AI Capital Sdn Bhd pursuant to Section 6A of the Act.*
- (4) *Deemed interested by virtue of her spouse, Mr. Tan Bak Hong's interest in Grand-Flo and by virtue of her and Mr. Tan Bak Hong's interest in Grand-Flo Corporation Sdn Bhd pursuant to Section 6A of the Act.*
- (5) *Deemed interested by virtue of CLIHL's interest in CLSS pursuant to Section 6A of the Act.*
- (6) *Deemed interested by virtue of her interest in CLSS pursuant to Section 6A of the Act.*
- (7) *Deemed interested by virtue of her spouse's, Mr. Wan Kok Weng's interest in Grand-Flo pursuant to Section 6A of the Act.*
- (8) *Deemed interest by virtue of his spouse's, Ms. Chan Pik Khew's interest in Grand-Flo pursuant to Section 6A of the Act.*

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**Maximum Scenario (Assuming the Open Portion is not subscribed for by Grand-Flo's shareholders and that the Undertaking Shareholders subscribe for the Open Portion in proportion with their respective shareholdings)**

Shareholders	Existing as at 31 December 2009 <sup>(1)</sup>				Proforma I – After the Completion of the Proposed Acquisition				Proforma II – After the full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%	No. of Grand-Flo Shares	%
Grand-Flo Corporation Sdn Bhd	23,559,990	17.35	-	-	23,559,990	16.24	-	-	50,341,467	23.64	-	-
Tan Bak Hong	4,824,736	3.55	23,559,990 <sup>(2)</sup>	17.35	4,824,736	3.33	23,559,990 <sup>(2)</sup>	16.24	10,309,185	4.84	50,341,467 <sup>(2)</sup>	23.64
Tan Bak Leng	11,480,660	8.45	-	-	11,480,660	7.91	-	-	24,531,134	11.52	-	-
Tan Chuan Hock	4,200,000	3.09	4,000,000 <sup>(3)</sup>	2.94	4,200,000	2.90	4,000,000 <sup>(3)</sup>	2.76	11,521,231	5.41	6,000,000 <sup>(3)</sup>	2.82
Yap Li Li	-	-	28,384,726 <sup>(4)</sup>	20.90	-	-	28,384,726 <sup>(4)</sup>	19.57	-	-	60,650,652 <sup>(4)</sup>	28.48
CLSS	11,398,176	8.39	-	-	11,398,176	7.86	-	-	17,097,264	8.03	-	-
CLIHL	-	-	11,398,176 <sup>(5)</sup>	8.39	-	-	11,398,176 <sup>(5)</sup>	7.86	-	-	17,097,264 <sup>(5)</sup>	8.03
Leung Fung Shan	-	-	11,398,176 <sup>(6)</sup>	8.39	-	-	11,398,176 <sup>(6)</sup>	7.86	-	-	17,097,264 <sup>(6)</sup>	8.03
Cheng Ping Liong	6,666,667	4.91	-	-	6,666,667	4.60	-	-	14,244,904	6.69	-	-
Wan Kok Weng	1,500,000	1.10	-	-	6,115,385	4.22	4,615,384 <sup>(8)</sup>	3.18	6,115,385	2.87	4,615,384 <sup>(8)</sup>	2.17
Chan Pik Khew	-	-	1,500,000 <sup>(7)</sup>	1.10	4,615,384	3.18	6,115,385 <sup>(7)</sup>	4.22	4,615,384	2.17	6,115,385 <sup>(7)</sup>	2.87

Notes:-

- (1) Excluding the 24,800 Treasury Shares as at the date of this announcement.
- (2) Deemed interested by virtue of his interest in Grand-Flo Corporation Sdn Bhd pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his interest in AI Capital Sdn Bhd pursuant to Section 6A of the Act.
- (4) Deemed interested by virtue of her spouse, Mr. Tan Bak Hong's interest in Grand-Flo and by virtue of her and Mr. Tan Bak Hong's interest in Grand-Flo Corporation Sdn Bhd pursuant to Section 6A of the Act.
- (5) Deemed interested by virtue of CLIHL's interest in CLSS pursuant to Section 6A of the Act.
- (6) Deemed interested by virtue of her interest in CLSS pursuant to Section 6A of the Act.
- (7) Deemed interested by virtue of her spouse's, Mr. Wan Kok Weng's interest in Grand-Flo pursuant to Section 6A of the Act.
- (8) Deemed interest by virtue of his spouse's, Ms. Chan Pik Khew's interest in Grand-Flo pursuant to Section 6A of the Act.

### 4.3 NA and Gearing

Based on the latest available audited consolidated balance sheets of Grand-Flo as at 31 December 2008, the proforma effects of the Proposed Rights Issue on the Company's consolidated NA and gearing are as follow:-

	<b>Audited As at 31 Dec 2008 (RM'000)</b>	<b>Proforma I After taking into account material events subsequent to 31 December 2008 <sup>(1)</sup> (RM'000)</b>	<b>Proforma II After Proforma I and the completion of the Proposed Acquisition (RM'000)</b>	<b>Proforma III After Proforma II and completion of the Proposed Rights Issue (RM'000)</b>	<b>Proforma IV After Proforma IV and the full exercise of the Warrants (RM'000)</b>
Share capital	12,446	13,585	14,508	14,508	21,300
Share premium	8,760	12,407	15,084	15,084	26,505
Treasury shares	(2)	(9)	(9)	(9)	(9)
Warrants reserve	-	-	-	1,234 <sup>(2)</sup>	-
Other reserves	1,056	1,056	1,056	1,056	1,056
Foreign exchange fluctuation reserve	589	589	589	589	589
Share option reserve	77	77	77	77	77
Retained earnings	7,565	7,565	7,565	7,565	7,565
Minority interests	1,842	1,842	186	186	186
<b>Total equity / NA</b>	<b>32,333</b>	<b>37,112</b>	<b>39,056</b>	<b>40,290</b>	<b>57,269</b>
No. of Grand-Flo Shares in issue ('000)	124,457	135,855	145,085	145,085	213,000
<b>NA per share (Sen)</b>	<b>25.98</b>	<b>27.32</b>	<b>26.92</b>	<b>27.77</b>	<b>26.89</b>
Borrowings (interest- bearing) (RM'000)	11,346	11,346	11,346	11,346	11,346
<b>Gearing (times)</b>	<b>0.35</b>	<b>0.31</b>	<b>0.29</b>	<b>0.28</b>	<b>0.20</b>

Note:-

- (1) Taking into account the completion of the acquisition of CL Solutions (China) Limited ("CLS China") on 28 February 2009 and the additional 19,800 Grand-Flo Shares repurchased by the Company under a share buy-back scheme.
- (2) Assuming that the estimated expenses of RM124,000 relating to the Proposed Rights Issue is charged to the warrants reserve of Grand-Flo.

### 4.4 Earnings

The Proposed Rights Issue will not have an immediate material impact on the earnings of Grand-Flo. Nevertheless, the EPS of Grand-Flo will have an immediate dilutive effect with any exercise of the Warrants. However, the degree of any effect of any exercise of the Warrants on the EPS would be dependent on the returns generated from the utilisation of proceeds arising from the exercise of the Warrants and also the Grand-Flo Group's future financial performance.

### 4.5 Existing Convertible Securities

As at the date of this announcement, Grand-Flo does not have any existing convertible securities.

## **5. APPROVALS REQUIRED**

The Proposals are subject to the following approvals being obtained: -

- (i) Bursa Securities for the admission of the Warrants to the Official List of Bursa securities, listing of and quotation for the Warrants to be issued pursuant to the Proposed Rights Issue and for the listing of and quotation for new Grand-Flo Shares on the ACE Market of Bursa Securities to be issued upon the exercise of the Warrants, if any;
- (ii) shareholders of Grand-Flo for the Proposals at an extraordinary general meeting to be convened;
- (iii) Bank Negara Malaysia for the Proposed Rights Issue in accordance with the Exchange Control Regulations (if applicable); and
- (iv) any other relevant authorities/parties.

The Proposed Rights Issue is also subject to the registration of the Abridged Prospectus with the Securities Commission. The Proposals are not inter-conditional upon each other and the Proposals are not conditional upon the completion of the Proposed Acquisition.

Barring any unforeseen circumstances, the applications to the relevant authorities for the Proposed Rights Issue would be submitted within two (2) months from the date of this announcement.

## **6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

Save for their respective entitlements in the Proposed Rights Issue as shareholders of Grand-Flo, none of the Directors, major shareholders of Grand-Flo and/or person(s) connected to them have any interest, directly or indirectly, in the Proposals.

## **7. ESTIMATED TIMEFRAME FOR COMPLETION**

The Proposals are estimated to be completed by the 2<sup>nd</sup> quarter of 2010.

## **8. ADVISER**

KIBB has been appointed as Adviser to Grand-Flo in relation to the Proposals.

This announcement is dated 18 January 2010.