

PENSONIC HOLDINGS BERHAD (300426-P)

Stock Name : PENSONI

Type : GENERAL ANNOUNCEMENT

Subject : ACQUISITION OF TWO (2) PIECES OF CONTIGUOUS FREEHOLD LANDS BY PENSONIC SALES & SERVICE SDN BHD FOR TOTAL CONSIDERATION OF RM20,068,467.38

1. INTRODUCTION

The Board of Directors of Pensonic Holdings Berhad (“PHB” or “the Company”) wishes to announce that Pensonic Sales & Service Sdn. Bhd. (162419-M) [“the Purchaser”] had on 26 December 2017 entered into two (2) Sale and Purchase Agreements (collectively “the Agreements”) with Cekal Unggul Sdn. Bhd. (725295-W) (“the Vendor”) to acquire two (2) pieces of contiguous freehold lands (“the Lands” on a collective basis) for total consideration of Ringgit Malaysia Twenty Million Sixty Eight Thousand Four Hundred and Sixty-Seven and Cents Thirty Eight (RM20,068,467.38) only (“Purchase Price”) [“Acquisition”].

2. DETAILS OF THE ACQUISITION**2.1 Information on Lands**

The Lands are two (2) pieces of contiguous freehold lands more particularly described in the table below and are free from any encumbrances and restriction in interest. The category of use for the Lands is “Perusahaan”.

Description of Lands	Size	Consideration (RM)
Lot No. 23B, held under HS(D) 153759, PT 73949, Mukim Kapar, Daerah Klang, State of Selangor (“Lot 23B”)	12,881 square meters (138,649.93 square feet)	10,287,815.16
Lot No. 24B, held under HS(D) 153758, PT 73948, Mukim Kapar, Daerah Klang, State of Selangor (“Lot 24B”)	12,246 square meters (131,814.85 square feet)	9,780,652.22
Total		20,068,467.38

The Lands are situated within the Taman Perindustrian Worldwide Kapas Bestari (Phase 2) (“Taman Perindustrian Worldwide Kapas Bestari”) developed by the Vendor. Going forward, PHB will use the Lands for construction of a new warehouse and office block.

2.2 Basis of Arriving at the Purchase Price

The Purchase Price for the Lands was arrived at on a willing-buyer willing-seller negotiated basis after taking into consideration selling price for lots on Taman Perindustrian Worldwide Kapas Bestari development as offered by the Vendor to all interested purchasers about RM74 per square foot.

No valuation was carried out prior to the Acquisition.

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2.3 Salient Terms of the Agreement

Salient terms as extracted from the Agreements included the following:

- (a) The Purchase Price shall be paid in the following manner as stipulated in the Agreements:
- (i) The Purchaser shall pay Deposit equivalent to 10% of the Purchase Price to the Vendor simultaneously upon the execution of the Agreements.
 - (ii) The Purchase shall pay the Balance Purchase Price (equivalent to 90% of the Purchase Price) to the Vendor within three (3) months from the date of the Agreements ("Completion Period").

Description	Land	Term of payment	Amount (RM)
Deposit	Lot 23B	Simultaneously with the execution of the Agreements	1,028,781.52
	Lot 24B		978,065.22
	Sub-total		2,006,846.74
Balance Purchase Price	Lot 23B	Within three (3) months from the date of the Agreements	9,259,033.64
	Lot 24B		8,802,587.00
	Sub-total		18,061,620.64
Total Purchase Price			20,068,467.38

- (b) The Vendor shall grant an automatic extension of one (1) month from Completion Period ("Extended Completion Period") for the Purchaser to pay the Balance Purchase Price without prejudice to the Vendor's rights. If the Balance Purchase Price shall remain unpaid by the Purchaser at the expiration of the Completion Period, interest on outstanding Balance Purchase Price shall commence immediately thereafter and be payable by the Purchaser to the Vendor and such interest shall be calculated from day to day at the rate of ten per centum (10%) per annum up to the date in which the Balance Purchase Price is received by the Vendor.
- (c) The date on which the full payment of the Purchase Price by the Purchaser and/or the Financer as the case may be to the Vendor together with the late payment interest (if any) has been paid and/or credited into the Vendor's Solicitor's and/or the Vendor's account is called the "Completion Date".
- (d) The Purchase Price payable by the Purchase to the Vendor under the Agreements shall be inclusive of GST (Goods and Services Tax). Any increases in taxes or levies or chargeable by the federal, state, local or municipal authorities having jurisdictions or authority over any matter affecting the Lands and the sale and purchase contemplated therein shall be borne by the Purchaser.

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- (e) The Vendor covenants that it will settle all outgoing in respect of the Land including but not limited to quit rent, assessment, rates and taxes up to the Completion Date and shall forward the relevant receipts to the Vendor's Solicitors for apportionment between the Vendor and Purchaser and any sum or sums by virtue of such apportionment shall be paid or allowed as the case may be to the party entitled to the same upon delivery of vacant possession of the Lands. Any such apportionment shall be paid by one party to the other party within fourteen (14) days from the date of notice issued by one party to the other party.
- (f) Vacant possession of the Lands shall be delivered to the Purchaser on an is where is basis as at the date of full payment in which it shall be notified by the Vendor to the Purchaser in writing provided that the Purchaser have paid to the Vendor the Purchase Price and any other sums under the Agreement as and when due and payable by the Purchaser and the Purchaser having performed and observed all the terms, covenants and undertaking on its part under the Agreements.
- (g) The Purchaser shall be deemed to have taken delivery of vacant possession of the Land and any risk or obligation in respect of the Land shall henceforth be transferred to the Purchaser upon the expiry of fourteen (14) days from the date of the notice from the Vendor requesting the Purchaser to take possession of the Lands.

2.4 Information on Purchaser

The Purchaser was incorporated in Malaysia with its registered office at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang and a place of business at 1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang. The Purchaser is a wholly owned subsidiary of PHB and is principally engaged in the distribution of electrical and electronic appliances.

2.5 Information on Vendor

The Vendor was incorporated in Malaysia under the Companies Act, 1965 with its registered office at registered office at No. 1, Worldwide @ 7, Lot 24, Jalan Lazuardi 7/29, Seksyen 7, 40000 Shah Alam, Selangor. Its principal business activities are property development, property investment and trading.

Information on Directors and equity holders of Vendor are as extracted from Corporate Profile as at 12 October 2017 issued by the Suruhanjaya Syarikat Malaysia:

Directors:	Dato' Noordin Bin Sulaiman, Ahmad Azman Bin Azizul Rahman Mazyati Binti Abdul Halim, Datin Norazlina Binti Zakaria
Equity holders:	70% - Worldwide Holdings Bhd 30% - NPO Realty Sdn Bhd

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3. SOURCES OF FUNDING

The Purchase Price will be satisfied by Purchaser through internally generated funds and bank borrowings. The exact mix of internally generated funds and bank borrowings will be determined by the management of PHB Group at a later stage after due consideration of PHB Group's gearing level, interest costs and internal cash requirements for its business operations.

4. RATIONALE FOR THE ACQUISITION AND PROSPECTS

The Acquisition is in line with PHB Group's strategy to expand its warehousing and office operations to cater to business expansion in the south / central regions and export markets, save on warehouse rental cost and consolidate operations in one location. The close proximity of the Lands to Port Klang, Selangor Darul Ehsan is strategic and would complement business operations going forward.

Premised on the above, the Board is of the opinion that the Acquisition will contribute positively to the business operations and future earnings of the Group.

5. INTEREST OF DIRECTORS AND OR MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO DIRECTORS AND MAJOR SHAREHOLDERS

None of the Directors and/or major shareholders and/or persons connected to Directors or persons connected to the major shareholders of the Group has any interest, direct or indirect, in the Acquisition.

6. FINANCIAL EFFECTS OF THE ACQUISITION

6.1 Share Capital and Substantial Shareholders' Shareholding

The Acquisition will not have any effect on the issued and paid-up share capital of PHB and the substantial shareholders' shareholding in PHB as the Purchase Consideration does not involve issuance of new shares in PHB.

6.2 Earnings and earnings per share

The Acquisition is not expected to have any significant effect on PHB Group's earnings for the financial year ending 31 May 2018.

6.3 Net Assets and Gearing

The Acquisition is not expected to have material effect on the net assets of PHB Group for the financial year ending 31 May 2018. Assuming the maximum 90% financing for the Acquisition, PHB Group's gearing level is expected to increase marginally from 55.6% to 59.1% from the Acquisition.

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7. RISK FACTORS

The key risk factors in relation to the Acquisition which could have an impact on the future prospects of PHB Group include, but are not limited to the following:

7.1 Financing Risk

PHB Group intends to fund the Proposed Acquisition through a combination of internally generated funds and bank borrowings. Utilisation of internally generated funds may result in a reduction of funds available for working capital purpose whereas obtaining additional bank borrowings could increase the borrowings and gearing level of PHB Group. As such, the Acquisition may impact the cash flow position of PHB Group.

Further, PHB Group may incur interest expense on the bank borrowings to be obtained. In view that the interest charged on bank borrowings is depending on prevailing interest rates, future fluctuation in interest rates could affect PHB Group's cash flows and profitability.

Nevertheless, PHB Group shall use its best endeavours to manage its cash flow position and funding requirements. The management of PHB believes that its prudent cash flow management will be able to address the financing risk.

7.2 Completion Risk

The Acquisition is subject to the execution and completion of the Agreements. There can be no assurance that the Agreements will ultimately be completed within the timeframe set out therein. Any prolonged delay or non-completion of the Agreements leading to termination of the Agreements may result in financial loss due to cost incurred and sum forfeited for the Acquisition.

Nevertheless, PHB Group shall take reasonable steps that are within its control to ensure the Acquisition could be completed within the stipulated deadlines.

8. LIABILITIES TO BE ASSUMED

There are no liabilities to be assumed by PHB arising for this Acquisition.

9. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of PHB, having considered the rationale for the Acquisition and after careful deliberation of all pertinent facts, is of the opinion that the Acquisition is in the best interest of PHB Group.

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10. APPROVALS

The Acquisition is not subject to the approval from any governmental authority or the shareholders of PHB.

11. THE PERCENTAGE RATIO APPLICABLE TO THE TRANSACTION PURSUANT TO PARAGRAPH 10.02(g)

The highest percentage ratio applicable to the Acquisition pursuant to Paragraph 10.02(g) and Paragraph 10.12 of Market Listing Requirements of Bursa Malaysia Securities Berhad is 16.77%.

12. DOCUMENT FOR INSPECTION

The Agreements will be made available for inspection at the Registered Office of the Company at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang during normal working hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 26 December 2017.