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| <b>Type</b>        | ANNOUNCEMENT   |
| <b>Subject</b>     | TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS)<br>NON RELATED PARTY TRANSACTIONS  |
| <b>Description</b> | PROPOSED DISPOSAL OF FREEHOLD LAND BY POH KEONG INDUSTRIES SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SWS CAPITAL BERHAD ("SWS" OR THE "COMPANY") TO TOP CC & PLASTIC MASTERBATCHES SDN BHD |

## 1. INTRODUCTION

The Board of Directors of SWS ("Board") is pleased to announce that Poh Keong Industries Sdn Bhd ("PKI" or the "Vendor"), a wholly-owned subsidiary company of SWS, has on 14<sup>th</sup> September 2020 entered into a conditional sale and purchase (hereinafter referred to as "SPA") with Top CC & Plastic Masterbatches Sdn Bhd ("TOP" or the "Purchaser") for the proposed disposal of freehold land measuring approximately 6.15 acres (2.49 hectares) in the Mukim of Parit Jawa, District of Muar, State of Johor (hereinafter referred to as "Land") for a total cash consideration of Ringgit Malaysia Seven Million Two Hundred and Thirty Three Thousand (RM7,233,000) (hereinafter referred to as "Purchase Price") as stipulated in the SPA (hereinafter referred to as "Proposed Disposal").

## 2. DETAILS OF THE PROPOSED DISPOSAL

### 2.1 Description of the Land

The subject Land comprises a piece of vacant detached Industrial plot located off Jalan Bakri / Parit Jawa (or Jalan Ayer Manis) and is sited approximately 6 ½ kilometers and 17 ½ kilometres south-east of Pekan Bakri and Muar Town centre respectively. The Land is held under Geran 96065, Lot 2815, Mukim Parit Jawa, District of Muar, State of Johor.

The Land, as at the date of the SPA, is charged to Ambank Islamic Berhad [199401009897 (295576-U)] vide Perserahan No. 87505/2015 registered on 12<sup>th</sup> November 2015.

### 2.2 Information on Vendor and Purchaser

#### i. Information on Vendor

The Vendor is PKI [199401001321 (286999-X)] a company limited by shares with paid-up capital of RM1,865,000.00 and a wholly owned subsidiary of SWS. PKI was incorporated in Malaysia on 14 January 1994. SWS commenced operations on 1 December 2003 and listed in the Main Market of Bursa Malaysia Securities Berhad on 15 March 2004.

The registered office of PKI is at No. 7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim. The principal activities of PKI is manufacturing of furniture and furniture parts.

#### ii. Information on the Purchaser

The Purchaser is TOP [201301040817 (1070640-A)] a company limited by shares with paid-up capital of RM826,004.00. TOP was incorporated in Malaysia on 28 October 1994.

The registered office of the Purchaser is No. 67, 3<sup>rd</sup> Floor, Jalan Ali, 84000 Muar, Johor Darul Takzim. The principal activities of TOP is manufacturing of calcium carbonate masterbatches.

The directors and shareholders of TOP together with their respective shareholdings are as follows: -

| No | Directors             | Shareholders          | Number of shares held | % of shareholding |
|----|-----------------------|-----------------------|-----------------------|-------------------|
| 1  | Tan Bee Leng          | Tan Bee Leng          | 198,241               | 24%               |
| 2  | Tan See Long          | Tan See Long          | 173,461               | 21%               |
| 3  | Chee Guan Beng Walter | Chee Guan Beng Walter | 198,241               | 24%               |
| 4  | Tan Shien Yong        |                       | -                     | 0%                |
| 5  | Tan Yok Choo          | Tan Yok Choo          | 256,061               | 31%               |

### 2.3 Basis of arriving at the Purchase Price

The Purchase Price was arrived at on a willing-buyer willing-seller basis through direct negotiation after taking into consideration the current conditions, location and the cost of investment of the Land.

There was no valuation being conducted in relation to the Proposed Disposal.

### 2.4 Liability to be assumed

There are no liabilities, including contingent liabilities or guarantees, to be assumed by SWS Group from the Proposed Disposal.

### 2.5 Salient terms of the SPA

#### i. Agreement for the sale of the Land

Upon the acceptance of the offer letter, the Vendor agreed to sell and the Purchaser agreed to purchase the Land on as is where is basis free from encumbrances and with vacant possession at the purchase price and upon the terms and subject to the conditions stipulated in the SPA.

#### ii. Consideration and Completion

The cash consideration shall be paid in the following manner:-

- a) Upon the execution of the SPA, the Purchaser shall pay to the Vendor the sum of Ringgit Malaysia Seven Hundred Twenty Three Thousand and Three Hundred (RM723,300.00) only as Deposit of the Purchase Price.
- b) On the Completion Date (on or before the expiry of Four months from the date of the SPA), the Purchaser and/or the Purchaser's Financier shall pay Ringgit Malaysia Six Million Five Hundred Nine Thousand and Seven Hundred (RM6,509,700.00) only as the Balance Purchase Price, to the Purchaser's Solicitor as Stakeholder.
- c) In the event the Purchaser and/or the Purchaser's Financier shall be unable to pay the Balance Purchase Price by the Completion Date, the Vendor agrees that the Purchaser shall be granted an automatic extension of time of One month from the expiry of the Completion Date, to pay the Balance Purchase Price subject to Late Payment Interest charges at prescribed rate of Eight per centum (8%) per annum on daily basis.

iii. Delivery of Vacant Possession

The Land on an "as is where is" basis shall be deemed delivered by the Vendor to the Purchaser with vacant possession upon the full settlement of Balance Purchase Price, the Late Payment Interest (if any) together with the appointment of the relevant outgoings payable by the Purchaser and/or the Purchaser's Financier.

iv. Termination

a) In the event that the Vendor shall commit a breach of any term of the SPA or fail to complete the transaction in accordance with the provisions of the SPA for any reason whatsoever other than on account of the Purchaser's default or breach of any of the Purchaser's covenants and on the Purchaser's part to be observed and complied with, the Vendor shall pay to the Purchaser a sum equal to the Deposit as agreed liquidated damages in addition to effecting a full refund of all purchase monies paid in connection with the transaction. The Purchaser shall return the issue documents of title, the Memorandum of Transfer and all other documents delivered to the Purchase or the Purchaser's Solicitors pursuant to the provisions of the SPA.

Thereafter, the SPA shall be null and void and of no further effect, and the parties hereto shall have no further claim against the other in respect of the SPA.

b) In the event the Purchaser shall fail to pay the Balance Purchase Price in accordance with the provision of the SPA or shall commit a breach of any term of the SPA or shall fail to complete the transaction in accordance with the provisions of the SPA, the Vendor shall have the option:-

1. To grant further extension of time of such period and subject to such term and conditions as the Vendor may in the Vendor's absolute discretion decide/allow; or
2. To treat the SPA as terminated whereupon:-
  - a. The deposit shall be forfeited to the Vendor absolutely as agreed liquidated damages;
  - b. The Purchaser shall withdraw or cause to be withdrawn or removed, at the Purchase's own cost and expense, all encumbrances in relation to the said Land (including but not limited to caveats, prohibitory orders and injunctions) attributable to the Purchaser and/or any person claiming through or under the Purchaser

Thereafter, the SPA shall be null and void and of no further effect. Neither party shall have any further rights or claims against the other save for any antecedent breach of the SPA.

### 3. ORIGINAL COST OF INVESTMENT

The original cost of investment in the Land was RM3,923,310.00 which was incurred in 2015. The net book value of the Land based on the latest audited financial statements as at 31 December 2019 was RM3,923,310.00.

#### **4. PROPOSED UTILISATION OF PROCEEDS FROM THE PROPOSED DISPOSAL**

The net proceed from the Proposed Disposal is intended to be used for the Group's working capital purposes, includes day-to-day operation expenses, salaries and wages, payment to suppliers and administrative expenses. The exact breakdown and the timeframe for the utilisation will be determined by the management at a later stage and may differ with the proposed utilisation.

#### **5. RATIONALE FOR THE PROPOSED DISPOSAL**

The Proposed Disposal provides an opportunity for SWS to unlock the immediate value of the Land. The Board is of the opinion that the Proposed Disposal is in the best interest of SWS Group as the Proposed Disposal will provides immediate cash flow which can be channel towards the Group's business operations.

#### **6. EFFECTS OF THE PROPOSED DISPOSAL**

The financial effects of the Proposed Disposal are set out below:

i. Share capital and shareholdings of substantial shareholders

The Proposed Disposal will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings of SWS, as the Proposed Disposal does not involve issuance of any new SWS Shares.

ii. Earnings, Net Assets and Gearing

The Proposed Disposal is expected to result in a net gain of approximately RM3,309,690.00 and will not have any material effect on the net assets and gearing of SWS.

#### **7. APPROVALS REQUIRED**

The approval of the shareholders of SWS is not required for the Proposed Disposal.

#### **8. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED DISPOSAL**

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by First Quarter 2021.

#### **9. RISK FACTORS**

The Proposed Disposal is subject to the completion of the SPA. There can be no assurance that the SPA will ultimately be completed within the expected timeframe. Any non-fulfilment of the relevant terms and conditions as stipulated in the SPA, prolonged delay or non-completion of the SPA will lead to the termination of the SPA.

In addition, should a delay or non-completion of the Proposed Disposal occurs, SWS Group may not be able to realize the gain from the Land and may not realize the benefits that may accrue to it from the proposed utilization of proceeds.

Notwithstanding the foregoing, SWS shall endeavor to ensure that the conditions precedent and/ or terms set out in the SPA are fulfilled in a timely manner to facilitate the completion of the Proposed Disposal.

#### **10. HIGHEST APPLICABLE PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Disposal pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 8.01%, calculated based on the aggregate value of the consideration received in relation to the Proposed Disposal, compare with the Net Assets of SWS Group.

#### **11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED**

None of the Directors, major shareholders of SWS and/or person connected with directors and major shareholders has any interest, direct or indirect, in the Proposed Disposal.

#### **12. STATEMENT BY DIRECTORS**

The Board, having taken into consideration all aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of SWS Group.

#### **13. DOCUMENTS FOR INSPECTION**

The SPA will be available for inspection at the Registered Office of SWS at No. 7 (1<sup>st</sup> Floor), Jalan Pesta 1/1, Taman Tun Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Ta'zim during normal business 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 15 September 2020.