

## FOUNDPAC GROUP BERHAD (“FOUNDPAC” OR THE “COMPANY”)

**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 FOR A TOTAL CASH CONSIDERATION OF RM41.88 MILLION (“PROPOSED ACQUISITION”)**

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### 1. INTRODUCTION

On behalf of the Board of Directors of FoundPac (“**Board**”), UOB Kay Hian Securities (M) Sdn Bhd (“**UOBKH**”) wishes to announce that FPSB, had on 21 December 2023, entered into a conditional sale and purchase agreement (“**SPA**” or the “**Agreement**”) with Bluemetal Sdn Bhd (“**BMSB**” or “**Vendor**”) for the acquisition 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 measuring an aggregate of approximately 16,723 square metres (“**sqm**”) (equivalent to approximately 180,006 square feet (“**sqft**”) together with a single storey detached factory cum double storey office building erected thereon (“**Subject Property**”) for a total cash consideration of RM41,880,000 (“**Total Purchase Consideration**”).

Further details of the Subject Property are set out in **Section 2.1** of this announcement 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 announcement.

### 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 3.5 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:-



<b>Title / Lot No.</b>	:	Lot 5728 held under Title No. Pajakan Negeri 2759
<b>Title land area</b>	:	16,723 sqm
<b>Location</b>	:	Mukim 12, District of Barat Daya, State of Pulau Pinang
<b>Postal address</b>	:	No. 23, Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Pulau Pinang
<b>Tenure</b>	:	Leasehold interest for a term of 60 years, expiring on 28 January 2046
<b>Category of land use</b>	:	Perusahaan / Perindustrian
<b>Registered owner</b>	:	BMSB
<b>Express conditions</b>	:	<p>Pemilik yang berdaftar selepas Perbadanan Pembangunan Pulau Pinang hendaklah:-</p> <ul style="list-style-type: none"> <li>(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.</li> <li>(ii) Membersihkan, melupuskan atau mengambil tindakan pembersihan dan perlupusan effeluen perdagangan dalam bentuk atau cara yang memuaskan pihak-pihak berkuasa yang berkenaan.</li> <li>(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.</li> <li>(iv) Memastikan bahawa 30% daripada pekerja-pekerja yang diambil dalam perniagaan untuk tanah yang diberi milik ini hendaklah terdiri dari kaum Bumiputra.</li> </ul>

<b>Encumbrances</b>	:	(i) A charge registered on 29 January 2010 in favour of OCBC Al-Amin Bank Berhad; and (ii) A charge registered on 2 October 2013 in favour of OCBC Bank (Malaysia) Berhad.
<b>Endorsements</b>	:	A lease on part of the land registered on 8 April 1994 in favour of Tenaga Nasional Berhad (" <b>TNB Lease</b> ")
<b>Tenancy<sup>(1)</sup></b>	:	The Subject Property is currently tenanted to Flextronics Technology (Penang) Sdn Bhd (" <b>FLEX</b> " or " <b>Tenant</b> ")
<b>Proposed use</b>	:	To house and consolidate all current operations of the Group located in Pulau Pinang into the Subject Property, which is in line with business expansion plan of the Group
<b>Restriction-in-interest</b>	:	(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.
<b>Date of inspection</b>	:	29 November 2023
<b>Audited net book value (as at 30 June 2023)</b>	:	Not available <sup>(2)</sup>
<b>Independent valuer</b>	:	Laurelcap Sdn Bhd (" <b>Independent Valuer</b> ")
<b>Method of valuation</b>	:	Cost approach and income approach
<b>Market value</b>	:	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 the company search results obtained from Companies Commission of Malaysia dated 21 November 2023 ("**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 21 November 2023			
		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 letter dated 5 December 2023 ("**Valuation Letter**"). The Total Purchase Consideration represents a discount of approximately RM6.12 million or 12.75% to the Appraised Market Value;
- (ii) the rationale of the Proposed Acquisition as set out in **Section 3** of this announcement; and
- (iii) the prospects of the Subject Property as set out in **Section 4.3** of this announcement.

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## 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 to be paid to the Vendor's solicitors; and	2,512,800	
	(b) 3% of the Total Purchase Consideration, being the retention sum for the purpose of compliance with the Real Property Gains Tax Act, 1976	1,256,400	
<b>Total</b>			<b>3,769,200</b>
90.0% of the Total Purchase Consideration	To be paid within 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 daily basis (" <b>Completion Period</b> ")		37,692,000
<b>Total</b>			<b>41,880,000</b>

## 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.

Notwithstanding the above, in determining the funding requirements, the Board will take into consideration, amongst others, the gearing level, interest costs and cash reserves of FoundPac and its subsidiaries ("**FoundPac Group**" or the "**Group**").

## 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 the 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 the 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

The Group presently has its current production operations located in 6 factories, where 4 factories are located in Batu Maung, Bayan Lepas and Prai, Pulau Pinang and 2 factories are located in Sungai Petani and Sik, Kedah. The Proposed Acquisition was undertaken by the Group with the aim of enabling the Group to consolidate its production operations located in Pulau Pinang (namely the factories located in Batu Maung, Bayan Lepas and Prai) to a single premise.

Based on the preliminary feasibility studies conducted by the Group, the size of Subject Property allows for accommodation of the identified production 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 its production operations in Pulau Pinang extends beyond operational efficiency as the 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).

For information purposes, FoundPac Technologies Sdn Bhd ("**FoundPac Tech**"), a wholly-owned subsidiary of FoundPac, had on 16 October 2023, acquired 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 is to enable FoundPac Tech to increase its production capacity. The production space for the precision engineering segment in the financial year ended ("**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 the management of the Group 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, the management of the Group is presently of the view that the Subject Property is more aligned with the strategic objectives of the Group given 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 the 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. As such, the Group has abandoned its 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. The management expects the Group to receive a gross rental yield of approximately 11.76% per annum from the tenancy of the Initial Identified Property.

The management of the Group wishes to highlight that the Group anticipates that the relocation and consolidation of the production operations located in Pulau Pinang are scheduled to be implemented only after second quarter of 2026. This indicative timeline is contingent upon the expiration of the Tenancy, as detailed in **Section 2.1** of this announcement, and the completion of minor refurbishments and enhancement works on the Subject Property. During such interim period (from the completion date of the Proposed Acquisition up to 17 June 2026), the Group 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 the 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)*

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### **4.3 Prospects of the Subject Property**

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

- (a) the Group will be able to relocate its identified production 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 the Group to accommodate its 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 the Group, apart from the anticipated operational efficiency and resource optimisation; and
- (b) the Group will also receive monthly rental of RM244,000 from the completion date of the Proposed Acquisition up to 17 June 2026, which in turn, will enhance the earnings of the Group on a short term basis whilst the Group undertakes the necessary planning on the relocation and consolidation of its identified production operations.

## **5. RISK FACTORS**

Save as disclosed below, which are by no means exhaustive, the 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 the 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, the 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, which are within the Group's control, are obtained/fulfilled within the prescribed timeframe.

### **5.2 Acquisition risk**

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

Nevertheless, the Board will monitor closely and continuously assess prevailing economic and market conditions. The 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, the Group may potentially be exposed to interest rate fluctuation which may significantly increase the acquisition cost and affect the Group's cash flows as well as its profitability. The Group will actively review its 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 the Group would not be materially affected in the event of any adverse changes in interest rates.

## 6. EFFECTS OF THE PROPOSED ACQUISITION

The proforma effects of the Proposed Acquisition on the issued share capital, substantial shareholders' shareholdings, consolidated net assets ("NA"), NA per share, gearing as well as consolidated earnings and earnings per share ("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 the Company as the Proposed Acquisition does not involve any issuance of new ordinary shares in FoundPac.

### 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)41,197
<b>NA attributable to owners of the Company</b>	<b>106,363</b>	<b>105,603</b>
No. of shares in issue ('000) <sup>(3)</sup>	543,712	543,712
<b>NA per share (sen)</b>	<b>19.56</b>	<b>19.42</b>
Total borrowings (RM'000)	-	(2)37,692
<b>Gearing (times)</b>	-	<b>0.36</b>

**Notes:-**

- (1) After deducting estimated expenses of approximately RM0.76 million in relation to the Proposed Acquisition.
- (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 the Group's earnings and EPS for the FYE 30 June 2024. The management of the Group envisages that the subsequent consolidation of its production operations in Pulau Pinang to a single premise and the additional floor space catering for potential increased production capacity, will potentially enhance the earnings of the Group moving forward.

### **7. APPROVALS REQUIRED**

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

- (i) the approval of the shareholders of FoundPac at an extraordinary general meeting to be convened;
- (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 the Company.

### **8. PERCENTAGE RATIOS UNDER THE LISTING REQUIREMENTS**

Pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities ("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 the Directors, major shareholders and/or 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), the Board is of the opinion that the Proposed Acquisition is in the best interest of FoundPac.

### **11. PRINCIPAL ADVISER**

UOBKH has been appointed as the Principal Adviser to FoundPac in relation to the Proposed Acquisition.

**12. ESTIMATED TIMEFRAME FOR COMPLETION**

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

**13. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Acquisition, which are the subject matter of this announcement, the Board is not aware of any other outstanding corporate proposals, which have been announced but pending completion.

**14. APPLICATION TO RELEVANT AUTHORITIES**

Barring any unforeseen circumstances, the applications to the relevant authorities for the Proposed Acquisition are expected to be submitted by the relevant parties within 3 months from the date of this announcement.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SPA and the Valuation Letter are available for inspection at the registered office of FoundPac at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Pulau Pinang for a period of 3 months commencing from the date of this announcement.

**This announcement is dated 21 December 2023.**

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**SALIENT TERMS OF THE SPA**

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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 Agreement.
- (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 the Tenant with the Vendor and the Purchaser (collectively, the “**Parties**”) to lawfully novate the Tenancy Agreement to the Purchaser (“**Novation Agreement**”). 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 herein contained, 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 Agreement 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

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**SALIENT TERMS OF THE SPA (Cont'd)**


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- (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 Agreement 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 Agreement shall be of no further force and effect and neither Party shall have any claim against the other in respect of the Agreement 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 Agreement 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 Agreement, 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 Agreement;
  - (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 Agreement 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 Agreement.

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**SALIENT TERMS OF THE SPA (Cont'd)**

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- (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 Agreement.
  - (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 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 the Tenant 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;
    - (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;

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**SALIENT TERMS OF THE SPA (Cont'd)**

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- (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 outgoing 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 Agreement 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.

**5. Private Caveat**

Upon the execution of the Agreement, 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 Agreement is terminated for any reason whatsoever. For the purpose herein, 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 Agreement, unless as otherwise expressly provided therein.

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**SALIENT TERMS OF THE SPA (Cont'd)**

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**6. Conditions of Sale**

- (a) The sale herein 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 Agreement) and Building Documents (as defined in the Agreement).
  - (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 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.
- (b) Notwithstanding anything contained in the Agreement, the Vendor hereby 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 Agreement, 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 the Tenant 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 Agreement and/or fails to complete the sale of the Subject Property pursuant to the Agreement, and provided that the Purchaser has fully fulfilled all its obligation under the Agreement, the Purchaser shall be entitled, at its option to:-
- (i) specific performance of the sale and purchase hereunder of the Subject Property and/or all damages in lieu thereof and all other reliefs flowing therefrom;

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**SALIENT TERMS OF THE SPA (Cont'd)**

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OR

(ii) terminate the Agreement 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 Agreement 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 Agreement 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 Agreement.
- (d) It is hereby 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 Agreement 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 Agreement, 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 Agreement in which event:
- (i) the Deposit Sum shall be forfeited absolutely to the Vendor as agreed liquidated damages; and

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**SALIENT TERMS OF THE SPA (Cont'd)**

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- (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 Agreement 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 Agreement.
- (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 Agreement 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.

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