

FLEXIDYNAMIC HOLDINGS BERHAD ("Flexidynamic" or "Company")

- **Proposed acquisition of property by Flexidynamic Engineering Sdn Bhd, a subsidiary of Flexidynamic for a consideration of RM4,888,888.00**

1. INTRODUCTION

The Board of Directors of Flexidynamic wishes to announce that Flexidynamic Engineering Sdn Bhd ("**Purchaser**" or "**FESB**"), a wholly-owned subsidiary of the Company had on 5 July 2022 entered into the Sale and Purchase Agreement ("**SPA**") with Eraglo Properties Sdn Bhd ("**Vendor**" or "**EPSB**") in relation to the acquisition of a piece of freehold industrial land identified as HSD 48996, PT51477, Mukim Tanjong Duabelas, District of Kuala Langat, Selangor measuring approximately 1,828 square metres together with a single-storey semi-detached factory incorporating a 2-storey building erected thereon within a light industrial development known as EXCELLENT TECHNOLOGY PARK IV and bearing postal address of No. 10, Jalan 1/3, Kawasan Perusahaan Olak Lempit, 42700 Banting, Selangor ("**Property**") for a consideration of RM4,888,888.00 ("**Purchase Consideration**") ("**Proposed Acquisition**").

2. DETAILS OF THE PROPERTY**2.1 Information on the Purchaser**

FESB (Registration No. 201201038428 (1022906-K)), a wholly-owned subsidiary of Flexidynamic, was incorporated on 1 November 2012 in Malaysia under the Companies Act, 1965. The issued share capital of FESB is RM500,000.00 comprising 500,000 ordinary shares.

FESB is principally involved in design, engineering, installation and commissioning of glove chlorination systems, as well as design and installation of storage tanks and process tanks for the glove manufacturing industry.

2.2 Information on the Vendor

EPSB (Registration No. 201901032664 (1341994-X)) was incorporated on 12 September 2019 in Malaysia under the Companies Act, 1965. The issued share capital of EPSB is RM100,000.00 comprising 100,000 ordinary shares.

EPSB's principal activity is a property investment company.

The Directors of EPSB are Ong Soo Yee, Ong Yeong Kwee, Pung See Hua and Wee Shiaw Hung.

The shareholders of EPSB are as follows:

	Name	No. of Shares	Shareholding
1	Ong Ah Seong	11,000	11.00%
2	Ong Soo Yee	11,000	11.00%
3	Ong Yeong Kwee	11,000	11.00%
4	Pung See Hua	34,000	34.00%
5	Wee Shiaw Hung	33,000	33.00%
		100,000	100.00%

2.3 Description of the Property

Details of the Property are set out below:

Title details	: HSD 48996, PT51477, Mukim Tanjong Duabelas, District of Kuala Langat, Selangor
Postal address	: No. 10, Jalan 1/3, Kawasan Perusahaan Olak Lempit, 42700 Banting, Selangor
Description	: A single-storey semi-detached factory annexed with 2-storey office block identified as Factory No. 10 with a guard house and a refuse chamber
Land area	: 1,828 square meters
Built up area	: 1,362 square meters
Tenure	: Freehold
Category of land use	: Industrial
Registered proprietor	: Klangcapital Development Sdn Bhd ⁽¹⁾
Existing use	: It is rented to a third-party tenant for a rental of RM18,000 per month. Upon completion of the Proposed Acquisition, the Company shall continue with the rental up to 14 April 2024.
Age of building	: 1 year
Net book value	: RM3,169,883 (based on the audited consolidated financial statements of EPSB as at 31 December 2021)
Total market value	: RM4,700,000 (as appraised by MacReal International Sdn Bhd vide its valuation letter dated 30 June 2022)
Encumbrances	: Charged to CIMB Bank Berhad
Amount of lettable space	: 1,362 square meters
Amount of lettable space available for letting and the occupancy	: Fully occupied
Percentage of occupancy	: 100%

Note:

- ⁽¹⁾ Klangcapital Development Sdn Bhd is the developer of the Property and had entered into a sales and purchase agreement dated 17 February 2020 with the Vendor. Klangcapital Development Sdn Bhd had on 29 March 2022 consented to the transfer of the Property directly to FESB.

2.4 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration of RM4,888,888 for the Property was arrived at based on a willing-buyer willing-seller basis, after taking into consideration the open market value of the Property of RM4,700,000, as appraised by MacReal International Sdn Bhd ("Valuers") using comparison method, via its valuation letter dated 30 June 2022. The purchase consideration represents a premium of RM188,888 or approximately 4.02% over the valuation of RM4.70 million accorded by the Valuers. The Purchase Consideration will be satisfied via a combination of cash of RM688,888 via internally generated funds and bank borrowings of RM4,200,000.

2.5 Salient terms of the SPA

The salient terms and conditions of the SPA in relation to the Proposed Acquisition include, amongst others, the following:-

2.5.1 The parties agree the Property be acquired on an 'as is where is' basis but subject to the conditions and restrictions in interest (if any) affecting the issue document of title to the Property for a Purchase Consideration of RM4,888,888.00, the total purchase consideration shall be paid in the following stages:

- (i) earnest deposit of RM97,777.76 which was paid prior to the execution of the SPA;
- (ii) balance deposit of RM244,444.40 payable upon execution of the SPA; and
- (iii) balance purchase price of RM4,399,999.20 ("Balance Sum").

There is a retention sum of RM146,666.64 (being 3% of the Disposal Consideration) to be held by the purchaser's solicitor.

2.5.2 The conditions precedent are to be fulfilled within 3 months from the date of execution of the SPA with a further extension of 1 months ("Conditional Period"). The SPA shall be unconditional on the date of the fulfilment of the conditions precedent ("Unconditional Date").

2.5.3 Should the conditions precedent not be fulfilled within the Conditional Period, the Vendor shall grant further extension as may be requested by the Purchaser to enable the Purchaser to satisfy the conditions precedent ("Extended Conditional Period").

2.5.4 Completion of the sale takes place when the Purchaser pays the Balance Sum to the Vendor's solicitors as stakeholder and the Vendor authorizes the Purchaser's solicitors to present the Memorandum of Transfer and all other relevant documents to the land office for registration ("Completion Date"). The Vendor agrees that the Completion Date shall be extended by 1 months from Unconditional Date ("Extended Completion Date") where the Purchaser shall pay 8% per annum to be calculated on a daily basis on the Balance Sum or unpaid balance thereof, as the case may be, as agreed liquidated damages to the Vendor or Vendor's solicitors.

2.5.5 Upon Purchaser failure to pay the Balance Sum, the Vendor is entitled to give 14 days' notice for Purchaser to remedy sure failure or breach failing which:

- (a) Vendor shall be entitled to terminate this SPA and forfeit the balance deposit sum as agreed liquidated damages;

- (b) Vendor shall refund the residue of all monies paid free of interest; and
- (c) Purchaser shall return the memorandum of transfer for cancellation, and the Purchaser shall withdraw any encumbrances or caveats lodged by the Purchaser or Purchaser financier,

thereafter, this SPA shall become null and void and neither party have any rights or claims against each other and the Vendor shall have liberty to dispose the Property provided that any part of the Purchase Price is retained by the Vendor's solicitors as stakeholders, the Vendor's solicitors are authorized to refund to the Purchaser.

2.5.6 In event of default by Vendor, the Purchaser shall be entitled to specific performance of this SPA against the Vendor or give 14 days' notice in writing to the Vendor to remedy such failure or breach failing which:

- (a) Vendor shall refund to the Purchaser all monies paid free of interest; and
- (b) Purchaser shall return to the Vendor the memorandum of transfer for cancellation and the Purchaser shall withdraw any encumbrances or caveats lodged by the Purchaser or Purchaser financier,

thereafter, this SPA shall become null and void and neither party have any rights or claims against each other and the Vendor shall have liberty to dispose of the Property provided that any part of the Purchase Price is retained by the Vendor's solicitors as stakeholders, the Vendor's solicitors are authorized to refund to the Purchaser.

2.6 Liabilities to be assumed by the Purchaser

Save for the obligations and liabilities arising from the SPA as well as the contingent liabilities to be assumed by Flexidynamic arising from the said Proposed Acquisition as corporate guarantor for the loan to be acquired to finance the acquisition, there are no liabilities, including contingent liabilities and guarantees to be assumed by Flexidynamic and its subsidiaries pursuant to the Proposed Acquisition.

3. RATIONALE AND BENEFIT OF THE PROPOSED ACQUISITION

This Proposed Acquisition is to expand the manufacturing floor space of the Group so that it may undertake more in-house manufacturing works for parts and components used in the Group's on-line glove chlorination systems. In addition, the Property is strategically located as it is adjacent to its existing Banting Factory.

4. EFFECTS OF THE PROPOSED ACQUISITION

4.1 Share Capital and Substantial Shareholders' Shareholdings

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

4.2 Net assets and Gearing

The Proposed Acquisition is not expected to have any immediate material impact on the net assets. The Group's gearing may increase from 0.14 times as at 31 March 2022 to 0.23 times after incurring loan amounting to RM4,200,000 to finance the Proposed Acquisition.

4.3 Earnings Per Share and Net Assets Per Share

The Proposed Acquisition has no substantial effect on the earnings per share and net assets per share of Flexidynamic for the financial year ending 31 December 2022.

5. RISK OF THE PROPOSED ACQUISITION

The Board does not foresee any significant risk factor arising from the Proposed Acquisition other than the economic and inherent risks normally associated with acquisition of property.

6. PROSPECTS

The Property is located in Kawasan Perusahaan Olak Lempit in Banting, directly adjacent to the Group's existing properties. This will streamline the Group's operations and reduce overheads such as transportation costs for workers as well as more manageable supervision across all facilities.

Additionally, the property comes with existing lease with a monthly rental return of RM18,000, approximately 4.42% rental yield per annum until 14 April 2024. The Group does not anticipate requiring additional floorspace from the Property in the short to medium term due to the two new facilities coming online in 2022.

7. APPROVAL REQUIRED

The Proposed Acquisition is not subject to the approval of the Company's shareholders or any authorities.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition in accordance with Rule 10.02(g)(i) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad is 11.44% derived from the Purchase Consideration of RM4,888,888 divided by the net assets of Flexidynamic of RM42,719,425 as at 31 December 2021.

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

None of the Directors and/or major shareholders of Flexidynamic and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

10. ESTIMATED TIME FRAME FOR THE COMPLETION OF THE PROPOSED ACQUISITION

Barring any unforeseen circumstances, the proposed acquisition is expected to be completed by 31 December 2022.

11. STATEMENT BY DIRECTORS

The Board of Directors of Flexidynamic, after careful deliberations on the Proposed Acquisition is of the opinion that the terms of the Proposed Acquisition are fair and reasonable and that the Proposed Acquisition is in the best interests of the Company.

12. DOCUMENTS FOR INSPECTION

The SPA is available for inspection at the Registered Office of Flexidynamic at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 5 July 2022.