

STEEL HAWK BERHAD ("STEEL HAWK" OR THE "COMPANY")

REGISTRATION NO.: 202001043293 (1399614-A)

RE: ACQUISITION OF PROPERTY BY STEEL HAWK ENGINEERING SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

Pursuant to Paragraph 7.04 of Bursa Malaysia Securities Berhad's LEAP Market Listing Requirements, the Board of Directors of Steel Hawk ("Board") wishes to announce that Steel Hawk Engineering Sdn Bhd ("SHESB" or "Purchaser"), a wholly-owned subsidiary of Steel Hawk, had on 30 November 2022 entered into a Sale and Purchase Agreement ("SPA") with Advance-Parcel Services Sdn Bhd [Company No.: 199201021963 (253467-X)] ("APSSB" or "Vendor") for the acquisition of all that piece of leasehold land held under PN 4084, Lot 3695, Mukim Teluk Kalung, Daerah Kemaman, Negeri Terengganu measuring 2184 square metres in area, together with a Semi Detached Double Storey Office annexed with a Single Storey Warehouse erected thereon, bearing postal address Lot 3695, Jalan MIEL TK 3, Kawasan Perindustrian MIEL, 24000 Chukai, Terengganu ("Property"), for a total cash consideration of Ringgit Malaysia Two Million Four Hundred Thousand (RM2,400,000) only, subject to the terms and conditions as stipulated in the SPA ("Proposed Acquisition").

2. DETAILS OF THE ACQUISITION

2.1 Information of Property

Brief description of Property

The Property is a single storey semi-detached warehouse with a double storey office. It is situated along Jalan MIEL TK 3 within Kawasan Perindustrian MIEL. It is approximately 10.00 kilometres north-east of Chukai town and about 140.00 kilometres south-east of Kuala Terengganu respectively.

The Property is easily accessible from Kuala Terengganu via Federal Route 3, exiting onto Kemaman Bypass, Laluan Persekutuan 3, Jalan Tosoh and finally only Jalan MIEL TK 3 to where the Property is located. Alternatively, the Property is approachable from Chukai town through Jalan Penghiburan continuing onto the Chukai-Kerteh trunk road, exiting onto Laluan Persekutuan 3, Jalan Tosoh and finally only Jalan MIEL TK 3 to where the Property is located.

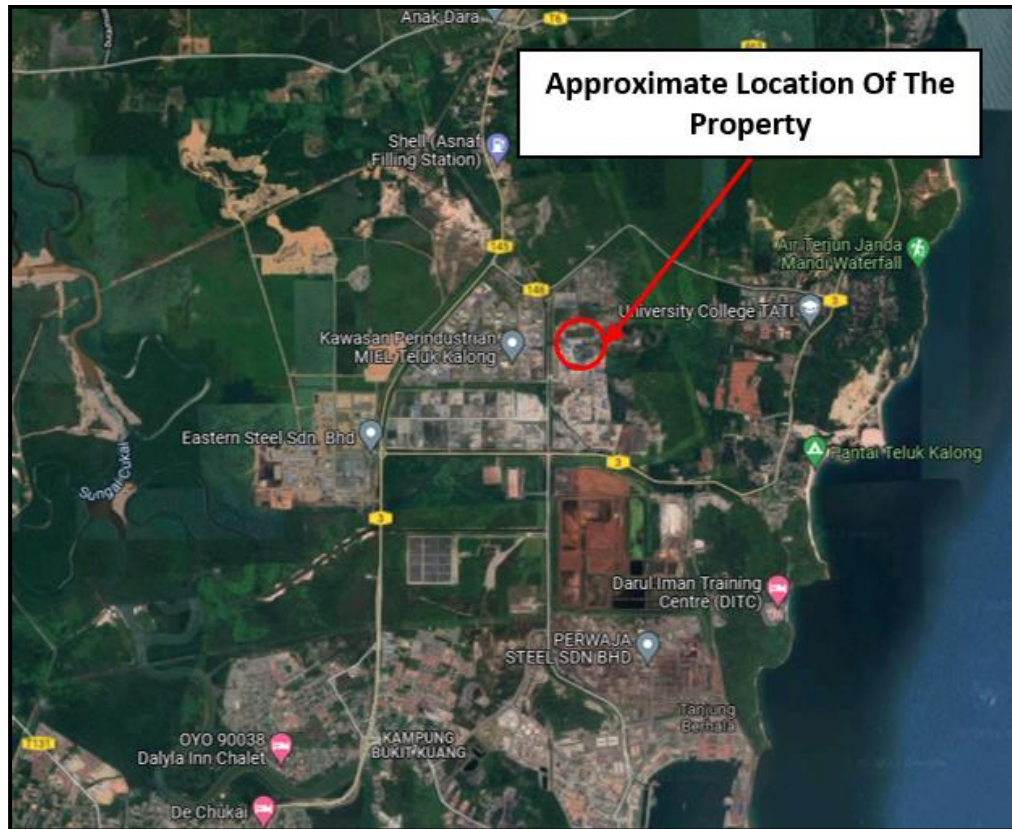
Surroundings of Property

Kawasan Perindustrian MIEL is an industrial estate built by MIDF Property Berhad in Chukai, Terengganu adjacent to Kawasan Perindustrian Teluk Kalung. Most of the industries and services built in the area are related to petroleum and gas sectors, comprises mainly of industrial developments such as semi-detached factories, detached factories and solar farms.

The Eastern Steel manufacturing plant covering an area of approximately 1,209 acres is located approximately 3.30 kilometres south-west whilst Venator Asia Sdn Bhd is sited about 3.30 kilometres south-east of the Property respectively. The Perwaja Steel Plant situated along the eastern coastline is within a five minute drive due south of the Property. On the southern flank of the Perwaja Steel Plant lies the Port of Kemaman comprising the north, south and west wharf, whilst the eastern wharf was dedicated for the handling of the import and export material coming out of Perwaja Steel Plant.

Other factories nearby include Malay-Sino Chemical Industries Sdn Bhd, Sapura Pinewell Sdn Bhd, See Sen Chemical Bhd and Tosoh Advanced Materials Sdn Bhd. Housing schemes nearby include Taman Cempaka, Kampung Pengkalan Cacar, Kampung Bukit Kuang, Kampung Gong Limau, Kampung Besut, Kampung Sungai Terjun, Kampung Bakau Tinggi and Kampung Paya.

A location map of the Property is set out below:-



Particulars of title

Registered owner	:	APSSB
Title	:	PN 4084, Lot 3695, Mukim Teluk Kalung, Daerah Kemaman, Negeri Terengganu
Description of Property	:	Semi Detached Double Storey Office annexed with a Single Storey Warehouse
Address of Property	:	Lot 3695, Jalan MIEL TK 3, Kawasan Perindustrian MIEL, 24000 Chukai, Terengganu
Age of Property	:	25 years
Existing Use of Property	:	Warehouse, Fabrication Yard & Office
Land Area	:	2184 square metres (or 23,508.58 square feet)
Terms of Tenure	:	Leasehold for 60 years expiring on 22 August 2057
Category of Land Use	:	Industrial
Encumbrances	:	Nil

Pursuant to a tenancy agreement dated 21 March 2021 entered into between APSSB and SHESB, the Property is tenanted to SHESB for a period of 1 year commencing from 1 April 2021 to 31 March 2022 with an option to renew for 1 year. Subsequent to the renewal, the expiry of the tenancy agreement is 31 March 2023.

Pursuant to the completion of the Proposed Acquisition, the above-mentioned tenancy agreement between APSSB and SHESB will be mutually terminated by the respective parties. Accordingly, SHESB will become the registered proprietor and sole occupant of the Property.

2.2 Information of SHESB

SHESB is a private limited company incorporated in Malaysia on 3 October 2012 with an issue capital of RM1,500,000.00 comprising of 1,500,000 ordinary shares, which is wholly owned by Steel Hawk. It is principally involved in supply, deal, import and export of oilfield and petrochemical equipment, engineering equipment and spare parts as well as carry on the business as engineering maintenance services and mechanical pipeline engineering services for offshore and onshore for oil and gas and petrochemical industry.

As at the date of this announcement, the Directors of SHESB are as follows:-

- (i) Dato' Sharman Kristy A/L Michael;
- (ii) Salimi Bin Khairuddin; and
- (iii) Khairul Nazri Bin Kamarudin.

2.3 Information of APSSB

APSSB is a private limited company incorporated in Malaysia on 8 December 1992 with an issue capital of RM500,000.00 comprising of 500,000 ordinary shares. It is principally involved in hiring and managing of motor vehicles and provision of transportation for forwarding and courier agents.

As at the date of this announcement, the shareholders of APSSB are detailed as follows:-

<u>Name</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of shares</u>	<u>%</u>	<u>No. of shares</u>	<u>%</u>
Ethirajuloo a/l Krishnasamy Naidu	250,000	50	-	-
Sumati d/o Vasudevan Pillai	150,000	30	-	-
Tan Boon Yeo	100,000	20	-	-

As at the date of this announcement, the Directors of APSSB are as follows:-

- (i) Ethirajuloo a/l Krishnasamy Naidu;
- (ii) Sumati d/o Vasudevan Pillai;
- (iii) Tan Boon Yeo; and
- (iv) Parameswary a/p Ramakrishnan.

3. BASIS AND JUSTIFICATION FOR THE CONSIDERATION

3.1 Basis and Justification of Arriving at the Purchase Price

The Purchase Price was arrived at based on a "willing buyer willing seller" basis after taking into consideration the market value of the Property of RM2,400,000. The market value was opined by Laurelcap Sdn Bhd (Registration No. 200801005326 (806610-U)), an independent registered valuer ("**Valuer**"), using the Comparison Approach (primary method) and Income Approach (secondary method as countercheck) of valuation in their valuation report dated 9 November 2022 ("**Valuation Report**"). The valuation had been carried out in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia and with the necessary professional responsibility and due diligence.

3.2 Mode of Consideration

The Proposed Acquisition is expected to be funded entirely through borrowings from Bank(s) or Financial Institution(s).

3.3 Salient Terms and Conditions of the SPA

3.3.1. Conditions Precedent

- (i) In the event that the Property is subjected to the Restriction-in-interest and/or any circumstances necessitate the making of an application to the relevant state authority or other relevant authority(ies) for its written consent to the transfer of the Property to the Purchaser, then the parties hereto hereby expressly agreed that the SPA shall be conditional upon the Vendor obtaining such relevant authority's consent or approval in respect of the disposal and/or acquisition of the Property to or by the Purchaser being satisfied by the relevant party within three (3) months from the date of the SPA or such other period to be mutually agreed between the parties hereto.
- (ii) The Vendor and the Purchaser hereby irrevocably agree covenant and undertake to each other to do all acts and submit all applications furnish all information execute all instruments, deeds or documents and generally do all things necessary for procuring and obtaining the consents/approvals as stipulated in item 3.3.1.(i) above [hereinafter referred to as "the Relevant Consent/Approval"].
- (iii) Subject to item 3.3.1.(ii) above, the Vendor or the Purchaser, as the case may be, shall within fourteen working (14) days from the date hereof, or such other period to be mutually agreed between the parties hereto, apply to the relevant state authority for the Relevant Consent/Approval.
- (iv) In the event item 3.3.1.(i) above applies and any of the Relevant Consent/Approval is not obtained or any of the said Relevant Consent/Approval is refused for any reason whatsoever within the relevant stipulated period or such extended period or periods as may be mutually agreed by the parties hereto, then the SPA shall at the absolute option of the Purchaser be determined whereupon the Vendor shall refund to the Purchaser all money paid towards the Purchase Price without any interest or compensation whatsoever within thirty (30) days from the date of termination, failing which the Vendor shall be liable to interest at eight (8%) per centum per annum calculated on a daily basis on the said amount, without prejudice to any other right and remedy available to the Purchaser.

3.3.2. Manner of Payment

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

- (i) Prior to the execution of the SPA, a deposit amounting to Ringgit Malaysia Two Hundred Forty Thousand (RM240,000-00) has been paid by the Purchaser to the Vendor; and
- (ii) Balance aggregating to Ringgit Malaysia Two Million One Hundred and Sixty Thousand (RM2,160,000-00) shall be paid within by three (3) months from the date of receiving the Letter Approval of consent to transfer from the relevant state authority by the Purchaser's solicitors ("Completion Period"), barring unforeseen circumstances.

In the event the Purchaser is unable to pay the Balance Purchase Price within the Completion Period, the Vendor shall grant to the Purchaser the Extended Completion Period of one (1) month commencing from the date immediately following the date of expiry of the Completion Period, to pay the same subject to the Purchaser paying to the Vendor interest calculated on a rate of eight per cent (8%) per annum on a daily basis based on a 365-day year on the Balance Purchase Price or such part thereof which shall be outstanding commencing on the day immediately following the expiry of the Completion Period up to and

including the Extended Completion Date and such interest shall be paid together with the Balance Purchase Price.

3.3.3. Default by Purchaser

In the event that the Purchaser fails or is unable to pay the Balance Purchase Price within the time stipulated for payment of the same or any other moneys in accordance with the provisions of the SPA (for reasons not attributable to any fault or blameworthy conduct on the part of the Vendor), the Vendor shall be at liberty to terminate the SPA by notice in writing to the Purchaser.

Upon termination by the Vendor pursuant to Clause 10.1 of the SPA:-

- (i) the Vendor shall be entitled to forfeit the Deposit free of interest as agreed liquidated damages and any other amount other than the said Deposit which have been paid, if any, shall be refunded to the Purchaser within fourteen (14) days of such termination of the SPA;
- (ii) in exchange for such refund (if any) as aforesaid in item 3.3.3.(i) above, the Purchaser shall; redeliver or cause to be redelivered to the Vendor all documents delivered by the Vendor to the Vendor's Solicitors to the Purchaser's Solicitors and/or the solicitors of the Purchaser's financier, as the case may be, save and except for the MOT which may be retained by the Purchaser's Solicitors for the purpose of applying for a refund on the stamp duty, if already paid, and upon refund thereof, the MOT if returned by the stamp duty office shall be forwarded to the Vendor for cancellation;
- (iii) deliver or cause to be delivered the Withdrawal of Private Caveat to the Vendor or cause the same to be delivered to the Vendor together with the requisite registration fees in the event that the same is lodged pursuant to Clause 13 of the SPA; and
- (iv) redeliver vacant possession of the Property to the Vendor, in the event the same has been delivered to the Purchaser; and thereafter, the SPA shall terminate and be rendered null and void and the parties hereto shall have no claim whatsoever in respect of and arising from the SPA save for any antecedent breach and the Vendor shall be entitled to deal with or otherwise dispose of the Property in such manner as the Vendor shall see fit.

3.3.4. Default by Vendor

In the event of the default by the Vendor to complete the SPA other than due to any act or default on the part of the Purchaser and provided that the Purchaser has fully complied the terms and conditions contained herein, the Purchaser shall be entitled at their option to either;-

- (i) claim for specific performance of the SPA together with all relief following therefrom; and/or
- (ii) by written notice summarily terminate the SPA whereupon the Vendor shall within fourteen (14) days thereof refund to the Purchaser free of interest all monies paid by the Purchaser to the Vendor towards there Purchase Price, including the Deposit, and in addition thereto the Vendor shall pay to the Purchaser a further sum of equivalent to the Deposit as agreed liquidated damages;

And in the event of default of the aforesaid refund and payment the Vendor shall further pay to the Purchaser interest on the aforesaid monies as further agreed liquidated damages calculated at the rate of eight per centum (8%) per annum on daily rest basis from the date of expiry of the aforesaid fourteen (14) days until the date of actual refund

and payment provided that the purchaser shall simultaneously in exchange for the aforesaid refund and payment:-

- (i) at its own costs and expense remove or cause to be removed immediately any Private Caveat or other encumbrances lodged by or for on behalf of the Purchaser or the Purchaser's Financier over the Property;
- (ii) return the said Documents and the Transfer (if the same has been delivered to the Purchaser, the Purchaser's Solicitors and/or the Solicitors for the Purchaser's financier) to the Vendor with the Vendor's title and interest intact and unprejudiced provided always that if the Transfer has been duly adjudicated and stamped, the Purchaser's Solicitors shall surrender the Transfer to the relevant authority for cancellation and to obtain a refund of the stamp duty paid by the Purchaser;
- (iii) re-deliver vacant possession of the Property, if the same has been delivered to the Purchaser, in the same state and condition as at the date of delivery thereof,

and upon such termination, neither party shall have any claims against the other save for any antecedent breach and the Vendor shall be liberty to retain or sell or otherwise deal with the Property at such price and in such manner as the Vendor may think fit and shall not be accountable to the Purchaser for any profit on such sale.

If the Vendor fails to complete the sale of the Property to the Purchaser and perform the terms and conditions of the SPA (for reasons not attributable to any fault or blameworthy conduct on the part of the Purchaser) or if the MOT cannot be registered at the appropriate land office/registry due to the fault of the Vendor, the Purchaser shall be at liberty to terminate the SPA by notice in writing to the Vendor or, alternatively, the Purchaser may sue for specific performance against the Vendor provided always that nothing contained in the SPA shall be construed in anyway so as to prejudice any other rights or remedies which the Purchaser may be entitled to against the Vendor and all costs and expenses incurred by the Purchaser in connection therewith shall be borne and paid by the Vendor.

Pursuant to Clause 11.2 of the SPA, upon termination by the Purchaser pursuant to the above Clause:-

- (a) the Vendor shall forthwith refund and/or cause to be refunded to the Purchaser all monies (including the Deposit, the Balance Purchase Price and any interest paid in respect of such monies pursuant to the SPA) then paid by the Purchaser pursuant to the SPA, free of interest;
- (b) the Vendor shall further pay to the Purchaser the sum equivalent to the Deposit as agreed liquidated damages; and
- (c) thereafter (subject to the refund and payment by the Vendor referred to in paragraphs (a) and (b) above respectively) the provisions of items 3.3.3.(ii) to (iii) above shall apply with such modifications as are necessary.

In the event the Purchaser is opting for specific performance, Clause 11.2 of the SPA shall not be applicable.

3.3.5. Delivery of Legal/Vacant Possession

The Vendor shall be deemed to deliver legal possession of the said Property together with the Fixtures and Fittings to the Purchaser upon receipt by the Vendor's Solicitors of the Balance Purchase Price together with interest (if any) [hereinafter referred to as "Date of Legal Possession"].

In the event the existing tenancy for the Property is terminated/determined prior to the Date of Legal Possession, the Vendor shall deliver vacant possession of the Property together with the Fixtures and Fittings within Seven (7) working days from the date of the Balance Purchase Price together with the late payment interest (if any) are received by the Vendor's Solicitors and after the Purchaser's apportionment has been duly settled by the Purchaser (hereinafter referred to as "the Date of Vacant Possession"), failing which the Vendor shall pay to the Purchaser a late delivery interest at eight (8%) per centum per annum calculated on a daily basis on the full Purchase Price from the expiry of the Date of Vacant Possession until actual date of delivery of vacant possession.

For all intent and purposes, delivery of vacant possession shall be deemed effected and completed with the delivery of keys to the Property to the Purchaser's Solicitors. For avoidance of doubt, the key herein defined does not refer to the full set of keys of the said property and the Vendor shall only deliver the keys that are in the Vendor's custody only.

4. EFFECTS OF THE PROPOSED ACQUISITION

4.1 Share Capital and Substantial Shareholders' Shareholdings

The Proposed Acquisition will not have any effect on the share capital and the shareholdings of the substantial shareholders of Steel Hawk as the Proposed Acquisition will be satisfied wholly in cash and does not involve the issuance of shares in the Company.

4.2 Net assets ("NA"), NA per share and gearing

The Proposed Acquisition is not expected to have any material effect on the audited consolidated NA, NA per share and gearing of Steel Hawk for the financial year ending 31 December 2022.

4.3 Earnings and earnings per share ("EPS")

The Proposed Acquisition will not have a material effect on the earnings of Steel Hawk for the financial year ending 31 December 2022.

5. LIABILITIES TO BE ASSUMED BY STEEL HAWK

Save for the obligation towards payment of the total consideration and bank borrowings to be obtained by SHESB, there are no other liabilities (including contingent liabilities) pursuant to and/or arising from the Proposed Acquisition to be assumed by SHESB. For the avoidance of doubt, as highlighted in Section 3.2 of this announcement, the Proposed Acquisition is expected to be funded entirely through borrowings from Bank(s) or Financial Institution(s). Accordingly, Steel Hawk is expected to provide corporate guarantee in favour of any bank or financial institution to secure the repayment of financing facility payable by SHESB to its financier(s).

6. RISK FACTORS

6.1 Completion Risk

In the event that the Conditions Precedent stated in Section 3.3.1 of this announcement is not fulfilled, the Proposed Acquisition would not be completed and all the potential benefits arising from the Proposed Acquisition would not materialise.

The Company will use its best endeavours by engaging with the relevant authorities/parties to obtain all the necessary approvals to ensure the conditions precedent are fulfilled in a timely manner to complete the Proposed Acquisition.

Although the Company will take necessary efforts to mitigate the various risks identified above, no assurance can be given that any change in these factors will not materially affect the Group's business operations and financial performance.

7. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION

Currently, the Property is rented by SHESB pursuant to a tenancy agreement dated 21 March 2021 entered into between APSSB and SHESB, in which the expiry of the tenancy agreement is 31 March 2023. Pursuant to the completion of the Proposed Acquisition, the above-mentioned tenancy agreement between APSSB and SHESB will be mutually terminated by the respective parties. Accordingly, SHESB will become the registered proprietor and sole occupant of the Property.

In view that Steel Hawk and its subsidiaries ("**Steel Hawk Group**" or the "**Group**") has established its operations in Terengganu, the Proposed Acquisition is in line with the Group's objective of seeking long term occupancy at the same location to support the growing scale of its oil and gas activities in East Malaysia. The current warehouse in the Property has been fully utilised to support the Group's oil and gas contracts in East Malaysia.

In addition, the investment in the Property would enable SHESB to possibly enjoy the appreciation in property price in future and at the same time to provide a permanent place for the SHESB to carry out its business operations without the burden of facing the risk of discontinuance of tenancy or increase in rental.

Premised on the above, the Board is of the view that the Proposed Acquisition is in the best interest of Steel Hawk Group.

8. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approval of the shareholders of Steel Hawk.

Save for the approval or consent from the relevant state authorities for the transfer and/or issuance of the title in respect of the Property in the name of SHESB.

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

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

10. STATEMENT BY DIRECTORS

The Board, after having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of Steel Hawk Group.

11. HIGHEST PERCENTAGE RATIO FOR THE PROPOSED ACQUISITION

Based on the Company's audited consolidated financial statements for the FYE 31 December 2021, the highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 7.02(f) of the Listing Requirements is approximately 24.60%.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA together with the valuation report are available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur during normal business hours on Mondays to Fridays (except public holidays & weekends) for a period of three (3) months from the date of this announcement.

This announcement is dated 30 November 2022.