

THIS CIRCULAR TO SHAREHOLDERS OF FOUNDPAC GROUP BERHAD (“FOUNDPAC” OR THE “COMPANY”) (“CIRCULAR”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, valuation certificate and report, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



FOUNDPAC GROUP BERHAD
(Registration No. 201501040628 (1165946-H))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED ACQUISITION BY FOUNDPAC SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF FOUNDPAC, OF A LEASEHOLD INDUSTRIAL LAND HELD UNDER TITLE NO. PAJAKAN NEGERI (PN) 2759, LOT 5728, MUKIM 12, DISTRICT OF BARAT DAYA, STATE OF PULAU PINANG TOGETHER WITH A SINGLE STOREY DETACHED FACTORY CUM DOUBLE STOREY OFFICE BUILDING ERECTED THEREON FROM BLUEMETAL SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM41.88 MILLION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser
UOBKayHian

UOB KAY HIAN SECURITIES (M) SDN BHD
(Registration No. 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting (“EGM”) of the Company to be held at Wembly Room 10, Level 9, The Wembly, A St Giles Hotel, Penang, 183, Jalan Magazine, 10300 Penang on Wednesday, 27 March 2024 at 9.00 a.m. or at any adjournment thereof, together with the Proxy Form are enclosed in this Circular.

If you decide to appoint a proxy to attend and vote on your behalf at the EGM, the Proxy Form must be deposited at Securities Services (Holdings) Sdn Bhd at Suite 18.05, MWE Plaza, No. 8, Lebuh Farquhar, 10200 George Town, Pulau Pinang or submitted via fax at 03-2094 9940 or 03-2095 0292 or emailed to info@sshb.com.my not less than twenty-four (24) hours before the time set for holding the EGM or at any adjournments thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM, should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Tuesday, 26 March 2024 at 9.00 a.m.

Date and time of the EGM : Wednesday, 27 March 2024 at 9.00 a.m.

This Circular is dated 11 March 2024

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

“Act”	:	The Companies Act 2016
“Asset Valuation Guidelines”	:	Asset Valuation Guidelines issued by the SC
“BMSB” or the “Vendor”	:	Bluemetal Sdn Bhd (Registration No. 198901011194 (188496-D))
“Board”	:	The Board of Directors of FoundPac
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“Circular”	:	This circular to shareholders of FoundPac dated 11 March 2024 in relation to the Proposed Acquisition
“Completion Period”	:	A period of 90 days from the date the SPA becomes unconditional with an automatic extension of a further 30 days subject to the Purchaser paying an interest on the outstanding sum of the balance of the Total Purchase Consideration at the rate of 6% per annum calculated on a daily basis
“COVID-19”	:	Coronavirus disease 2019
“Director(s)”	:	The director(s) of FoundPac and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and Section 2(1) of the Act
“E&E”	:	Electrical and electronic
“EGM”	:	Extraordinary general meeting
“EPS”	:	Earnings per share
“FLEX”	:	Flextronics Technology (Penang) Sdn Bhd (Registration No. 199001010222 (201794-V)), the current tenant of the Subject Property
“FoundPac” or the “Company”	:	FoundPac Group Berhad (Registration No. 201501040628 (1165946-H))
“FoundPac Group” or the “Group”	:	Collectively, FoundPac and its subsidiaries
“FoundPac Share(s)” or “Share(s)”	:	Ordinary share(s) in FoundPac
“FPSB” or the “Purchaser”	:	FoundPac Sdn Bhd (Registration No. 200401036541 (675052-D)), a wholly-owned subsidiary of FoundPac
“FYE”	:	Financial year ended/ending, as the case may be
“Laurelcap” or “Independent Valuer”	:	Laurelcap Sdn Bhd (Registration No. 200801005326 (806610-U)), the independent valuer appointed by FoundPac to carry out a formal valuation on the Subject Property pursuant to the Proposed Acquisition
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	28 February 2024, being the latest practicable date prior to the date of this Circular

DEFINITIONS (CONT'D)

“NA”	:	Net assets
“Proposed Acquisition”	:	Proposed acquisition by FPSB of the Subject Property from BMSB for a Total Purchase Consideration
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“SC”	:	Securities Commission Malaysia
“SPA”	:	Conditional sale and purchase agreement dated 21 December 2023 entered into between FPSB and BMSB in relation to the Proposed Acquisition
“Subject Property”	:	A leasehold industrial land held under Title No. Pajakan Negeri (PN) 2759, Lot 5728, Mukim 12, District of Barat Daya, State of Pulau Pinang measuring an aggregate of approximately 16,723 sqm (equivalent to approximately 180,006 sqft) together with a single storey detached factory cum double storey office building erected thereon
“Total Purchase Consideration”	:	The total cash consideration of RM41,880,000 for the Proposed Acquisition
“UOBKH” or “Principal Adviser”	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
“Valuation Certificate”	:	The valuation certificate of the Subject Property dated 29 December 2023 issued by the Independent Valuer, enclosed as Appendix III of this Circular
“Valuation Report”	:	The valuation report of the Subject Property prepared by the Independent Valuer dated 29 December 2023

Unit of measurement

“sqft”	:	Square feet
“sqm”	:	Square metres

All references to “our Company” and “FoundPac” in this Circular are to FoundPac and references to “our Group” or “FoundPac Group” are to our Company and our subsidiary companies. All references to “we”, “us”, “our” and “ourselves” are to our Company, and where the context requires, our Group or any of our subsidiary companies. All references to “you” or “your” in this Circular are to the shareholders of FoundPac.

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. All references to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

For ease of reading, certain figures in this Circular have been rounded. Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our plans and objectives will be achieved.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Acquisition. You are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Acquisition before voting at the forthcoming EGM.

Key information	Description	Reference to the Circular																					
Summary of the Proposed Acquisition	The Proposed Acquisition entails the acquisition of the Subject Property by FPSB, a wholly-owned subsidiary of our Company, from BMSB for a total cash consideration of RM41.88 million, subject to the terms and conditions of the SPA.	Section 2																					
Basis and justification of determining the Total Purchase Consideration	<p>The Total Purchase Consideration was arrived at on a 'willing-buyer and willing-seller' basis, after taking into consideration the following:-</p> <ul style="list-style-type: none"> (i) the market value of the Subject Property amounting to RM48,000,000 as appraised by the Independent Valuer based on the date of inspection of the Subject Property on 29 November 2023; (ii) the rationale of the Proposed Acquisition as set out in Section 3 of this Circular; and (iii) the prospects of the Subject Property as set out in Section 4.4 of this Circular. 	Section 2.3																					
Mode of settlement	<p>Pursuant to the terms of the SPA, the Total Purchase Consideration is to be satisfied entirely in cash, in the following manner:-</p> <table border="1"> <thead> <tr> <th>Payment Term</th><th>Timing of settlement</th><th>Purchase Consideration (RM)</th></tr> </thead> <tbody> <tr> <td rowspan="4">10.0% of the Total Purchase Consideration being the deposit and part payment</td><td>(i) 1% of the Total Purchase Consideration paid to the Vendor's solicitors on 3 November 2023 prior to the signing of the SPA; and</td><td>418,800</td></tr> <tr> <td>(ii) 9% of the Total Purchase Consideration paid upon the signing of the SPA in the following manner:-</td><td></td></tr> <tr> <td>(a) 6% of the Total Purchase Consideration paid to the Vendor's solicitors; and</td><td>2,512,800</td></tr> <tr> <td>(b) 3% of the Total Purchase Consideration retained by the Purchaser's solicitors as the retention sum for the purpose of compliance with the Real Property Gains Tax Act, 1976.</td><td>1,256,400</td></tr> <tr> <td colspan="2">Subtotal</td><td>3,769,200</td></tr> <tr> <td>90.0% of the Total Purchase Consideration</td><td>To be paid within the Completion Period, further details of which are set out in Section 3 of Appendix I of this Circular.</td><td>37,692,000</td></tr> <tr> <td colspan="2">Total</td><td>41,880,000</td></tr> </tbody> </table>	Payment Term	Timing of settlement	Purchase Consideration (RM)	10.0% of the Total Purchase Consideration being the deposit and part payment	(i) 1% of the Total Purchase Consideration paid to the Vendor's solicitors on 3 November 2023 prior to the signing of the SPA; and	418,800	(ii) 9% of the Total Purchase Consideration paid upon the signing of the SPA in the following manner:-		(a) 6% of the Total Purchase Consideration paid to the Vendor's solicitors; and	2,512,800	(b) 3% of the Total Purchase Consideration retained by the Purchaser's solicitors as the retention sum for the purpose of compliance with the Real Property Gains Tax Act, 1976.	1,256,400	Subtotal		3,769,200	90.0% of the Total Purchase Consideration	To be paid within the Completion Period, further details of which are set out in Section 3 of Appendix I of this Circular.	37,692,000	Total		41,880,000	Section 2.4
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Total		41,880,000																					

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to the Circular
Rationale and justification for the Proposed Acquisition	<p>The Proposed Acquisition was undertaken with the aim of enabling our Group to consolidate our operations located in Pulau Pinang (namely the factories located in Batu Maung, Bayan Lepas and Prai) to a single premise.</p> <p>Based on the preliminary feasibility studies conducted by our Group, the size of the Subject Property allows for accommodation of the identified operations with additional floor space to provide flexibility to install additional production capacity. It should also be noted that the anticipated outcome of the consolidation of our Group's operations in Pulau Pinang extends beyond operational efficiency as our Group also envisages potential cost savings to be derived from the synergies achieved through this strategic integration and consolidation (which includes, amongst others, potential reduction in overhead costs associated with managing multiple factories, potential opportunities to reorganise and automate certain production lines to enhance efficiency in production as well as potential reduction in logistic costs given the consolidation in operations).</p>	Section 3
Risk factors	<p>The potential risk factors in relation to the Proposed Acquisition are as follows:-</p> <ul style="list-style-type: none"> (i) completion risk; (ii) acquisition risk; (iii) financing and interest rate risk; (iv) potential risk of overcapacity in production; and (v) tenancy risk. 	Section 5
Approvals required	<p>The Proposed Acquisition is subject to the following approvals being obtained:-</p> <ul style="list-style-type: none"> (i) the approval of the shareholders of FoundPac at the forthcoming EGM; (ii) the consent and/or approval from the relevant state authority for the Proposed Acquisition; and (iii) the approval of any other relevant authorities/parties, if required. 	Section 7
Conditionality of the Proposed Acquisition	The Proposed Acquisition is not conditional upon any other corporate exercise undertaken or to be undertaken by our Company.	Section 7
Interest of Directors, major shareholders, chief executive and/or persons connected with them	None of our Directors, major shareholders, chief executive of FoundPac and/or any person connected with them have any interest, direct or indirect, in the Proposed Acquisition.	Section 9

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to the Circular
Directors' statement	<p>After taking into consideration all aspects of the Proposed Acquisition (including but not limited to the rationale, basis of arriving at the Total Purchase Consideration, the market value of the Subject Property, the terms of the SPA, prospects and risk factors, and the financial effects of the Proposed Acquisition), our Board is of the opinion that the Proposed Acquisition is in the best interest of FoundPac.</p> <p>Accordingly, our Board recommends that you vote in favour of the relevant resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.</p>	Section 10

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FOUND PAC GROUP BERHAD
(Registration No. 201501040628 (1165946-H))
(Incorporated in Malaysia)

Registered Office
57-G, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Bayan Lepas
Pulau Pinang

11 March 2024

Board of Directors

Dato' Ong Choon Heng	<i>(Executive Director / Chief Executive Officer)</i>
Tan Cheik Eaik	<i>(Independent Non-Executive Chairman)</i>
Lee Chun Wah	<i>(Non-Independent Non-Executive Director)</i>
Chan Bee Cheng	<i>(Independent Non-Executive Director)</i>
Teoh Lay Fung	<i>(Independent Non-Executive Director)</i>

To: The Shareholders of FoundPac

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 21 December 2023, UOBKH had, on behalf of our Board, announced that FPSB had, on even date entered into the SPA with BMSB in relation to the Proposed Acquisition.

Further details of the Subject Property are set out in **Section 2.1** of this Circular and the details of the Proposed Acquisition (including the salient terms of the SPA) are set out in the ensuing sections and **Appendix I** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition by FPSB of the Subject Property located in Mukim 12, District of Barat Daya, State of Pulau Pinang from BMSB, for a Total Purchase Consideration. The Proposed Acquisition is subject to the terms and conditions of the SPA.

2.1 Information on the Subject Property

The Subject Property is a leasehold industrial land with a 60-year term (which expires on 28 January 2046) held under Title No. Pajakan Negeri (PN) 2759, Lot 5728, Mukim 12, District of Barat Daya, State of Pulau Pinang, measuring a total land area of approximately 16,723 sqm (equivalent to approximately 180,006 sqft) with a single storey detached factory cum double storey office building erected thereon bearing the address No. 23, Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Pulau Pinang.

The Subject Property is strategically situated along Lebuhraya Kampung Jawa within the Bayan Lepas Free Industrial Zone Phase 3, Bayan Lepas, Pulau Pinang with easy access to Georgetown and mainland Seberang Perai. The Subject Property is approximately 14.00 km south-west of Kompleks Tun Abdul Razak (KOMTAR) in Georgetown and 5.00 km north-east of Penang International Airport. The Penang International Airport and Penang Port is situated within a 15 km radius from the Subject Property. Access to Penang Port in Butterworth is facilitated by the Penang Bridge and Sultan Abdul Halim Muadzam Shah Bridge (the Penang Second Bridge) about 7.00 km north-east and 3.50 km south respectively. Other notable landmarks within the vicinity include Subterranean Penang International Convention and Exhibition (SPICE) Arena, Pantai Hospital Penang and Penang Golf Club.

The summary of the details of the Subject Property is set out as follows:-



Title / Lot No.	:	Lot 5728 held under Title No. Pajakan Negeri (PN) 2759
Title land area	:	16,723 sqm
Gross lettable area	:	13,746 sqm (comprising of a single storey detached factory of 9,823 sqm and double storey office building of 3,923 sqm)
Occupancy rate	:	100.00%
Location	:	Mukim 12, District of Barat Daya, State of Pulau Pinang
Postal address	:	No. 23, Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Pulau Pinang
Tenure	:	Leasehold interest for a term of 60 years, expiring on 28 January 2046

Category of land use	:	Perusahaan / Perindustrian
Registered owner	:	BMSB
Express conditions	:	<p>Pemilik yang berdaftar selepas Perbadanan Pembangunan Pulau Pinang hendaklah:-</p> <p>(i) Dalam tempoh masa 2 tahun dari tarikh diberi milik atau dalam jangka masa yang ditetapkan yang diluluskan oleh Pihak Berkuasa Negeri, mendirikan bangunan kilang atau bangunan-bangunan kilang diatas tanah yang diberi milik itu mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan dan hendaklah memelihara bangunan atau bangunan-bangunan yang telah didirikan itu dengan memuaskan Pihak Berkuasa Tempatan.</p> <p>(ii) Membersihkan, melupuskan atau mengambil tindakan pembersihan dan perlupusan effluen perdagangan dalam bentuk atau cara yang memuaskan pihak-pihak berkuasa yang berkenaan.</p> <p>(iii) Membayar dan menjelaskan semua cukai, kadar-kadar bayaran hasil dan lain-lain bayaran yang dinilai pada masa itu terhadap tanah yang diberi milik tersebut atau mana-mana bahagian yang berkenaan yang dikenakan oleh Majlis Perbandaran Pulau Pinang.</p> <p>(iv) Memastikan bahawa 30% daripada pekerja-pekerja yang diambil dalam perniagaan untuk tanah yang diberi milik ini hendaklah terdiri dari kaum Bumiputra.</p>
Encumbrances	:	<p>(i) A charge registered on 29 January 2010 in favour of OCBC Al-Amin Bank Berhad; and</p> <p>(ii) A charge registered on 2 October 2013 in favour of OCBC Bank (Malaysia) Berhad.</p>
Endorsements	:	A lease on part of the land (measuring approximately 120 sqft) registered on 8 April 1994 in favour of Tenaga Nasional Berhad (" TNB Lease ") for the erection and maintenance of a substation for purposes of supplying electricity to the single storey detached factory cum double storey office building.
Tenancy⁽¹⁾	:	The Subject Property is currently tenanted by FLEX
Proposed use	:	To house and consolidate all current operations of our Group located in Pulau Pinang into the Subject Property, which is in line with our business expansion plans
Restriction-in-interest	:	<p>(i) Tanah yang diberimilik ini tidak boleh dipindah milik, cagar, pajak, pajakan kecil atau dilupuskan tanpa kebenaran bertulis daripada Pihak Berkuasa Negeri.</p> <p>(ii) Tanah yang diberimilik ini tidak boleh dipecah sempadan atau dipecah bahagian.</p>
Date of inspection	:	29 November 2023
Audited net book value (as at 30 June 2023)	:	Not available ⁽²⁾
Independent valuer	:	Laurelcap Sdn Bhd
Method of valuation	:	Income approach (primary) and cost approach (secondary)
Market value	:	RM48,000,000

Notes:-

(1) BMSB had entered into a supplemental agreement with FLEX on 18 June 2023 to renew the tenancy to rent the Subject Property ("**Tenancy**") for a fourth renewal term from 18 June 2023 to 17 June 2026 with a monthly rental of RM244,000. For information purposes, the Subject Property was initially tenanted by Flextronics Technology (Malaysia) Sdn Bhd ("**FTMSB**") from BMSB ("**Initial Tenancy**") via the tenancy agreement between both parties dated 4 July 2011 ("**Principal Tenancy Agreement**") for the initial tenancy term of 3 years ("**Initial Contractual Period**") with the option to renew the Initial Tenancy for 4 subsequent renewal terms of 3 years each after the Initial Contractual Period. BMSB subsequently entered into:-

(a) a supplemental agreement dated 19 March 2018 with FTMSB to renew the Initial Tenancy for a second renewal term from 18 June 2017 to 17 June 2020; and

- (b) a novation agreement dated 8 July 2019 with FTMSB and FLEX to novate the obligations of FTMSB under the Principal Tenancy Agreement and the supplemental agreement dated 19 March 2018 to FLEX.

BMSB subsequently entered into supplemental agreement with FLEX on 4 June 2020 to renew the Tenancy for a third renewal term from 18 June 2020 to 17 June 2023.

- (2) The audited net book value of the Subject Property is not available as FoundPac is not privy to such information from the Vendor.

2.2 Information on the Vendor

BMSB was incorporated on 24 October 1989 as a private limited company in Malaysia under the Companies Act 1965 and having its registered address at No.60, Jalan Sri Bahari, 10050 Pulau Pinang. BMSB's principal activities are manufacturing of precision mechanical components and assemblies, such as stamped metal parts and turned parts for use in audio, printer, camera, automotive and other industries. BMSB has an issued share capital of RM5,000,000 comprising 5,000,000 ordinary shares based on our company search results obtained from Companies Commission of Malaysia dated 28 February 2024 ("**CCM Results**").

Based on the CCM Results, the directors of BMSB are Dato' Wong Kam Fuat, Carolyn Wong Mei Yi and Cindy Wong Shin Yi.

The shareholders of BMSB and their respective shareholdings in BMSB based on the CCM Results are as follows:-

	Nationality	Shareholdings as at 28 February 2024			
		Direct		Indirect	
		No. of shares	%	No. of shares	%
Dato' Wong Kam Fuat	Malaysian	4,999,998	100.00	-	-
Carolyn Wong Mei Yi	Malaysian	1	^	-	-
Lim Saw Im	Malaysian	1	^	-	-

Note:-

^ Negligible.

2.3 Basis and justification of determining the Total Purchase Consideration

The Total Purchase Consideration of RM41.88 million was arrived at on a 'willing-buyer willing-seller' basis, after taking into consideration the following:-

- (i) the market value of the Subject Property amounting to RM48,000,000 as appraised by the Independent Valuer ("**Appraised Market Value**") based on the date of inspection of the Subject Property on 29 November 2023 as set out in the Valuation Report. The Total Purchase Consideration represents a discount of approximately RM6.12 million or 12.75%^ to the Appraised Market Value ("**Discount to Appraised Market Value**");
- (ii) the rationale of the Proposed Acquisition as set out in **Section 3** of this Circular; and
- (iii) the prospects of the Subject Property as set out in **Section 4.4** of this Circular.

Note:-

[^] The Discount to Appraised Market Value was secured by FPSB based on negotiations with BMSB taking into consideration, amongst others, the lease tenure of 22 years of the Subject Property (which expires on 28 January 2046) and the continuing leasing obligation to be assumed by FPSB from BMSB on the Subject Property to FLEX up to 17 June 2026 (being the expiry date of the Tenancy, which is the fourth term of Tenancy). Further details of the Tenancy are set out in **Section 2.1** of this Circular.

2.4 Mode of settlement

Pursuant to the terms of the SPA, the Total Purchase Consideration is to be satisfied entirely in cash, in the following manner:-

Payment Term	Timing of settlement	Purchase Consideration (RM)	
10.0% of the Total Purchase Consideration being the deposit and part payment	(i) 1% of the Total Purchase Consideration paid to the Vendor's solicitors on 3 November 2023 prior to the signing of the SPA; and		418,800
	(ii) 9% of the Total Purchase Consideration paid upon the signing of the SPA in the following manner:-		
	(a) 6% of the Total Purchase Consideration paid to the Vendor's solicitors; and	2,512,800	
	(b) 3% of the Total Purchase Consideration retained by the Purchaser's solicitors as the retention sum for the purpose of compliance with the Real Property Gains Tax Act, 1976.	1,256,400	
			3,769,200
Subtotal			4,188,000
90.0% of the Total Purchase Consideration	To be paid within the Completion Period, further details of which are set out in Section 3 of Appendix I of this Circular.		37,692,000
Total			41,880,000

2.5 Source of funding

The Proposed Acquisition will be satisfied via a combination of bank borrowings and internally generated funds, the exact proportion of which will be determined at a later date.

For illustrative purposes, the proportion of funding is as follows:-

Source of funding	RM	%
Internally generated funds of FoundPac	4,188,000	10.0
Bank borrowings	37,692,000	90.0
Total	41,880,000	100.0

For information purposes, our Group has a total cash and cash equivalents and short term deposits totaling approximately RM52.18 million based on the latest audited financial statements of our Group for the FYE 30 June 2023, of which our Group has earmarked approximately RM4.18 million for the Proposed Acquisition. The balance cash and cash equivalents are reserved for working capital purposes and potential strategic business expansion activities, as and when such need arises.

2.6 Liabilities to be assumed

Save for the obligations and liabilities arising from, pursuant to or in connection with the SPA and the bank borrowings to be obtained by our Group to part finance the Proposed Acquisition, there are no other liabilities, including contingent liabilities and guarantees to be assumed by FoundPac Group pursuant to the Proposed Acquisition.

2.7 Additional financial commitments

Save for the Total Purchase Consideration and finance cost arising from the bank borrowings to be obtained by our Group to part finance the Proposed Acquisition, there are no additional financial commitments required by FoundPac Group pursuant to the Proposed Acquisition.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED ACQUISITION

We presently have our current operations located in 6 factories, where 4 factories are located in Batu Maung, Bayan Lepas and Prai, Pulau Pinang ("**Current Penang Factories**") and 2 factories are located in Sungai Petani and Sik, Kedah ("**Current Kedah Factories**").

Current Penang Factories*

	Factory 1	Factory 2	Factory 3	Factory 4
Description / Existing use[^]	The factory is currently used for manufacturing of stiffeners, test sockets, hand lids and related accessories	The factory is currently used for the manufacturing of laser stencil	The factory is currently used for the manufacturing of industrial equipment and machinery	The factory is currently used as warehouse and administrative functions and purposes
Gross floor area (sqft)	48,816	8,600	11,061	29,222
Postal address	Plot 35, Hilir Sungai Keluang 2, Bayan Lepas Industrial Estate, Non-Free Industrial Zone Phase IV, 11900 Bayan Lepas Penang	No. 8, Lintang Beringin 1, Off Jalan Permatang Damar Laut, 11960 Batu Maung, Penang	No. 3 Solok Beringin 1, 11960 Batu Maung, Penang	Plot 559A & 559B, Lorong Perusahaan 4, Prai Free Trade Zone, 13600 Prai, Penang
Tenure	Owned by our Group	Currently rented by our Group	Currently rented by our Group	Currently rented by our Group
Approximate production output (units)				
• FYE 2021	Stiffeners: 8,000 Test sockets: 800	9,000	Less than 50	Not applicable
• FYE 2022	Stiffeners: 9,000 Test sockets: 350	6,000	Less than 50	Not applicable
• FYE 2023	Stiffeners: 11,000 Test sockets: 900	5,000	80	Not applicable

Notes:-

* For information purposes, the Initial Identified Property does not form part of the Current Penang Factories.

^ For illustrative purposes, the approximate factory utilisation rate for the Current Penang Factories (save for Factory 4) for the latest 3 FYEs of our Group (i.e. FYE 30 June 2021 ("**FYE 2021**"), FYE 30 June 2022 ("**FYE 2022**") and FYE 30 June 2023 ("**FYE 2023**") are as follows:-

	Approximate factory utilisation rate (%)		
	FYE 2021	FYE 2022	FYE 2023
Factory 1	80	92	90
Factory 2	85	75	60
Factory 3	32	55	85

Current Kedah Factories

	Factory 5	Factory 6
Description / Existing use	The factories are currently used for manufacturing of accessory cable and connectors.	
Gross floor area (sqft)	33,582	50,590
Postal address	Lot No(s). 9, 10, 11, A7 and A-12 Jalan 11-A Kawasan Perindustrian Bakar Arang, 08000 Sungai Petani, Kedah	Lot 1-8, KEDA Industrial Building, Kawasan Perusahaan KEDA, Pekan Baru Sik, 08200 Sik, Kedah
Tenure	Lot No(s). 9,10,11 and A7 are rented by our Group whereas Lot A-12 is owned by our Group	Currently rented by our Group
Approximate factory utilisation rate for the FYE 2023 (%)	70	55
Approximate production output for the FYE 2023 (units)	18 million	13 million

The Proposed Acquisition was undertaken by our Group with the aim of enabling us to consolidate our operations of the Current Penang Factories to a single premise.

Based on the preliminary feasibility studies conducted by our Group, the size of the Subject Property allows for accommodation of the identified operations with additional floor space to provide flexibility to install additional production capacity. It should also be noted that the anticipated outcome of the consolidation of our Group's operations in Pulau Pinang extends beyond operational efficiency as our Group also envisages potential cost savings to be derived from the synergies achieved through this strategic integration and consolidation (which includes, amongst others, potential reduction in overhead costs associated with managing multiple factories, potential opportunities to reorganise and automate certain production lines to enhance efficiency in production as well as potential reduction in logistic costs given the consolidation in operations).

For information purposes, FoundPac Technologies Sdn Bhd ("**FoundPac Tech**"), a wholly-owned subsidiary of FoundPac, had on 2 December 2022 entered into a sale and purchase agreement to acquire an industrial land identified as Lot 12370 (PN 5891) and Lot 12371 (PN 5867), both within Mukim 12, District of Barat Daya, State of Pulau Pinang ("**Initial Identified Property**"), measuring a total land area of approximately 90,040 sqft (8,365 sqm) with a double storey detached factory cum office erected thereon bearing postal address Plot No. 12 and 13, Hilir Sungai Keluang 3, Bayan Lepas Free Industrial Zone Phase 4, 11900 Bayan Lepas, Pulau Pinang ("**Previous Property Acquisition**"). The rationale for the Previous Property Acquisition was to enable FoundPac Tech to increase its production capacity. The production space for the precision engineering segment in the FYE 30 June 2022 was well utilised, leaving minimal room for expansion. The gross built-up area of the Initial Identified Property was approximately 1.6 times of FoundPac Tech's existing factory, which was deemed sufficient by our management at that juncture to re-organise the manufacturing activities of FoundPac Tech, implement its automation processes and improve its manufacturing workflow and efficiency ("**Reorganisation of FoundPac Tech Manufacturing Activities**").

However, as the opportunity to acquire the Subject Property arose in the third quarter of 2023 our management had deliberated and was of the view that the Subject Property is more aligned with the strategic objectives of our Group given that the size of the current Subject Property is more than sufficient to accommodate the Reorganisation of FoundPac Tech Manufacturing Activities and facilitate the consolidation of our Group's other production operations located in Pulau Pinang to a single premise, with additional floor space available to accommodate and cater for any future expansions. It is pertinent to note that the land size of the Initial Identified Property of 90,040 sqft (with floor size of approximately 78,024 sqft) only caters for the Reorganisation of FoundPac Tech Manufacturing Activities and not the consolidation of the Current Penang Factories (with substantial larger floor size of approximately 147,960 sqft). It is also imperative to note that the estimated factory utilisation rate of the Factory 1 and Factory 3 are close to full capacity in the latest financial year and Factory 2 is operating at a factory utilisation rate of more than 50% in the latest financial year. Given such high factory utilisation rate, our Board deems that the Subject Property is well suited for our operational needs with additional floor space to provide flexibility to install additional production capacity in the near future as opposed to the Initial Identified Property.

In view of the rationale above, we have hence abandoned our plans for the Reorganisation of FoundPac Tech Manufacturing Activities at the Initial Identified Property and had since rented out the Initial Identified Property to a third party for a period of three (3) years commencing from 1 January 2024 to 31 December 2026 with an automatic renewal of another two (2) additional terms of three (3) years each subject to a 10% increase in monthly rent for each renewal term ("**Renewal Term**"). The management expects our Group to receive a gross rental yield of approximately 11.76%[^] per annum from the tenancy of the Initial Identified Property.

[^] For illustrative purposes, the approximate gross rental yield of the Initial Identified Property was calculated based on the following formula:-

$$\begin{aligned}
 \text{Gross rental yield} &= \frac{\text{Monthly rental of the Initial Identified Property}}{\text{Purchase consideration of the Initial Identified Property}} \times 12 \text{ months} \\
 &= \frac{\text{RM250,000}}{\text{RM25,500,000}} \times 12 \text{ months} \\
 &= \mathbf{11.76\%}
 \end{aligned}$$

After the cessation of the tenancy and expiry of the Renewal Term of the Initial Identified Property, our Group intends to continue to rent out the Initial Identified Property to potential long-term tenant in view of the rental yield of the said property. Further, after completion of the consolidation of our Group's operations in Pulau Pinang, our Group intends to thereafter terminate the rental arrangements for Factory 2, Factory 3 and Factory 4, and rent out Factory 1. Our Group is of the view that we will be able to secure new tenants given the scarcity of industrial property available for rental on the Penang Island, particularly within the Bayan Lepas Industrial Estate.

Our management wishes to highlight that our Group anticipates that the relocation and consolidation of the Current Penang Factories are scheduled to be implemented only after the second quarter of 2026. This indicative timeline is contingent upon the expiration of the Tenancy, as detailed in **Section 2.1** of this Circular, and the completion of minor refurbishments and enhancement works on the Subject Property. For information purposes, the management anticipates that as at this juncture, the estimated financial commitment for the refurbishment and enhancement works for the Subject Property (including but not limited to extension, piling works, electrical work and other general refurbishments) is up to RM8.00 million based on the prevailing market estimates. Such refurbishment costs will be fully funded via internally generated funds of our Group. During such interim period (from the completion date of the Proposed Acquisition up to 17 June 2026), we will receive a monthly rental income of RM244,000 from FLEX.

In view of the above, the Proposed Acquisition makes a good business proposition for our Group moving forward.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

Despite escalating uncertainties in the global landscape, Malaysia's economy remains resilient. The gross domestic product ("**GDP**") is forecast to expand by approximately 4% in 2023 and between 4% and 5% in 2024. The Government acknowledged the World Bank's forecast that Malaysia's growth will be 4.3% in 2024, which is slightly higher than its initial estimate. This is in line with Malaysia's 2024 growth projection, which will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap ("**NETR**"), New Industrial Master Plan 2030 ("**NIMP 2030**"), and the Mid-Term Review of the Twelfth Malaysia Plan ("**MTR of the Twelfth Plan**").

Furthermore, Malaysia's domestic demand in 2023 continues to be buoyed by expansion in consumption and investment spending. This is also supported by favourable labour market condition and easing inflationary pressures as well as vibrant tourism activities. The surge of private investment is attributed to the multiyear execution of infrastructure ventures and sustained capital investments in the services and manufacturing sectors. The robust activity in private sector expenditure is expected to offset the effects of moderate public spending in 2023.

In 2024, private sector expenditure remains as the main contributor in driving economic activities owing to stronger domestic demand. In addition, Government initiatives to support household spending through cash transfers to targeted groups and the growing social commerce trend are expected to boost private consumption. Meanwhile, private investment is poised to accelerate further driven by improved business environment in consonance with positive response towards Government's strategies and measures in attracting high-tech and high-value investments via the NETR and NIMP 2030.

On the supply side, services and manufacturing sectors continue to be the primary engines of growth in 2023. The services sector performance is driven by tourism subsectors, resulted from higher tourist arrivals and improved consumer spending. However, the manufacturing sector is expected to register a modest growth amid sluggish external demand. Likewise, agriculture sector is projected to expand moderately contributed by the oil palm, other agriculture and livestock subsectors, while the mining sector is anticipated to decline due to lower external demand for liquefied natural gas (LNG). On the other hand, the construction sector is expected to record better performance supported by the acceleration of ongoing infrastructure and utilities projects.

In 2024, the wholesale and retail trade subsector will remain as the key contributor to the services sector, underpinned by the expansion in retail segment through digital transactions. In addition, the domestic-oriented industries are backed by higher output in high growth high value (HGHV) industries which will drive the manufacturing sector, in tandem with the implementation of initiatives under the NETR, NIMP 2030 and MTR of the Twelfth Plan as well as Chemical Industry Roadmap 2030. Agriculture sector remains steady partly attributed by expected increase in oil palm production and crude palm oil (CPO) prices. The mining sector is forecast to recover mainly contributed by the new gas field projects such as Gansar, Jerun and Kasawari. Meanwhile, the construction sector continues to grow supported by growth in all subsectors, partly by the increasing demand in renewable and clean energy as well as decarbonisation, in line with the green economy agenda.

In 2023, exports have contracted in tandem with the global economic and trade slowdown, primarily influenced by China's slower-than anticipated economic growth and moderate commodity prices. In contrast, the current account surplus is expected to expand, driven by a narrowing deficit in the services and primary income accounts. However, the outlook for 2024 indicates a gradual upswing, attributed to improved global trade and prospects in the commodity sector.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

4.2 Overview and outlook of the industrial sector in Malaysia

The Malaysian economy expanded moderately by 2.9% in Q2 2023 (Q1 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. The growth which supported by continued improvement in labour market conditions, continued increase in household spending and higher tourism activities offset the slower goods export growth. Growth during the quarter was also affected by the high base effect in the second quarter of 2022 when economy experienced strong growth from reopening effects and policy measures.

The industrial sub-sector recorded 3,735 transactions worth RM10.94 billion in the first half of 2023. Compared to the same period last year, the market activity slightly decreased by 2.5% in volume but increased by 1.8% in value. Selangor continued to dominate the market, with 31.1% (1,163 transactions) of the nation's volume, followed by Johor and Negeri Sembilan, each with 18.3% and 8.2% market share. Terraced factory formed 31.8% of the total industrial transactions, followed by vacant plots (28.0%), and semi-detached factory (24.0%).

The industrial overhang situation continued to improve lesser in numbers. There were 819 overhang units worth RM0.98 billion, indicating a decline of 6.9% and 14.1% in volume and value respectively (H2 2022: 880 overhang units worth RM1.15 billion). On a similar note, the unsold under construction category declined by 11.8% with 397 units compared to H2 2022 at 450 units. The unsold not constructed recorded 112 units, more than 51 units recorded in H2 2022.

(Source: Property Market Report First Half 2023, Valuation and Property Services Department, Ministry of Finance Malaysia)

4.3 Overview and outlook of the manufacturing sector in Malaysia

The manufacturing sector grew by 1.7% during the first half of 2023 underpinned by resilient domestic-oriented industries amid sluggish external demand. The domestic-oriented industries' steady growth of 4.4% was backed by increasing demand for consumer goods and construction-related segments. Meanwhile, export-oriented industries expanded marginally by 0.5% weighed down by the lower production of E&E due to cyclical downturn in global semiconductor industry.

The sector is forecast to grow by 1.2% in the second half of the year with domestic-oriented industries remain as the mainstay of growth. All segments are projected to expand particularly food and beverages, as well as transport equipment. These segments will benefit from the strengthening of tourism activities and increasing demand for passenger cars and related motor parts and accessories. In addition, anticipated acceleration and realisation of projects in the construction sector will increase the demand for metal-related segments. Meanwhile, within the export-oriented industries, the E&E segment is expected to pivot away from the downcycle trend, in line with gradual improvements in global demand especially for computing devices, electronics and semiconductors as well as growing domestic demand for industrial electronics, electric vehicles and medical technology devices. Furthermore, the demand for chemicals segment is expected to increase in line with the bottom out of E&E downcycle. Hence, the manufacturing sector is anticipated to register a modest growth of 1.4% in 2023.

The manufacturing sector is forecast to expand by 4.2% in 2024 driven by better performance in both export- and domestic-oriented industries. The export-oriented industries are expected to benefit from the recovery of external demand with E&E segment projected to surge, primarily driven by memory products. This is in line with the rebound in demand for technologically advanced products. Similarly, domestic-oriented industries are anticipated to grow steadily backed by higher output in transport- and construction-related segments, in tandem with better consumer spending and business activities. In addition, the implementation of initiatives under the Chemical Industry Roadmap 2030, NETR and NIMP 2030 will further strengthen the sector's growth.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

4.4 Prospects of the Subject Property

Our Board is of the view that the Proposed Acquisition will contribute positively to the financial and operational growth of our Group in the future given that:-

- (a) we will be able to relocate our identified operations into a single premise in the second half of 2026 (subject to the completion of the minor refurbishment and enhancement works on the Subject Property). The size of the Subject Property enables our Group to accommodate our sizeable identified production operations as well as additional floor space for the potential installation of additional production capacity to cater for business growth in the long term. This strategic initiative will also derive potential cost savings to our Group, apart from the anticipated operational efficiency and resource optimisation; and
- (b) we will also receive monthly rental of RM244,000 ("**Monthly Rental**") from the completion date of the Proposed Acquisition up to 17 June 2026, which in turn, will enhance the earnings of our Group on a short term basis whilst we undertake the necessary planning on the relocation and consolidation of our identified production operations. The Board has earmarked the Monthly Rental to be utilised towards the repayment of the term loan of the Subject Property.

Our Board is confident that the Proposed Acquisition can be successful given the positive outlook of the manufacturing sector in Malaysia as set out in **Section 4.3** of this Circular and accordingly, premised to the above, the Proposed Acquisition is well-positioned to contribute positively to the future earnings of our Group.

5. RISK FACTORS

Save as disclosed below, which are by no means exhaustive, our Board does not foresee any other additional risks arising from the Proposed Acquisition.

5.1 Completion risk

The completion of the Proposed Acquisition is subject to the terms and conditions set out in the SPA, some of which may be beyond our Group's control as they are dependent on the approval/consent by the relevant authorities and shareholders of FoundPac. There can be no assurance that such conditions will be obtained/fulfilled and/or waived (as the case may be) by the relevant cut-off dates as stipulated in the SPA. Hence, any delay in fulfilling these conditions may materially affect the Proposed Acquisition from being completed within the stipulated timeframe.

To mitigate such risks, our Board and management will constantly monitor the fulfilment of these conditions as well as ensure that all the other relevant terms and conditions of the SPA, to the extent these are within our control, are obtained/fulfilled within the prescribed timeframe.

5.2 Acquisition risk

There is no assurance that the anticipated benefits will be realised by our Group. In addition, any decline in economic conditions may affect the potential benefits to be derived from the Proposed Acquisition.

Nevertheless, our Board will monitor closely and continuously assess prevailing economic and market conditions. Our Board, after having considered the potential risks and benefits associated with the Proposed Acquisition, is still optimistic of the potential benefits to be derived from it.

5.3 Financing and interest rate risks

FoundPac Group has the intention to fund the Proposed Acquisition through a combination of bank borrowings and internally generated funds, and hence may incur additional interest expenses. In view that interest expenses charged on bank borrowings are subject to prevailing interest rates, we may potentially be exposed to interest rate fluctuation which may significantly increase the acquisition cost and affect our Group's cash flows as well as its profitability. We will actively review our debt portfolio taking into consideration the level and nature of borrowings and seek to adopt cost effective financing actions. However, there can be no assurance that the performance of our Group would not be materially affected in the event of any adverse changes in interest rates.

5.4 Potential risk of overcapacity in production

Our Group may encounter overcapacity following the completion of the Proposed Acquisition and consolidation of our operations of the Current Penang Factories to a single premise. Such risk may arise in the event of potential mismatch between the growth and market demand for our products with the available production capacity of our Group (which has substantially increased following the completion of the consolidation plans set out in **Section 3** of this Circular). Such circumstances will result in underutilisation of resources (including equipment and workforce) as well as inefficiency in our production operations.

Notwithstanding the above, it is imperative to note that such risk is deemed to be remote by our Group as the contemplated expansion plans for our business in terms of capacity was only undertaken after careful deliberation and planning by the management of our Group, which took into consideration, the factory utilisation rate of our Current Penang Factories, the market demand and order book for our products in the near term as well as the prospects of our industry in the mid to long term. Failure to expand our production floor space will adversely affect our growth and our ability to expand on our market presence in the industry, which in turn, will negatively impact our financial growth and performance. The Proposed Acquisition and the previous strategic decisions made to expand our production floor space and consolidate production operations are deemed pivotal to the growth of our Group and the expansion of our market presence. Nevertheless, we will continue to closely monitor our production operations and order book to ensure we operate efficiently.

5.5 Tenancy risk

The inability of our management to secure new tenants for Factory 1 post consolidation of our production operations of the Current Penang Factories on a timely basis will impact the earnings of our Group. Our Group may also incur additional costs associated in maintaining Factory 1 and loss of rental income during the vacancy period. However, our management will strive to secure potential tenants closer to the completion of the consolidation of our production operations. This approach will to a certain extent mitigate such risk.

Our Group is of the view that we will be able to secure new tenants given the scarcity of industrial property available for rental on the Penang Island, particularly within the Bayan Lepas Industrial Estate.

6. EFFECTS OF THE PROPOSED ACQUISITION

The proforma effects of the Proposed Acquisition on the issued share capital, substantial shareholders' shareholdings, consolidated NA, NA per share, gearing as well as consolidated earnings and EPS are set out below:-

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued share capital of FoundPac and substantial shareholders' shareholdings in our Company as the Proposed Acquisition does not involve any issuance of new FoundPac Shares.

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6.2 NA per share and gearing

For illustration purposes only, based on the latest audited consolidated financial statements of FoundPac Group as at 30 June 2023 and on the assumption that the Proposed Acquisition has been completed as at that date, the proforma effects of the Proposed Acquisition on the audited consolidated NA per share and gearing of FoundPac Group are set out below:-

	Audited as at 30 June 2023 (RM'000)	Proforma After the Proposed Acquisition (RM'000)
Share capital	61,792	61,792
Treasury shares	(1,341)	(1,341)
Share option reserve	2,103	2,103
Revaluation surplus	1,852	1,852
Retained earnings	41,957	⁽¹⁾ 42,163
NA attributable to owners of the Company	106,363	106,569
No. of shares in issue ('000) ⁽³⁾	543,712	543,712
NA per share (sen)	19.56	19.60
Total borrowings (RM'000)	-	⁽²⁾ 37,692
Gearing (times)	-	0.35

Notes:-

- (1) Assuming annual rental income of approximately RM2.23 million to be derived from the Subject Property and after taking into account the following:-
- (i) the estimated finance costs of approximately RM1.17 million in respect of bank borrowings of RM37.69 million obtained to part finance the Proposed Acquisition at an indicative interest rate of approximately 4.20% per annum and a loan tenure of 15 years; and
- (ii) estimated expenses relating to the Proposed Acquisition and the Subject Property (including incidental expenses and quit rent) of approximately RM0.84 million.
- (2) Assuming that the Proposed Acquisition is partly funded via bank borrowings of RM37.69 million.
- (3) After excluding 2,000,000 treasury shares.

6.3 Earnings and EPS

The Proposed Acquisition is not expected to have any immediate material impact on our Group's earnings and EPS for the FYE 30 June 2024. Our management envisages that the subsequent consolidation of its production in Pulau Pinang to a single premise and the additional floor space catering for potential increased production capacity, will potentially enhance the earnings of our Group moving forward.

For illustration purposes, based on the audited consolidated financial statements of our Group for the FYE 30 June 2023 and assuming that the Proposed Acquisition had been effected on 1 July 2022, being the beginning of the FYE 30 June 2023, the proforma effects of the Proposed Acquisition on the consolidated earnings and EPS of our Group are as follows:-

	FYE 30 June 2023	Proforma After the Proposed Acquisition
Profit after taxation attributable to owners of our Company (RM'000)	9,085	⁽²⁾ 9,291
Total number of FoundPac Shares in issue ('000)	543,712	543,712
EPS (sen) ⁽¹⁾	1.67	1.71

Notes:-

- (1) *Computed based on the profit for the financial year attributable to the owners of our Company divided by the number of FoundPac Shares in issue (excluding 2,000,000 treasury shares).*
- (2) *Assuming annual rental income of approximately RM2.23 million to be derived from the Subject Property and after taking into account the following:-*
 - (i) *the estimated finance costs of approximately RM1.17 million in respect of bank borrowings of RM37.69 million obtained to part finance the Proposed Acquisition at an indicative interest rate of approximately 4.20% per annum and a loan tenure of 15 years; and*
 - (ii) *estimated expenses relating to the Proposed Acquisition and the Subject Property (including incidental expenses and quit rent) of approximately RM0.84 million.*

The above illustration does not take into account the costs savings to be derived from the consolidation of our operations in Pulau Pinang and potential earnings to be derived from the available additional floor space catering to potential expansion of production capacity at the Subject Property.

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Acquisition is subject to the following approvals being obtained:-

- (i) the approval of the shareholders of FoundPac at the forthcoming EGM;
- (ii) the consent and/or approval from the relevant state authority for the Proposed Acquisition; and
- (iii) the approval of any other relevant authorities/parties, if required.

The Proposed Acquisition is not conditional upon any other corporate exercise undertaken or to be undertaken by our Company.

8. PERCENTAGE RATIOS UNDER THE LISTING REQUIREMENTS

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Acquisition is 39.37%, calculated based on the latest audited consolidated financial statements of FoundPac for the FYE 30 June 2023.

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of our Directors, major shareholders, chief executive of FoundPac and/or any person connected with them have any interest, direct or indirect, in the Proposed Acquisition.

10. DIRECTORS' STATEMENT

After taking into consideration all aspects of the Proposed Acquisition (including but not limited to the rationale, basis of arriving at the Total Purchase Consideration, the market value of the Subject Property, the terms of the SPA, prospects and risk factors, and the financial effects of the Proposed Acquisition), our Board is of the opinion that the Proposed Acquisition is in the best interest of FoundPac.

Accordingly, our Board recommends that you vote in favour of the relevant resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

11. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition, which is the subject matter of this Circular, our Board confirms that there are no other outstanding corporate exercises announced by our Company but not yet completed as at the date of this Circular.

12. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all the requisite approvals being obtained, our Board expects the Proposed Acquisition to be completed by the second half of 2024.

The tentative timetable for the implementation of the Proposed Acquisition is set out below:-

Tentative timing	Event
27 March 2024	Convening of the EGM for the Proposed Acquisition
21 June 2024	Fulfilment of the conditions precedent in respect of the SPA
Mid / End September 2024	Completion of the Proposed Acquisition

13. EGM

The EGM, the notice of which is enclosed with this Circular, will be held at Wembly Room 10, Level 9, The Wembly, A St Giles Hotel, Penang, 183, Jalan Magazine, 10300 Penang on Wednesday, 27 March 2024 at 9.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution pertaining to the Proposed Acquisition to approve and give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM and wish to appoint a proxy to do so on your behalf, please complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, so as to be deposited at Securities Services (Holdings) Sdn Bhd at Suite 18.05, MWE Plaza, No. 8, Lebuhr Farquhar, 10200 George Town, Pulau Pinang or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshsb.com.my not less than twenty-four (24) hours before the time fixed for holding the EGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

You are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
FOUND PAC GROUP BERHAD

DATO' ONG CHOON HENG
Executive Director / Chief Executive Officer

SALIENT TERMS OF THE SPA

The salient terms of the SPA are as follows:-

1. Sale and Purchase of the Subject Property

- (a) The Vendor agrees to sell and the Purchaser agrees to purchase the Subject Property on “as is where is” basis free from all charges, caveats and encumbrances (except for the TNB Lease), at the Total Purchase Consideration and subject to all conditions of title whether express or implied contained in the document of title to the Subject Property and subject to the terms and conditions contained in the SPA.
- (b) The Subject Property is sold subject to the existing Tenancy of the Subject Property which shall not be further renewed or extended after the expiry of the current term on 17 June 2026. The Vendor shall, at its own costs and expense, lawfully transfer and novate the rights and obligations of the Vendor under the Tenancy Agreement dated 4 July 2011 as supplemented by the Supplemental Agreement dated 19 March 2018, and novated by a Novation Agreement dated 8 July 2019, and further supplemented by the Supplemental Agreements dated 4 June 2020 and the Supplemental Agreement dated 18 June 2023 (“**Tenancy Agreement**”) to the Purchaser and procure a novation agreement to be executed by FLEX with the Vendor and the Purchaser (both the Vendor and the Purchase are collectively referred to as the “**Parties**”) to lawfully novate the Tenancy Agreement to the Purchaser (“**Novation Agreement**”). Further information on the indicative salient terms on the Novation Agreement are set out in **Appendix II** of this Circular. With effect from the Completion Date (as defined in Section 3 (c) of this Appendix I), the Novation Agreement shall become effective and the Purchaser shall become the landlord of the Subject Property and be entitled to all rent of the Tenancy.

2. Conditions Precedent

- (a) Notwithstanding anything to the contrary therein contained in the SPA, completion of the sale and purchase of the Subject Property is conditional upon the following conditions (collectively referred to as “**Conditions**”) being satisfied within a period of six (6) months from the date of the SPA or such longer period as the Parties may mutually agree in writing (“**Conditional Period**”):
 - (i) Subject to receipt of the Vendor's documents, information and confirmation required pursuant to the Listing Requirements from the Vendor to the Purchaser's solicitors, the Purchaser shall, at its own cost and expense and within the Conditional Period obtain the approval of the shareholders of FoundPac (to be obtained at an extraordinary shareholders' meeting to be convened) for the acquisition of the Subject Property (“**Shareholders' Approval**”);
 - (ii) Subject to receipt of the Purchaser's documents and the Purchaser's profile (as required by Penang Development Corporation) from the Purchaser to the Vendor's solicitors, the Vendor shall, at its own cost and expense and within the Conditional Period, obtain the consent(s) of the Penang State Authority(ies) and the Penang Development (including paying the consent fees) for the sale and transfer of the Subject Property in favour of the Purchaser (the “**Relevant Authority's Consent**”) in compliance with the restriction-in-interest endorsed on the document of title to the Subject Property or the applicable laws. In the event that the Relevant Authority's Consent cannot be obtained within the Conditional Period, the Parties agree to grant an automatic further extension of three (3) months from the Conditional Period to enable the Vendor to obtain the Relevant Authority's Consent; and

SALIENT TERMS OF THE SPA (CONT'D)

- (iii) the Vendor at its own cost and expense, obtaining such other relevant approvals required to be obtained on the Vendor's part (if applicable) for the sale and transfer of the Subject Property from the Vendor to the Purchaser free from encumbrances.
- (b) If any of the Conditions cannot be fulfilled on or before the expiry of the Conditional Period (including any extension thereof), either Party shall be at liberty to terminate the SPA by notice in writing to the other Party and the Stakeholder (as defined in Section 3 (a) (i) of this Appendix I). Within seven (7) business days from the receipt of such termination notice, the amount paid to and held by the Stakeholder ("**Stakeholder Sum**") and the RPGT Retention Sum (as defined in Section 3 (a) (ii) (2) of this Appendix I) shall be refunded to the Purchaser and thereafter, the SPA shall be of no further force and effect and neither Party shall have any claim against the other in respect of the SPA save for any antecedent breach.
- (c) Subject to Section 2 (a) (ii) of this Appendix I, the Vendor shall authorize the Vendor's solicitors to expeditiously apply for the Relevant Authority's Consent within three (3) months from the date of the SPA and provide the Purchaser with a copy of the application. The Purchaser shall procure FoundPac to expeditiously convene an extraordinary general meeting for the purpose of obtaining the Shareholders' Approval. The Parties agree with each other that it shall within seven (7) business days upon a request being made by the other Party, furnish all necessary corporate information on the requesting Party for purposes of the submission for the Relevant Authority's Consent or FoundPac's announcement or circular to shareholders pursuant to the Listing Requirements.

3. Payment of Total Purchase Consideration & Completion

- (a) Subject to the terms and conditions of the SPA, the deposit sum of Ringgit Malaysia Four Million One Hundred and Eighty Eight Thousand (RM4,188,000.00) ("**Deposit Sum**") equivalent to ten per cent (10%) of the Total Purchase Consideration shall be paid as deposit and part payment of the Total Purchase Consideration at the time and in the manner set out below:-
 - (i) a sum of Ringgit Malaysia Four Hundred Eighteen Thousand and Eight Hundred (RM418,800.00) equivalent to one per cent (1%) of the Total Purchase Consideration has been paid by the Purchaser to the Vendor's solicitors as stakeholder ("**Stakeholder**") prior to the execution of the SPA;
 - (ii) a sum of Ringgit Malaysia Three Million Seven Hundred Sixty Nine Thousand And Two Hundred (RM3,769,200.00) equivalent to nine per cent (9%) of the Total Purchase Consideration shall be paid upon the execution of the SPA as follows:
 - (1) the sum of Ringgit Malaysia Two Million Five Hundred and Twelve Thousand and Eight Hundred (RM2,512,800.00) equivalent to six per cent (6%) of the Total Purchase Consideration shall be paid to the Stakeholder;
 - and
 - (2) Ringgit Malaysia One Million Two Hundred Fifty Six Thousand And Four Hundred (RM1,256,400.00) equivalent to three per cent (3%) of the Total Purchase Consideration shall be paid to the Purchaser's solicitors for payment towards real property gains tax ("**RPGT Retention Sum**") to be dealt with in accordance with Section 6 of the SPA.

SALIENT TERMS OF THE SPA (CONT'D)

- (b) The Stakeholder shall hold the Stakeholder Sum and shall deal with the Stakeholder Sum in the manner set out below:
- (i) If any of the Conditions is not satisfied by the last day of the Conditional Period or the last day of the extended period from the Conditional Period as stated in Section 2 (a) (ii) of this Appendix I, as the case may be, the Stakeholder Sum and the RPGT Retention Sum shall be refunded to the Purchaser within seven (7) business days from the expiry of the Conditional Period.
 - (ii) If all Conditions are satisfied within the Conditional Period or the last day of the extended period from the Conditional Period as stated in Section 2 (a) (ii) of this Appendix I, as the case may be, the Stakeholder Sum (or the balance of the Stakeholder Sum after payment of the consent fees in accordance with the terms hereof, as the case may be) shall be released to the Vendor within seven (7) business days from the date the last of the Conditions (to the extent not waived by the Parties) has been fully satisfied ("**Unconditional Date**") and the RPGT Retention Sum shall be paid to Lembaga Hasil Dalam Negeri in the manner as stated in the SPA.
 - (iii) Notwithstanding anything stated herein, it is agreed that the Vendor's solicitors shall be authorised to utilise the Stakeholder Sum (or such portion thereof) to pay the consent fees for the Relevant Authority's Consent provided such payment of consent fees shall only be made after the Shareholders' Approval has been obtained.
- (c) The Purchaser shall pay the sum of Ringgit Malaysia Thirty Seven Million Six Hundred and Ninety Two Thousand (RM37,692,000.00) ("**Balance Total Purchase Consideration**") to complete the sale and purchase of the Subject Property within the period of Ninety (90) days from the Unconditional Date, with an automatic extension of a further Thirty (30) days subject to the Purchaser paying an interest on the outstanding sum of the Balance Total Purchase Consideration at the rate of 6% per annum calculated on daily basis ("**Completion Period**") as provided in Section 3 (d) of this Appendix I (and the recipients' receipt shall be a good and sufficient discharge to the Purchaser's payment obligation herein). Completion date shall take place upon payment of the Total Purchase Consideration by the Purchaser ("**Completion Date**").
- (d) The Purchaser shall settle the Balance Total Purchase Consideration in the following manner:-
- (i) pay or (if Purchaser is taking a loan) procure Purchaser's financier to pay the redemption sum to the Vendor's financiers to redeem the Subject Property and inform the Vendor's solicitors of the same, whereupon the Vendor's solicitors shall procure the execution and stamping of the discharge of charge (Form 16N) of the existing charges; and
 - (ii) pay the remaining balance of the Balance Total Purchase Consideration to the Vendor's solicitors who shall release the balance of the Balance Total Purchase Consideration to the Vendor after:
 - (1) the Vendor has delivered to the Purchaser's solicitors the Novation Agreement duly executed by FLEX with the Parties to novate the Tenancy Agreement to the Purchaser and has paid to the Purchaser (as the new landlord of the Tenancy) the Security Deposit and Apportioned Rent of the Tenancy referred to in Section 4 (b) of this Appendix I;

SALIENT TERMS OF THE SPA (CONT'D)

- (2) the Vendor's solicitors have not received any written notice of any breach of the Conditions of Sale referred to in Section 6 (a) of this Appendix I from the Purchaser's solicitors within three (3) business days from the payment of the Balance Total Purchase Consideration;
 - (3) the discharge of charge for the existing charges and the memorandum of transfer of the Subject Property by the Vendor in favour of the Purchaser ("**Memorandum of Transfer**") has been presented by the Purchaser's solicitors or the Purchaser's financier's solicitors, as the case may be, and the same are successfully registered with the relevant land office (i.e. PgLAND online system showing the status of registration as "*Perserahan Pindah Milik Tanah telah didaftar*") provided that the discharge of charge for the existing charges and the Memorandum of Transfer has been presented to the relevant land office/registry within seven (7) business days from the date of receipt by the Purchaser's solicitors or the solicitors for Purchaser's financier (as the case may be) of the original issue document of title for the Subject Property; and
 - (4) all outgoings of the Subject Property to be borne by the Vendor pursuant to the terms hereof have been fully settled.
- (e) The Vendor expressly covenants and agrees that should the Balance Total Purchase Consideration be insufficient to redeem the Subject Property from the Vendor's financiers, the Vendor shall forthwith within fourteen (14) days upon notification the Purchaser's solicitors or Purchaser's financier's solicitors, as the case may be settle the Shortfall Sum (as defined in the Agreement) so as to secure a full discharge of the Subject Property.

4. Legal Possession Subject to Existing Tenancy

- (a) The Subject Property is sold subject to the existing Tenancy of the Subject Property which shall not be further renewed or extended after the expiry of the current term on 17 June 2026. With effect from the Completion Date, the Novation Agreement shall become effective and the Purchaser shall become the landlord of the Subject Property and be entitled to all rents and profits derived from the Subject Property.
- (b) Legal possession of the Subject Property substantially in the state and condition (fair wear and tear excepted) as at the date of the SPA shall be deemed delivered on the Completion Date and the Vendor shall within seven (7) business days from the date thereof pay to the Purchaser, the security deposit of RM732,000.00 equivalent to three (3) months' rent and the proportionate monthly rent of the Tenancy apportioned from the Completion Date (collectively, "**the Security Deposit and Apportioned Rent of the Tenancy**"), failing which, the Vendor shall pay to the Purchaser an agreed compensation at the rate of six per centum (6%) per annum of the Total Purchase Consideration to be calculated on daily basis from the next day after the Completion Date until the date of the Purchaser's actual receipt of the Security Deposit and Apportioned Rent of the Tenancy.

SALIENT TERMS OF THE SPA (CONT'D)

5. Private Caveat

Upon the execution of the SPA, the Purchaser shall be entitled to enter a private caveat on the Subject Property Provided Always that the Purchaser shall withdraw the said private caveat immediately at its own cost and expense in the event that the SPA is terminated for any reason whatsoever. For the purpose of the SPA, the Purchaser shall execute the withdrawal of private caveat in escrow prior to the lodgement of the said private caveat and deposit the same together with the registration fees with the Purchaser's solicitors who are authorised to forthwith present the said withdrawal of private caveat for registration within five (5) business days from the date of termination of the SPA, unless as otherwise expressly provided therein.

For information purposes, the above private caveat clause in the SPA is to enable the Purchaser to protect its interest in the Subject Property from the period of signing the SPA and the completion of the transfer of the title into the Purchaser's name after completion. This is the norm in a sale and purchase of property transaction. Since the Deposit Sum (as defined herein) has been paid, the Purchaser is entitled to enter a private caveat on the title of the land of the Subject Property to protect its interest in the Subject Property. The entering of a private caveat will prevent any dealings (i.e. transfers, charge, etc.) to be effected on the title of the Subject Property pending the completion of the SPA.

As the sale is subject to the Tenancy, FLEX will continue to occupy the Subject Property as the tenant, post completion. However, the continuance of the Tenancy to FLEX after the completion of the SPA will not affect / prevent the change of ownership of the Subject Property from BMSB to FPSB. The Tenancy to FLEX only means that FPSB will not be obtaining vacant possession of the Subject Property (as FLEX is in occupation), but will instead obtain legal possession as the legal owner of the Subject Property.

6. Conditions of Sale

- (a) The sale of the Subject Property is subject to the following conditions ("**Conditions of Sale**"):
 - (i) The Vendor shall deduce a good registrable legal and beneficial title to the Subject Property.
 - (ii) Any defect in the title shall be perfected by and at the costs and expense of the Vendor.
 - (iii) The Subject Property shall be free from all encumbrances but subject to all conditions of title whether express or implied contained in the issue document of title / strata title.
 - (iv) The production and delivery of the Transfer Documents (as defined in the SPA) and Building Documents (as defined in the SPA).
 - (v) The buildings and structures erected on the Subject Property have been issued with the Certificate of Completion and Compliance (Borang F) No. LAM/PP/No. 0365 dated 7 March 2011 issued for the buildings erected on the Subject Property ("**Certificate of Completion and Compliance**") which is the latest Certificate of Completion and Compliance for the Subject Property.
 - (vi) Each of the Vendor's representation and warranty mentioned herein remains accurate at the Completion Date as if given on the date by reference to the facts and circumstances then existing.

SALIENT TERMS OF THE SPA (CONT'D)

- (b) Notwithstanding anything contained in the SPA, the Vendor agrees that in the event of any of the Conditions of Sale cannot be complied with before the expiry of the Completion Period, the Completion Period shall be extended accordingly free of interest until the Conditions of Sale have been complied with.

7. Restraint on Dealings

During the continuance of the SPA, the Vendor shall not sell, assign, dispose of or otherwise deal with the Subject Property or create any fresh charge, encumbrance, letting or lease over the Subject Property or otherwise part with the possession of the Subject Property except for the occupation of FLEX under the existing Tenancy.

8. Breach by the Vendor

- (a) In the event the Vendor neglects or fail to perform any of the terms conditions and stipulation on the Vendor's part to be performed under the SPA and/or fails to complete the sale of the Subject Property pursuant to the SPA, and provided that the Purchaser has fully fulfilled all its obligation under the SPA, the Purchaser shall be entitled, at its option to:-

- (i) specific performance of the sale and purchase of the Subject Property and/or all damages in lieu thereof and all other reliefs flowing therefrom;

OR

- (ii) terminate the SPA and elect to accept a sum equivalent to ten percent (10%) of the Total Purchase Consideration as agreed liquidated damages and not as penalty (hereinafter referred to as the "**Liquidated Damages**") from the Vendor by serving a notice to the Vendor ("**Termination Notice**") and the Vendor shall before the expiry of seven (7) business days from the date of the Termination Notice:

- (1) pay the Liquidated Damages to the Purchaser; and
- (2) cause all monies paid by the Purchaser pursuant to the SPA to be refunded to the Purchaser;

the sums referred to in sub-paragraphs (1) and (2) shall be referred to as "**Liquidated Damages and the Refundable Sum**".

- (b) If the Vendor defaults to pay the Liquidated Damages and the Refundable Sum as aforesaid, the Vendor shall further pay to the Purchaser interest on the amount of Liquidated Damages and the Refundable Sum calculated at the rate of six per centum (6%) per annum from the date of expiry of the aforesaid seven (7) business days period until the date of actual payment and refund thereof.
- (c) Upon the payment of the Liquidated Damages and the Refundable Sum by the Vendor, the Purchaser shall re-deliver to the Vendor any document herein given to the Purchaser and/or the Purchaser's solicitors by the Vendor with the Vendor's interest as registered owner of the Subject Property intact and cause the withdrawal of the private caveat lodged by the Purchaser and Purchaser's financier as the case may be and thereupon, the SPA shall terminate and become null and void with neither Party having any claim against the other save in respect of any antecedent breach of the SPA.

SALIENT TERMS OF THE SPA (CONT'D)

- (d) It is agreed between the Parties hereto that notwithstanding anything aforesaid and without prejudice to any other rights or remedies as the Purchaser may be entitled to against the Vendor, all costs damages and expenses incurred by the Purchaser in connection with the Purchaser's action at law to enforce specific performance and/or other remedies in respect of the SPA against the Vendor in the Vendor's default shall be borne and paid by the Vendor if the court shall rule in favour of the Purchaser and if the court shall rule otherwise, the costs of proceedings shall be determined by the court of law in Malaysia.

9. Default by the Purchaser

- (a) Provided always that the Vendor is not in default of any terms or covenants in the SPA, then if the Purchaser shall fail to pay the Balance Total Purchase Consideration or any part thereof within the Completion Period (unless the Vendor expressly agree to a further extension of time for payment of the Balance Total Purchase Consideration or any part thereof), the Purchaser shall be deemed to have breached the SPA in which event:
- (i) the Deposit Sum shall be forfeited absolutely to the Vendor as agreed liquidated damages; and
 - (ii) the Vendor shall refund to the Purchaser all other sum or sums paid by the Purchaser hereunder towards account of the Total Purchase Consideration free of interest within seven (7) business days in default of which refund as aforesaid, the Vendor shall further pay to the Purchaser interest on all other sum or sums which is outstanding calculated at the rate of six per centum (6%) per annum from the date the same is due until the date of actual payment and refund thereof.
- (b) Upon such refund pursuant to Section 9 (a) (ii) of this Appendix I being made, the Purchaser shall re-deliver to the Vendor any document herein given to the Purchaser and/or the Purchaser's solicitors by the Vendor with the Vendor's interest as registered owner of the Subject Property intact and cause the withdrawal of the private caveat lodged by the Purchaser and Purchaser's financier as the case may be and thereupon, the SPA shall terminate and become null and void with neither Party having any claim against the other save in respect of any antecedent breach of the SPA.
- (c) It is hereby agreed between the Parties hereto that notwithstanding anything aforesaid and without prejudice to any other rights or remedies as the Vendor may be entitled to against the Purchaser, all costs damages and expenses incurred by the Vendor in connection with the Vendor's action at law and/or other remedies in respect of the SPA against the Purchaser in the Purchaser's default shall be borne and paid by the Purchaser if the court shall rule in favour of the Vendor and if the court shall rule otherwise, the costs of proceedings shall be determined by the court of law in Malaysia.

INDICATIVE SALIENT TERMS OF THE NOVATION AGREEMENT TO BE ENTERED INTO BY FLEX, THE VENDOR AND THE PURCHASER FOR THE NOVATION AGREEMENT

1. Transfer of Rights and Obligations

- 1.1 In consideration of the mutual covenants of the Parties herein, the Parties hereby expressly agree, confirm and declare that with effect from the Completion Date of the SPA (**"the Effective Date"**), BMSB shall assign, transfer and convey all its rights, title, interest, benefits in relation to or arising from the Existing Tenancy Agreement to FPSB who shall:-
- (a) assume, observe, perform, fulfil and carry out all and every agreement, term, condition, proviso, restriction, stipulation, covenant and obligation whatsoever on the part of BMSB contained and set forth in the Existing Tenancy Agreement; and
 - (b) be bound by the terms of the Existing Tenancy Agreement in every way as if FPSB was a party to the Existing Tenancy Agreement in lieu of BMSB.
- 1.2 The Parties hereby further expressly acknowledge that with effect from the Effective Date, FPSB shall be entitled to the legal and equitable title and all rights and interest whatsoever under the Existing Tenancy Agreement and shall be subject to the liabilities thereunder as the landlord of the Demised Premises in place of BMSB.
- 1.3 BMSB hereby affirms that the Security Deposit and the apportioned rent calculated up to the Effective Date have been paid to FPSB, the receipt whereof FPSB hereby expressly acknowledges.

2. Consent by Tenant

With effect from the Effective Date, the Tenant consents to the release and discharge of BMSB from all covenants, conditions and obligations contained in the Existing Tenancy Agreement and the Tenant agrees to accept the performance and liability of FPSB as the landlord under the Existing Tenancy Agreement in lieu of BMSB. The Tenant shall continue to be bound by the terms and conditions of the Existing Tenancy.

3. Indemnities

- 3.1 BMSB agrees to indemnify and keep FPSB fully indemnified at all times against all actions, proceedings, expenses, damages, penalties, costs, claims and demands in respect of or arising out of the Existing Tenancy Agreement prior to the Effective Date.
- 3.2 FPSB agrees to indemnify and keep BMSB fully indemnified at all times against all actions, proceedings, expenses, damages, penalties, costs, claims and demands in respect of or arising out of the Existing Tenancy Agreement with effect from the Effective Date onwards.

4. Existing Tenancy to Remain in Force

- 4.1 Save for the terms and conditions contained herein, all the conditions, covenants, undertakings, provisions and terms contained or subsisting in the Existing Tenancy Agreement shall remain in full force and effect and shall be read and construed as if the abovementioned terms and conditions of this Agreement were inserted therein by way of addition or substitution, as the case may be.

VALUATION CERTIFICATE OF THE SUBJECT PROPERTY

Laurel Cap

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VALUATION CERTIFICATE

Date : 29 December 2023
 Our Ref No. : LC/VAL/PNG/23/0044/NG-CV

PRIVATE & CONFIDENTIAL

BOARD OF DIRECTORS
FOUNDPAC GROUP BERHAD

Plot 35, Hilir Sungai Keluang 2
 Bayan Lepas Industrial Estate
 Non-Free Industrial Zone Phase IV
 11900 Bayan Lepas
 Penang

Dear Sirs,

VALUATION CERTIFICATE OF A SINGLE STOREY DETACHED FACTORY CUM DOUBLE STOREY OFFICE BUILDING BEARING POSTAL ADDRESS NO. 23, LEBUHRAYA KAMPUNG JAWA, 11900 BAYAN LEPAS, PULAU PINANG HELD UNDER TITLE NO. PN 2759, LOT 5728, MUKIM 12, DISTRICT OF BARAT DAYA, STATE OF PULAU PINANG (HEREINAFTER REFERRED TO AS THE "SUBJECT PROPERTY")

We refer to the instructions by **FoundPac Group Berhad** ("FPG" or "**Company**") to provide an opinion on the **Market Value** of the abovementioned **Subject Property** for the purpose of submission to Bursa Malaysia Securities Berhad ("**Bursa Securities**") and for inclusion in the circular to shareholders in respect of the proposed acquisition of the Subject Property by FoundPac Sdn. Bhd., a wholly-owned subsidiary of FPG from Bluemetal Sdn. Bhd for a total purchase consideration of RM41,880,000.

The Subject Property was inspected on 29 November 2023. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. 29 November 2023.

The Valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards ("**MVS**") issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia and with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined by the MVS to be "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The Valuation Certificate should be read in conjunction with the full Report (Ref Nos: LC/VAL/PNG/23/0044/NG) prepared by Laurelcap Sdn. Bhd. for submission to Bursa Securities which detailed the basis under which the valuations have been prepared.

Laurelcap Sdn. Bhd.

200801005326 (806610-U)

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VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (CONT'D)

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IDENTIFICATION OF THE SUBJECT PROPERTY

Subject Property	
Address:	No. 23, Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Pulau Pinang
Type of Property:	A single storey detached factory cum double storey office building
Date of Inspection:	29 November 2023
Date of Valuation:	29 November 2023
Title Particulars:	Title No. PN 2759
	Lot No. Lot 5728
	Land Area (sq.m.) 16,723.00 sq.m.
	Land Area (sq.ft.) 180,006.37 sq.ft.
	Land Area (acres) 4.13 acres
	Mukim Mukim 12
	District Barat Daya
	State Pulau Pinang
	Tenure Leasehold for 60 years. Term expiring on 28 January 2046. Leaving an unexpired term of approximately 23 years as at the date of valuation.
	Quit Rent RM 17,965.00 per annum
	Category of Land Use "Perusahaan/Perindustrian"
	Express Condition "Pemilik yang berdaftar selepas Perbadanan Pembangunan Pulau Pinang hendaklah:- i) Dalam tempoh masa 2 tahun dari tarikh diberi milik atau dalam jangka masa yang ditetapkan yang diluluskan oleh Pihak Berkuasa Negeri, mendirikan bangunan kilang atau bangunan-bangunan kilang diatas tanah yang diberi milik itu mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan dan hendaklah memelihara bangunan atau bangunan-bangunan yang telah didirikan itu dengan memuaskan Pihak Berkuasa Tempatan. ii) Membersihkan, melupuskan atau mengambil tindakan pembersihan dan perlupusan effeluen perdagangan dalam bentuk atau cara yang memuaskan pihak-pihak berkuasa yang berkenaan. iii) Membayar dan menjelaskan semua cukai, kadar-kadar bayaran hasil dan lain-lain bayaran yang dinilai pada masa itu terhadap tanah yang diberi milik tersebut atau mana-mana bahagian yang berkenaan yang dikenakan oleh Majlis Perbandaran Pulau Pinang. iv) Memastikan bahawa 30% daripada pekerja-pekerja yang diambil dalam perniagaan untuk tanah yang diberi milik ini hendaklah terdiri dari kaum Bumiputra.
	Restriction of Interest i) Tanah yang diberimilik ini tidak boleh dipindah milik, cagar, pajak, pajakan kecil atau dilupuskan tanpa kebenaran bertulis daripada Pihak Berkuasa Negeri. ii) Tanah yang diberimilik ini tidak boleh dipecah sempadan atau dipecah bahagian.
	Registered Owner(s) Bluemetal Sdn Bhd (1/1 share)
	Charge/Encumbrances i) One charge to OCBC Al-Amin Bank Berhad vide Presentation No. 0799SC2010002735 dated on 29 January 2010. ii) One charge to OCBC Bank (Malaysia) Berhad vide Presentation No. 0799SC2013034983 dated on 2 October 2013.
	Endorsements Leased a portion of the land to Tenaga Nasional Berhad vide Presentation No. 0799SC1994004629 Jil.8 Fol.120 from 7 October 1993 to 6 October 2023

VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (CONT'D)



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Subject Property	
Land Area:	16,723.00 sq.m. or 180,006.37 sq.ft. or 4.13 acres
Location:	<p>The Subject Property is situated along Lebuhraya Kampung Jawa within the Bayan Lepas Free Industrial Zone Phase 3, Bayan Lepas, Pulau Pinang. It is approximately 14.00 kilometres south-west of Kompleks Tun Abdul Razak (KOMTAR) in Georgetown and 5.00 kilometres north-east of Penang International Airport respectively. The Subject Property is easily accessible from Georgetown via Lebuhraya Tun Dr Lim Chong Eu and exiting onto Lebuhraya Kampung Jawa to where the Subject Property is located.</p> <p>The Subject Property is strategically located in the Penang Island with easy access to Georgetown and mainland Seberang Perai. The Penang International Airport and Penang Port is situated within a 15-kilometre radius from the Subject Property. Access to Penang Port in Butterworth, is facilitated by the Penang Bridge and Sultan Abdul Halim Muadzam Shah Bridge (the Penang Second Bridge) about 7.00 kilometres north-east and 3.5 kilometres south respectively.</p>
Description of the Property:	<p>The physical terrain of the site is generally flat and levelled with the frontage road of Lebuhraya Kampung Jawa. The site boundaries are demarcated by chain link fencing whilst the entrance is secured with a foldable sliding metal gate and a guard house.</p> <p>The Subject Property comprises of three main areas namely the office building, production area and warehouse. The single storey detached factory which is mainly used as production area and warehouse, is constructed of steel portal framework with reinforced concrete floors, supporting steel trusses, rafters and laid over with a pitched metal deck roof whilst the double storey office building is constructed of reinforced concrete framework with in-fill plastered brick walls, reinforced concrete floors and laid over with a metal deck roof.</p> <p>Several ancillary buildings such as guard house, Tenaga Nasional Berhad ("TNB") substation, transformer room, switch room, garbage area, carpenter room and store were noted on the site.</p> <p>During the course of our inspection, the Subject Property is in a good state of decorative repair and maintenance. Vertical access to the upper level is facilitated by multiple reinforced concrete/mild steel staircases strategically located in different areas of the Subject Property. We also have noted that a substantial portion of the production area is fully air conditioned.</p>
Building Certification:	<p>The Subject Property has gone through a major renovation and was completed in year 2011. The renovation includes an additional TNB Substation, extension of office areas on the ground and first floor, new roofs for the extended office areas, new façade, partitioning, installation of air-conditioning and general upkeeping like repair of roof, pipes, floors and walls, and painting.</p> <p>Efforts were made to retrieve the Approved Building Plan. However, the Land Owner was unable to retrieve the Approved Building Plan given that the said renovation was completed more than 10 years ago. Due to the absence of an Approved Building Plan, we have hence adopted a Renovation Plan endorsed by the Fire and Rescue Department Pulau Pinang bearing Ref No. MPPP/OSC/PB(1525)/09 dated on 7 August 2009. We noted that the Subject Property has been constructed in accordance to the Renovation Plan save for the awning located at the northern portion and five (5) car parking bays at the southern portion of the Subject Property respectively ("Extended Area"). The awning has been extended to the boundary of the land whilst the five (5) car parking bays have been converted into a dining area for workers. Given that the abovementioned extension and renovation was not stipulated within the Renovation Plan, we have hence considered only the building areas illustrated within the Renovation Plan and excluded the Extended Area.</p>

VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (CONT'D)



Subject Property																	
Building Certification: (cont'd)	Notwithstanding the above, the Subject Property has obtained a Certificate of Completion and Compliance ("CCC") via Ref No. LAM/PP/No.0365 dated on 7 March 2011. Based on the records from the previous owner, the approximate age of the Subject Property is 37 years old and a post renovation age of 12 years old.																
Gross Floor Area:	<p>The gross floor area ("GFA") of the Subject Property was extracted from the Renovation Plan prepared by Messrs K. H. Tan Architects, and was cross checked with on-site measurements conducted by us in accordance with the "Uniform Method Of Measurements Of Buildings" Section 8.2.2 (f) by the Royal Institution of Surveyors Malaysia (RISM) as required by the Malaysian Valuation Standards (Standard 8 – Inspection and Referencing of property).</p> <p>During the course of our inspection, we have noted that the on-site measurements were within the allowable margin of error thus, for the purpose of this valuation exercise we have adopted the GFA as per the Renovation Plan. The GFA is inclusive of all ancillary buildings save for the TNB substation, transformer room & switch room (as they were handed over to TNB for the commissioning of the substation) and the Extended Area.</p> <p>The breakdown of the GFA of the Subject Property is shown in the table below:-</p> <table><tr><th rowspan="2">Level</th><th colspan="2">Gross Floor Area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Ground Floor</td><td>11,332.63</td><td>121,984.43</td></tr><tr><td>First Floor</td><td>2,412.87</td><td>25,972.13</td></tr><tr><td>Total</td><td>13,745.50</td><td>147,956.56</td></tr></table>		Level	Gross Floor Area		sq.m.	sq.ft.	Ground Floor	11,332.63	121,984.43	First Floor	2,412.87	25,972.13	Total	13,745.50	147,956.56	
Level	Gross Floor Area																
	sq.m.	sq.ft.															
Ground Floor	11,332.63	121,984.43															
First Floor	2,412.87	25,972.13															
Total	13,745.50	147,956.56															
Occupancy Status:	<p>During the course of our inspection, the Subject Property is tenanted to Flextronics Technology (Penang) Sdn. Bhd. A summary of the tenancy is shown below for easy reference.</p> <table><tr><td>Tenant</td><td colspan="2">Flextronics Technology (Penang) Sdn. Bhd.</td></tr><tr><td>Premise</td><td colspan="2">No. 23, Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Pulau Pinang</td></tr><tr><td>Current rental</td><td colspan="2">RM 244,000.00 per month</td></tr><tr><td>Option to renew</td><td colspan="2">Four (4) subsequent renewal terms of three (3) years each after the Initial Contractual Period</td></tr><tr><td>Rental period</td><td colspan="2">Term 1 : 18 June 2011 – 17 June 2014 Term 2 : 18 June 2014 – 17 June 2017 Term 3 : 18 June 2017 – 17 June 2020 Term 4 : 18 June 2020 – 17 June 2023 Term 5 : 18 June 2023 – 17 June 2026</td></tr></table>		Tenant	Flextronics Technology (Penang) Sdn. Bhd.		Premise	No. 23, Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Pulau Pinang		Current rental	RM 244,000.00 per month		Option to renew	Four (4) subsequent renewal terms of three (3) years each after the Initial Contractual Period		Rental period	Term 1 : 18 June 2011 – 17 June 2014 Term 2 : 18 June 2014 – 17 June 2017 Term 3 : 18 June 2017 – 17 June 2020 Term 4 : 18 June 2020 – 17 June 2023 Term 5 : 18 June 2023 – 17 June 2026	
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Rental period	Term 1 : 18 June 2011 – 17 June 2014 Term 2 : 18 June 2014 – 17 June 2017 Term 3 : 18 June 2017 – 17 June 2020 Term 4 : 18 June 2020 – 17 June 2023 Term 5 : 18 June 2023 – 17 June 2026																
Planning Details:	The Subject Property is located within an area designated for industrial use.																

METHOD OF VALUATION

In arriving at the Market Value of the Subject Property, we have adopted the **Cost Approach** and **Income Approach** by way of "Investment Method".

Cost Approach

The Cost Approach of Valuation seeks to determine the value of the property through the summation of the value components of the land, building and fixtures. Nevertheless, due to the dearth of vacant industrial land within the immediate neighbourhood, we have selected completed detached factories as comparables. In determining the value of the land, we have deducted the building value from those selected comparables to arrive at the improved land value. The apportionment value attributable to the land is analysed and compared using the Comparison Approach, in which dissimilarities are identified and adjustments are made. In determining the value of the buildings, current estimates on construction costs to erect equivalent buildings are adopted. Appropriate adjustments are then made for factors of obsolescence and existing physical condition of the buildings.

VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (CONT'D)



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Income Approach by way of "Investment Method"

The Market Value is derived from an estimate of the Market Rental, which the Subject Property can reasonably be let for. Outgoings or operating expenses, such as repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is capitalised at an appropriate current market yield to arrive at its indicative Market Value.

COST APPROACH**Cost Approach (Land Value)**

Recent transactions of detached factories and vacant industrial land of similar nature within the neighbourhood which are pertinent to substantiate a value indication for the Subject Property are reviewed and these sales are listed below.

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)
Description	Single storey detached factory cum double storey office building	Single storey detached factory cum double storey office building	Vacant industrial land
Address	Plot 159, Jalan Sungai Keluang, Bayan Lepas, Pulau Pinang	Plot 12 & 13, Hilir Sungai Kluang 3, Bayan Lepas, Pulau Pinang	Lot 17322, Hilir Sungai Kluang 5, Bayan Lepas, Pulau Pinang
Transaction Date	14/03/2023	02/12/2022	17/07/2018
Category of land use	Industrial	Industrial	Industrial
Zoning	Industrial	Industrial	Industrial
Vendor	K-Tool Engineering Sdn Bhd	Zoomic Technology (M) Sdn Bhd	Perbadanan Pembangunan Pulau Pinang
Purchaser	Towa Tool Sdn Bhd	Foundpac Technologies Sdn Bhd	CPI (Penang) Sdn. Bhd.
Tenure	Leasehold for 60 years. Term expiring on 21 Feb 2050. Leaving an unexpired term of approximately 27 years as at the date of transaction.	Leasehold for 60 years. Term expiring on 9 Sep 2051. Leaving an unexpired term of approximately 29 years as at the date of transaction.	Leasehold for 60 years. Term expiring on 24 June 2069. Leaving an unexpired term of approximately 51 years as at the date of transaction.
Land Area	4,196.00 sq.m. (45,165.74 sq.ft. or 1.04 acres)	8,365.00 sq.m. (90,040.86 sq.ft. or 2.07 acres)	18,358.00 sq.m. (197,605.51 sq.ft. or 4.54 acres)
Gross Floor Area	2,508.36 sq.m. (27,000.00 sq.ft.)	7,248.61 sq.m. (78,024.00 sq.ft.)	-
Estimated Building Value*	RM 4,131,000.00	RM 13,264,080.00	-
Consideration	RM 9,500,000.00	RM 25,500,000.00	RM 27,664,781.00
Land Value Analysis^	RM 118.87 psf	RM 135.89 psf	RM 140.00 psf
Adjustments	General adjustments are made for time and various factors inclusive of location, accessibility, tenure, size, frontage, shape and other factors.		
Adjusted Price psf	RM 104.61 psf	RM 134.13 psf	RM 145.25 psf

* Based on the condition of the comparables during our inspection and building value analysis below.

^ After excluding the estimated building value based on external inspection.

Due to the dearth of industrial land transactions within Bayan Lepas Industrial Park, we have taken into consideration recent transactions of detached factories within Bayan Lepas Industrial Park. The building value of the comparables were estimated based on the condition of the comparables during our inspection and deducted from the consideration price to arrive at the respective land values.

VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (CONT'D)



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We have also noted that the latest recorded industrial land transaction within Bayan Lepas Industrial Park dates back to the year 2018. Despite this transaction occurring five (5) years ago, we have taken it into account due to the unique characteristics of Bayan Lepas Industrial Park. Besides the aforementioned transaction, there are no other industrial land transactions on Penang Island that shares similar characteristics as the Subject Property.

It is noted that the approximate industrial land prices of Comparables 1, 2, and 3, were hovering between RM 118.87 psf and RM 140.00 psf. Adjustments were made to reflect the differences between the Subject Property and the Comparables (i.e. time, location, accessibility, tenure, shape, size, zoning, frontage and terrain) to arrive at a final adjusted price of RM 104.61 psf to RM 145.25 psf. The total adjustments between the comparable ranges from -17.00% to -6.00%.

Taking into consideration of the differences of the Subject Property and the comparables, we have adopted Comparable 2 as the most appropriate comparable due to the following characteristics:-

- a) It is the median adjusted price psf;
- b) Both are leasehold in tenure;
- c) The transaction is considered recent in view of the lack of transactions within Bayan Lepas Industrial Park; and
- d) The adjustment variance of the comparable is the least.

From the above analysis, we have adopted a price psf after adjustments of **RM 134.13 psf**. We then arrive at a land value of **RM 24,144,254.68**.

Cost Approach (Building Value)

In determining the value of the buildings, current estimates on construction costs to construct similar buildings are adopted. Necessary depreciations are then made due to the physical deterioration, functional obsolescence and economical obsolescence. According to JUBM & Arcadis Construction Cost Handbook 2022 and BCISM Costbook 2022, The construction cost of offices ranges from RM 148.64 psf to RM 260.59 psf whilst the construction cost of factories ranges from RM 118.91 psf to RM 186.73 psf.

It is pertinent to note that the construction costs of factories/warehouses stated above relates to factories/warehouses with standardised design layout which generally includes structures, roof and mechanical & electrical services, excluding air-conditioning. The construction cost rates stated above were based on an aggregated contract price over the total CFA/GFA (with no segregation between floor area of the office and factory). We have hence adopted an aggregated construction cost per GFA of **RM 200.00 psf** after taking into consideration the specifications of the Subject Property (i.e. design, finishes & air conditioning) and inflation for the past two (2) years.

A total depreciated rate of 15% is made on the total construction cost to arrive at the building value. The breakdown of the depreciation adopted is shown below.

Depreciation	Rate	Remarks
Physical Deterioration	10.00%	The adopted depreciation rate is based on the average lifespan of buildings, which is 60 year, equivalent to approximately 1.67% per annum. However, with periodic repair and maintenance, and a major renovation completed in year 2011, the lifespan of the building has been extended beyond its normal operating life. It was also noted that during the course of inspection, the periodic upkeeping of the Subject Property was done well and the building has minimal wear and tear. As such, taking into consideration of the age of the building, the renovation and the physical condition of the building, we have adopted a depreciation rate of 10.00%.
Economic Obsolescence	5.00%	We noted that there are several upcoming industrial parks within Seberang Perai. With the increasing competitiveness of industrial properties within Penang, we have adopted a 5% adjustment to reflect the economic challenges.
Functional Obsolescence	0.00%	This type of obsolescence is defined as the losses in utility caused by an inherent inadequacy in the building's design, layout, equipment, space arrangement or capacity to support the intended use of the property. The Subject Property has a design and layout that is widely accepted in the market. Therefore, we have not made any adjustments for Functional Obsolescence.
Total	15.00%	

VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (CONT'D)



A summary of the Cost Approach is shown below for easy reference.

Description	Total
Part 1 : Land Value	
Land Value	RM 24,144,254.68
Part 2 : Building Value	
Total Construction Cost	RM 29,591,312.00
Less : Total Depreciation @ 15%	(RM 4,438,696.80)
Building Value	RM 25,152,615.20
Part 3 : Market Value	
Market Value (Land Value + Building Value)	RM 49,296,869.88
SAY	RM 49,000,000.00

INCOME APPROACH BY WAY OF "INVESTMENT METHOD"

Recent asking rental prices and actual revenue of factories situated within the neighbourhood which are pertinent to substantiate a value indication for the Subject Property are reviewed and listed below.

Factory

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	iProperty.com.my	iProperty.com.my	iProperty.com.my
Address	Bayan Lepas Industrial Park, Pulau Pinang	Bayan Lepas Industrial Park, Pulau Pinang	Bayan Lepas Industrial Park, Pulau Pinang
Posted Date	9/12/2023	6/12/2023	20/11/2023
Built-up Area	12,783.35 sq.m. (137,600.00 sq.ft.)	21,035.58 sq.m. (226,427.00 sq.ft.)	22,296.54 sq.m. (240,000.00 sq.ft.)
Monthly Rental	RM 480,000.00	RM 905,708.00	RM 750,000.00
Analysis	RM 3.49 psf	RM 4.00 psf	RM 3.13 psf
Adjustments	General adjustments are made for location, accessibility, size, building condition, frontage and other factors.		
Adjusted Rental	RM 3.49 psf	RM 4.20 psf	RM 3.28 psf

COMPARABLES	COMPARABLE 4	COMPARABLE 5
Source	REIT Annual Report	REIT Annual Report
Address	Axis Facility @ Batu Kawan, PMT 770, Jalan Cassia Selatan 6/4, Taman Perindustrian Batu Kawan, 14110 Bandar Cassia, Pulau Pinang	Bayan Lepas Distribution Centre, 88A, Lintang Bayan 9, Lintang Bayan Lepas Industrial Park, Phase IV 11900 Bayan Lepas, Pulau Pinang
Posted Date	28/2/2023	28/2/2023
Built-up Area	4,087.70 sq.m. (44,000.00 sq.ft.)	19,058.99 sq.m. (205,151.00 sq.ft.)
Monthly Revenue	RM 136,166.67	RM 482,833.33
Analysis	RM 3.09 psf	RM 2.35 psf
Adjustments	General adjustments are made for location, accessibility, size, building condition, frontage and other factors.	
Adjusted Rental	RM 3.40 psf	RM 2.35 psf

VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (CONT'D)



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The key parameters adopted in the computation of Income Approach are tabulated below.

No.	Key Parameters	
1.	Gross monthly rental	<p>RM 3.50 psf</p> <p>The gross monthly rental rate was derived from asking rentals and actual revenue of similar properties within the surrounding neighbourhood. From our compilation, adjustments have been made for location, accessibility, size, building condition, frontage and unusable area to arrive at a common basis for comparison with the Subject Property.</p> <p>It is noted that the adjusted rental rate of asking prices ranges from RM 3.28 psf to RM 4.20 psf whilst the actual revenues ranges from RM 2.35 psf to RM 3.40 psf.</p> <p>We have also noted that the actual revenues are lower as compared to the asking rental prices due to the date the tenancy was entered and a common rent review clause in tenancy agreements stating that the increase in rent shall not exceed 10%. In respect thereof, due to the long running tenancy, the market rent has hence surpassed the rent review of existing rentals.</p> <p>Additionally, we have noted that the rental prices in Bayan Lepas Industrial Park have been on an upward trend. Thus, we have placed greater emphasis on the asking rental prices as it reflects the current market conditions.</p>
2.	Outgoings	<p>5.00% of gross annual rental</p>

The outgoings adopted is from analysing the annual taxes and payables of the Subject Property like quit rent, assessment, fire insurance and repair & maintenance to represent a percentage of the gross annual rental. The 3-year average outgoings of the Subject Property are as below.

Components	% of Gross Annual Rental
Assessment	RM 89,916.00 per annum
Quit Rent	RM 17,965.00 per annum
Insurance	RM 20,300.90 per annum
Repair & Maintenance*	RM 0.00 per annum
Total	RM 128,181.90 per annum or 4.38% of gross annual rental
Adopt	5.00% of gross annual rental

** As per the Tenancy Agreement, majority of the maintenance and repair costs were borne by the tenant save for repair and/or replace the roof, main structure, walls and main drains and pipes and the common parts. The Land Owner had further confirmed that no maintenance and repair cost were incurred in the past three (3) years.*

Despite the outgoings analysed above is below the market rate of 5% to 10% of the industrial property's gross annual rental in the vicinity, we have adopted an outgoings of 5% for the Subject Property. As the outgoings are represented as a percentage of the gross annual rental, the reversionary rent would contribute a larger amount due to the increment of rent. This increment of outgoings would then account for repair and maintenance cost after the expiry of the tenancy.

VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (CONT'D)



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No.	Key Parameters	
3.	Yield	Term : 6.00% Reversion : 6.75% <p>The yield adopted was derived from analysing a Real Estate Investment Trust (which is listed on the Main Market of Bursa Securities) with industrial properties in the northern region. It is noted that the yield ranges from 5.17% to 8.08%. The average yield of 6.75% was adopted for the Subject Property. As the current rental is below the market rental, we have adopted a yield of 75 basis point lower for the Term whilst the Reversion is at market yield.</p>
4.	Void	5% of gross annual rental <p>We have taken into consideration the void allowance in arriving at the Market Value of the Subject Property for the possible future vacancies and rent-free periods. Based on industry standards, the typical time taken to rent out industrial spaces of this type of property is about two (2) months. However, the tenancy period of factories usually ranges from two (2) to three (3) years per review. In addition, the tenant is required to provide a two (2) to three (3) months' written notice to the landlord nearing the end of the tenancy to inform on the renewal of the tenancy. By taking two (2) months vacancy over thirty-six (36) months of rental period, we arrive at 5.55%. Hence, adopting a 5% rate to represent a void period in this instance is fair and reasonable.</p>
5.	Sinking Fund	4.00% <p>The rate adopted is based on Malaysian Government Securities and Fixed Deposits with banks. The rate ranges from 3.52% to 4.64% and averages at 4.01%.</p>
6.	Tax	24.00% <p>The rate adopted is based on the Malaysian Corporate Income Tax where interest income is subject to tax.</p>
7.	Present Value (Discount Rate)	0.25% higher than their respective yield <p>We have allowed for an additional 25 basis points on top of their respective yield as a measurement of risk commonly associated with this particular asset class.</p>

A summary of the Investment Method is tabulated below for easy reference.

Description	Market Value
Term	
Gross Annual Rental	RM 2,928,000.00
Less : Annual Outgoings @ 5%	(RM 146,400.00)
Net Annual Rental	RM 2,781,600.00
Years Purchase ("YP") @ 6.00% yield @ 2.551 years	2.301804593
Term Value	RM 6,402,699.66
Reversion	
Gross Annual Rental	RM 6,214,175.52
Less : Annual Outgoings @ 5%	(RM 310,708.78)
Less : Void @ 5%	(RM 310,708.78)
Net Annual Rental	RM 5,592,757.96
YP Dual Rate @ 6.75% yield @ 4.00% Sinking Fund @ 24% Tax @ 19.630 years	8.858261060
Present Value ("PV") @ 7.00% yield @ 2.551 years	0.841494421
Reversionary Value	RM 41,689,409.22
Market Value (Term + Reversion)	RM 48,092,108.88
SAY	RM 48,000,000.00

VALUATION CERTIFICATE OF THE SUBJECT PROPERTY (CONT'D)

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RECONCILIATION OF VALUES

Method of Valuation		Derivation of Value
Primary Method	Income Approach by way of "Investment Method"	RM 48,000,000.00
Secondary Method	Cost Approach	RM 49,000,000.00

From the above approaches, **we have concluded that the best approach in arriving at the Market Value of the Subject Property is the Income Approach.** This approach is the most suitable in this instance due to the following:-

- The Subject Property is located within a Free Trade Zone that is mainly occupied by multinational companies;
- The Subject Property is an income generating property;
- The unexpired lease term of the Subject Property is about 23 years; and
- The abundance of asking rentals available in the vicinity of Bayan Lepas, which in return helps us to form a pattern of values and enable us to improve the accuracy in establishing the Market Value of the Subject Property.

On hind sight, the Cost Approach is only suitable to serve as a secondary approach (cross check), due to the following:-

- There is a lack of vacant industrial land and detached factory transactions within Bayan Lepas as most properties are either for own usage or long term tenancies; and
- The building value of the comparables may be difficult to ascertain based on external inspection as the detached factory are individually designed to unique specifications.

As such, the information available may skew or cause inaccuracy in deriving the Market Value of the Subject Property thus we have adopted the value derived using the Income Approach.

VALUATION CONCLUSION

Having taken into consideration all the relevant and pertinent factors, we are of the opinion that the **Market Value** of the leasehold interest in the Subject Property with an unexpired term of approximately 23 years in a single storey detached factory cum double storey office building bearing postal address No. 23, Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Pulau Pinang held under Title No. PN 2759, Lot 5728, Mukim 12, District of Barat Daya, State of Pulau Pinang in its existing physical conditions with legal possession and subject to its title being free from encumbrances, good, marketable and registerable as of **29 November 2023** is:-

Market Value - RM 48,000,000.00 (Ringgit Malaysia : Forty Eight Million Only)

The above Report and Valuation has been carried out by Sr Stanley Toh Kim Seng,
For and on behalf of Laurelcap Sdn. Bhd.

Sr STANLEY TOH KIM SENG
BSc (Hons) Estate Management,
MRISM, MRICS, MPEPS, MMIPFM, ICVS, MBVAM
Registered Valuer (V-927)

Note : This Report was peer reviewed by Mr Tan San Yew (Peer Reviewer) (V-607) from Laurelcap (HQ) Sdn Bhd.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and they individually and collectively accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statements or information herein false or misleading.

The information on the Vendor was provided by the management and/or board of directors of the Vendor. Therefore, the responsibility of our Board with respect to such information is limited to ensuring that the information thereon is accurately reproduced in this Circular.

2. CONSENTS

UOBKH, being the Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form, manner and context in which they appear in this Circular.

Laurelcap, being the Independent Valuer of the Subject Property in relation to the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, Valuation Certificate and all references thereto in the form, manner and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to our Company for the Proposed Acquisition.

Laurelcap has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Independent Valuer to our Company for the Proposed Acquisition.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Vendor confirmed that to the best of its knowledge, there are no material litigations, claims and/or arbitration involving the Subject Property, and the Vendor confirmed that to the best of its knowledge, there are no proceedings, pending or threatened, involving the Subject Property.

5. MATERIAL COMMITMENTS

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group that has not been provided for which may have a material impact on the financial results or position of our Group.

6. CONTINGENT LIABILITIES

As at the LPD, there are no material contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact on the financial results or position of our Group.

FURTHER INFORMATION (CONT'D)

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of our Company at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Penang during normal business hours between Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:-

- (i) the Constitution of FoundPac;
- (ii) the SPA;
- (iii) the Valuation Report and Valuation Certificate;
- (iv) the letters of consent and declarations of conflict of interest referred to in **Sections 2 and 3** of this **Appendix IV**; and
- (v) the audited consolidated financial statements of our Group for the past 2 financial years up to and including the FYE 30 June 2023 as well as the unaudited consolidated financial statements of our Group for the 6-month financial period ended 31 December 2023.

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FOUNDPAC GROUP BERHAD

(Registration No. 201501040628 (1165946-H))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting (“**EGM**”) of FoundPac Group Berhad (“**FoundPac**” or the “**Company**”) will be held at Wembly Room 10, Level 9, The Wembly, A St Giles Hotel, Penang, 183, Jalan Magazine, 10300 Penang on Wednesday, 27 March 2024 at 9.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:-

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY FOUNDPAC SDN BHD (“FPSB” OR “PURCHASER”), A WHOLLY-OWNED SUBSIDIARY OF FOUNDPAC, OF A LEASEHOLD INDUSTRIAL LAND HELD UNDER TITLE NO. PAJAKAN NEGERI (PN) 2759, LOT 5728, MUKIM 12, DISTRICT OF BARAT DAYA, STATE OF PULAU PINANG TOGETHER WITH A SINGLE STOREY DETACHED FACTORY CUM DOUBLE STOREY OFFICE BUILDING ERECTED THEREON (“SUBJECT PROPERTY”) FROM BLUEMETAL SDN BHD (“BMSB”) FOR A TOTAL CASH CONSIDERATION OF RM41.88 MILLION (“PROPOSED ACQUISITION”)

“**THAT** subject to the relevant approvals of all relevant authorities or parties being obtained, approval be and is hereby given to FPSB, a wholly-owned subsidiary of the Company, to acquire the Subject Property located in Mukim 12, District of Barat Daya, State of Pulau Pinang, measuring an aggregate of approximately 16,723 square metres (equivalent to approximately 180,006 square feet) together with a single storey detached factory cum double storey office building erected thereon from BMSB for a total cash consideration of RM41,880,000 (the details of which are set out in the circular to shareholders of FoundPac dated 11 March 2024 (“**Circular**”)), in accordance with the terms and conditions as stipulated in the conditional sale and purchase agreement dated 21 December 2023 entered into between FPSB and BMSB (the salient terms of which are set out in **Appendix I** of the Circular), and on such other terms and conditions as the parties thereto may mutually agree upon in writing or which are imposed by the relevant authorities.

AND THAT approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to give effect to the Proposed Acquisition with full powers and authority to:-

- (a) enter into any arrangement, transaction, agreement and/or undertaking and to execute, sign and deliver for and on behalf of the Company, all such agreements, instruments, documents and/or deeds (including, without limitation, the affixing of the Company's Common Seal in accordance with the Constitution of the Company, where necessary) as the Board may from time to time deem necessary, expedient or appropriate for or in connection with the Proposed Acquisition;
- (b) assent and/or give effect to any condition, variation, modification, addition and/or amendment in respect of the Proposed Acquisition and/or any provision, term and condition thereof as may be required or permitted by any relevant authorities and to deal with matters relating thereto and/or as the Board may in its absolute discretion deem necessary, expedient or appropriate for or in connection with the Proposed Acquisition in the best interest of the Company; and
- (c) take all such steps and do all such acts, deeds and things including giving undertakings as the Board may from time to time deem necessary, expedient or appropriate in order to implement, finalise, give full effect to and complete all transactions contemplated under the Proposed Acquisition.”

By Order of the Board,

HOW WEE LING

MAICSA 7033850 / SSM PC NO. 202008000869

OOI EAN HOON

MAICSA 7057078 / SSM PC NO. 202008000734

Secretaries

Penang

11 March 2024

Proxy:-

- (a) *For the purpose of determining a member who shall be entitled to attend and vote at this EGM, the Company shall be requesting the Record of Depositors as at 19 March 2024. Only a depositor whose name appears on the Record of Depositors as at 19 March 2024 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*
- (b) *A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- (c) *Where a member of the Company is an Exempt Authorised Nominee which holds Ordinary Shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
- (d) *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy shall be either under its common seal or under the hand of its officer or attorney duly authorised.*
- (e) *The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn Bhd at Suite 18.05, MWE Plaza, No. 8, Lebuhr Farquhar, 10200 George Town, Pulau Pinang or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshsb.com.my not less than twenty-four (24) hours before the time set for holding the EGM, or any adjournments thereof.*

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PROXY FORM

No. of Ordinary Shares held	
Contact No.	

CDS Account No.	
Email Address	

*I/We _____ (*NRIC No./ Company No _____) of

being a *Member/Members of FOUNDPAC GROUP BERHAD hereby appoint:-

☐ The following proxy(ies):-

Name	NRIC / Passport No.	Address	Proportions of my/our holdings to be represented (%)
(1)			
AND * / OR FAILING HIM*,			
(2)			
Total			100.0%

In case of show of hands, Proxy 1 / Proxy 2* shall vote on our behalf*

AND * / OR FAILING HIM*,

☐ Chairman of the Meeting

as *my/our proxy to vote for *me/us and on *my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held at Wembly Room 10, Level 9, The Wembly, A St Giles Hotel, Penang, 183, Jalan Magazine, 10300 Penang on Wednesday, 27 March 2024 at 9.00 a.m. and at any adjournment thereof as indicated below:-

☐ *Tick (✓) whichever is applicable*

* *Strike out whichever is inapplicable*

(Please indicate with an "X" in the space provided below on how you wish your vote to be casted. If you do not do so, the proxy will vote or abstain from voting at his/her discretion)

ORDINARY RESOLUTION		FOR	AGAINST
1.	Proposed Acquisition		

Signed this day of....., 2024

Signature of Shareholder(s)

Notes:-

For the purpose of determining a member who shall be entitled to attend and vote at this EGM, the Company shall be requesting the Record of Depositors as at 19 March 2024. Only a depositor whose name appears on the Record of Depositors as at 19 March 2024 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

Proxy:-

- A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- Where a member of the Company is an Exempt Authorised Nominee which holds Ordinary Shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
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Please fold across the line and close

Affix
stamp

Securities Services (Holdings) Sdn Bhd
Suite 18.05, MWE Plaza,
No. 8, Lebuh Farquhar,
10200 George Town, Pulau Pinang

Please fold across the line and close