

## SMART ASIA CHEMICAL BHD (“SAC” OR “COMPANY”)

### PROPOSED ACQUISITION OF PROPERTY BY SMART PAINT MANUFACTURING SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

---

#### 1. INTRODUCTION

The Board of Directors of SAC (“**Board**”) wishes to announce that Smart Paint Manufacturing Sdn Bhd (“**Smart Paint Manufacturing**” or the “**Purchaser**”), a wholly-owned subsidiary of SAC, had on 7 October 2024 entered into a Sale and Purchase Agreement (“**SPA**”) with Special Hazards Protection Sdn. Bhd. [Registration No. 200601012649 (732399-M)] (“**SHPSB**” or the “**Vendor**”) to purchase an industrial land held under Individual Title HSD 150916 PT 144298, in the Mukim of Klang, District of Klang, State of Selangor together with a unit of three storey semi-detached factory erected thereon bearing postal address of No. 6B, Jalan Gambus 33/4, Seksyen 33, 40400 Shah Alam, Selangor Darul Ehsan (“**Property**”), for a total cash consideration of RM8,500,000 (“**Purchase Consideration**”) (“**Proposed Acquisition**”), subject to the terms and conditions as stipulated in the SPA.

Further details on the Proposed Acquisition are included in the following sections of this announcement.

#### 2. DETAILS OF THE PROPOSED ACQUISITION

##### 2.1 Information on the Purchaser

Smart Paint Manufacturing was incorporated on 10 January 2013 in Malaysia under the Companies Act 1965 as a private limited company and is deemed incorporated under the Companies Act 2016.

Smart Paint Manufacturing is principally involved in the manufacturing of paints, varnishes and similar coatings ink and mastics.

As at 4 October 2024, being the latest practicable date prior to the date of this announcement (“**LPD**”), the issued share capital of Smart Paint Manufacturing is RM20,000,000 comprising 20,000,000 ordinary shares.

As at the LPD, Smart Paint Manufacturing is a wholly-owned subsidiary of SAC. The directors of Smart Paint Manufacturing are Goh Bee Sim, Goh Chye Hin, Goh Sim Yee, Goh Ji Syuan and Kee Hui Lang.

##### 2.2 Information on the Vendor

SHPSB is a private limited company incorporated in Malaysia under the Companies Act 1965 on 4 May 2006 and is deemed registered under the Companies Act 2016.

SHPSB is principally involved in supply, install and maintenance of fire protection and fighting equipment system. SHPSB is the registered and beneficial owner of the Property.

As at the LPD, the total issued and paid-up share capital of SHPSB is RM 1,000,000 comprising 1,000,000 ordinary shares in SHPSB.

As at the LPD, the directors and shareholders of SHPSB and their respective shareholdings are as follows:-

Name	Designation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Lai Cheng Kuan	Shareholder	488,500	48.85	-	-
Tai Kwang Tong	Director/ Shareholder	411,500	41.15	-	-
Yeoh Kok Khim	Shareholder	40,000	4.00	-	-
Leong Yeow Cheng	Shareholder	40,000	4.00	-	-
Kang Chee Sien	Director/ Shareholder	20,000	2.00	-	-
<b>Total</b>		<b>1,000,000</b>	<b>100.00</b>	<b>-</b>	<b>-</b>

### 2.3 Salient Terms of the Proposed Acquisition

The salient terms and conditions of the SPA include, amongst others, the following:

- (i) The Proposed Acquisition entails the acquisition of Property from the Vendor free from all encumbrances, claims, charges, liens, easements, caveats, order of court, trusts, equities and any conflicting interests and restraints whatsoever on an “as is where is basis” at the Purchase Consideration of RM8,500,000 with vacant possession but subject to all conditions of title affecting the Property and upon the terms and conditions stipulated in the SPA.
- (ii) The Purchase Consideration is to be satisfied entirely in cash, in the following manner:

Payment mode	Timing of settlement	Purchase Consideration
		RM'000
Cash consideration	(i) <u>Earnest Deposit</u> Prior to the execution of SPA, Smart Paint Manufacturing has paid a cash deposit of RM170,000.00 which is equivalent to 2% of the Purchase Consideration to the Vendor (“ <b>Earnest Deposit</b> ”).	170
	(ii) <u>Balance Deposit</u> Upon execution of SPA, Smart Paint Manufacturing shall pay a cash deposit of RM680,000.00 which is equivalent to 8% of the Purchase Consideration to the Vendor (“ <b>Balance Deposit</b> ”).	680
	(iii) <u>Balance Purchase Consideration</u> Within 3 months from the date of SPA (“ <b>Completion Period</b> ”), Smart Paint Manufacturing shall pay the balance cash of RM7,650,000.00 which is equivalent to 90% of the Purchase Consideration to the Vendor (“ <b>Balance Purchase Consideration</b> ”).	7,650
<b>Total</b>		<b>8,500</b>

- (iii) The risk of the Property shall continue to rest with the Vendor until the delivery of vacant possession of the Property to the Purchaser whereupon the risk shall thereafter pass to the Purchaser.

(iv) Default by Purchaser

In the event that the Purchaser fails to pay the Balance Purchase Consideration by the extended completion period or any further extended period agreed between the parties as the case may be, other than through any delay, act of default or omission on the part of the Vendor, then the Vendor is entitled to terminate the SPA and forfeit the Deposit Sum or a sum equivalent to 10% of the Purchase Consideration, whichever is greater ("**Forfeited Sum**"), as agreed liquidated damages provided the Vendor shall within 14 days from the date of such termination, refund or cause to be refunded without interest all monies paid by the Purchaser towards the Purchase Consideration in excess of the Forfeited Sum ("**Refunded Sum**").

"Extended Completion Period" refers to 1 month from the expiry of the Completion Period or any additional extension to be agreed by the Purchaser and Vendor in writing with the agreed interest rate of 8% per annum calculated on a day to day basis on the balance unpaid.

(v) Default by Vendor

In the event that the Vendor fails or refuses to complete the sale of the Property and/or to comply with all or any of his obligations under the SPA or shall be in breach of any of its representations and warranties provided in the SPA, the Purchaser shall be entitled to either:

- (a) the remedy of specific performance against the Vendor, and in addition thereto to claim for any damages and to all relief flowing therefrom; or
- (b) terminate the SPA forthwith by written notice to the Vendor whereupon the Vendor shall within 14 days from the date of such termination:
- (c) the Vendor's solicitors shall and are hereby authorized by the Vendor to return all monies received by them as part of the Purchase Consideration and held by them as stakeholder as at that date, to the Purchaser free of interest;
- (d) the Vendor shall return to the Purchaser all monies received by them as part of the Purchase Consideration, free of interest together with an additional sum equivalent to 10% of the Purchase Consideration as agreed liquidated damages;
- (e) the Vendor shall notify and cause the existing chargee to return all monies received by the existing chargee, free of interest as all or part only of the redemption sum; and
- (f) the Purchaser's solicitors shall and are hereby authorised to, and the Purchaser shall ensure that the Purchaser's solicitors return the original issue document of title and discharge documents remain intact held by them as at that date to the Vendor or the existing chargee (as the case may be) provided that the Vendor have first duly complied with his obligations under paragraphs (a), (b) and (c) above and in any event, such documents shall be returned to the Vendor or the Vendor's solicitors and the Purchaser shall cause to withdraw the private caveat lodged against the Property not later than 7 days from the date of the Vendor's compliance with paragraphs (a), (b) and (c) above, failing which the Vendor shall be entitled to claim damages from the Purchaser.

## 2.4 Information of the Property

Further information of the Property are as follows:-

<b>Description of the Property</b>	1 piece of industrial land held under Individual Title HSD 150916 PT 144298, in the Mukim of Klang, District of Klang, State of Selangor measuring approximately 1807.9 square meters together with a unit of three storey semi-detached factory erected thereon bearing postal address of No. 6B, Jalan Gambus 33/4, Seksyen 33, 40400 Shah Alam, Selangor Darul Ehsan
<b>Tenure</b>	Freehold
<b>Build up area</b>	Approximately 12,682 square feet
<b>Approximate age of building</b>	6 years
<b>Category of land use</b>	Industrial
<b>Registered and beneficial owner</b>	SHPSB
<b>Existing use</b>	Vacant, previously occupied by the Vendor for the Vendor's business operation
<b>Proposed use</b>	To be used as the sales and administrative office, meeting and training rooms, and product storage facility for the Company and its subsidiaries (" <b>Group</b> " or " <b>SAC Group</b> ")
<b>Audited net book value as at 30 June 2023</b>	RM6,743,328
<b>Amount of lettable space/ Amount of lettable space available for letting and the occupancy</b>	Approximately 12,682 square feet
<b>Percentage of occupancy</b>	0%
<b>Encumbrances</b>	Charged to Hong Leong Islamic Bank Berhad

## 2.5 Basic and justification in arriving at the Purchase Consideration

The Purchase Consideration was arrived at based on a 'willing-buyer willing-seller' basis after taking into consideration, amongst others, the following:

- (i) the management of the Company had conducted an internal review on the market value of the Property in comparison to the market value of similar properties surrounding the Property, taking into consideration of potential function of the Property and accessibility and concluded that the market value of the Property is in the range of approximately RM8.50 million.
- (ii) the rationale and benefits of the Proposed Acquisition as set out in Section 3 of this announcement.

## **2.6 Source of funding of the cash consideration**

The Purchase Consideration of RM8,500,000 will be satisfied entirely in cash. The Earnest Deposit and Balance Deposit of RM170,000 and RM680,000, respectively, will be funded by internally generated funds while the Balance Purchase Consideration of RM7,650,000 will be funded via internally generated funds and bank borrowings, of which the breakdown has yet to be determined at this juncture.

## **2.7 Liabilities to be assumed**

Save for the bank borrowings that may be undertaken to finance the Purchase Consideration, there are no liabilities including contingent liabilities and guarantees to be assumed by the Group arising from the Proposed Acquisition.

## **3. RATIONALE AND PROSPECT OF THE PROPOSED ACQUISITION**

The Proposed Acquisition is intended to be used as the sales and administrative office, meeting and training rooms, and product storage facility for the Group.

The Proposed Acquisition is in line with the Group's strategy to expand its sales team and enhance its storage capacity. In view of the increase in the production capacity, there will be a corresponding need for additional storage space to accommodate the Group's growing inventory. The acquisition of the Property is to support the Group's expansion plan and the optimisation of the Group's logistics and manufacturing operations.

The Proposed Acquisition is expected to yield annual office rental savings as well as storage, handling, and delivery charges saving for the Group. Additionally, acquiring more storage space will enable the Group to expand its workforce and support future business growth.

## **4. RISKS FACTORS**

### **4.1 Non-completion risk**

The completion of the Proposed Acquisition is subject to the fulfilment of the terms and conditions within the stipulated timeframe as set out in the SPA. If any of the terms and conditions of the SPAs are not obtained/fulfilled within the stipulated timeframe set out in the SPA, the SPA may be terminated. Consequently, the Proposed Acquisition will not be completed and the potential benefits arising thereon may not be materialised.

Notwithstanding the above, the Board endeavours to take all reasonable steps within its control to ensure that the terms and conditions as set out in the SPA are met within the stipulated timeframe in accordance with the provisions of the SPA to ensure completion of the Proposed Acquisition.

### **4.2 Funding and interest rate risk**

SAC Group may seek bank borrowings to part finance the Proposed Acquisition. There can be no assurance that the necessary financing will be available in amounts or on terms acceptable to the Group. Further, the Group will incur interest expense on the bank borrowings and any interest charged on bank borrowings is dependent on prevailing interest rates which expose the Group to risk of unfavorable fluctuation in interest rates which in turn, may have a negative impact to the Group's cash flows and profitability.

Nevertheless, the management of the Group will seek to mitigate the aforesaid risk by closely monitoring its debt portfolio, the interest rate environment, gearing level and cash flows of the Group to achieve an overall optimal capital structure.

## **5. EFFECTS OF THE PROPOSED ACQUISITION**

### **5.1 Share capital and substantial shareholders' shareholdings**

The Proposed Acquisition is not expected to have any effect on the total issued share capital and the substantial shareholders' shareholdings of the Company as the Purchase Consideration will be satisfied entirely in cash and does not involve any issuance of new ordinary shares in SAC.

### **5.2 Earnings and earnings per share ("EPS")**

The Proposed Acquisition is not expected to have any material effect on the earnings and EPS of SAC Group for the financial year ending 31 December 2024.

### **5.3 Net assets and gearing**

The Proposed Acquisition is not expected to have any material impact on the net assets of SAC Group for the financial year ending 31 December 2024.

The impact of Proposed Acquisition on the Group's gearing will depend on the quantum of borrowings to be procured by the Group to part finance the Purchase Consideration in relation to the Proposed Acquisition, of which the amount has yet to be determined as at the LPD.

## **6. APPROVALS REQUIRED**

The Proposed Acquisition is not subject to the approval of the shareholders of SAC and any relevant government authorities.

## **7. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad is approximately 8.01%, calculated based on the Purchase Consideration of the Property, compared with the net assets based on the Group's reporting accountants' report on the compilation of the pro forma combined statements of financial position as at 31 December 2023 dated 18 April 2024 as disclosed in the Company's Prospectus dated 2 May 2024.

## **8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM**

None of the directors, major shareholders, chief executive of the Company and/or persons connected to them have any direct or indirect interest in the Proposed Acquisition.

## **9. DIRECTORS' STATEMENTS**

The Board, after due consideration of all aspects of the Proposed Acquisition, including, but not limited to the terms and conditions of the SPA, basis and justification for the Purchase Consideration, rationale and prospect as well as effects of the Proposed Acquisition and risk associated with the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interests of SAC.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to the fulfilment of the terms and conditions of the SPA, the Proposed Acquisition is expected to be completed by the fourth quarter of 2024.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SPA is available for inspection at the registered office of the Company at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Malaysia, during office hours from Monday to Friday (except for Public Holiday) for a period of 3 months from the date of this announcement.

This announcement is dated 7 October 2024.