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CIRCULAR TO SHAREHOLDERS

in relation to

**RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS
OF A REVENUE OR TRADING NATURE**

The above proposal will be tabled as Special Business at KSSC' Thirty-Fifth Annual General Meeting ("35th AGM") to be held on 22 July 2020. Notice of 35th AGM together with the Proxy Form, are set out in the Annual Report of KSSC for the financial year ended 31 December 2019 ("Annual Report 2019"). The Proxy Form must be completed and deposited at the Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for the 35th AGM or at any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the 35th AGM should you subsequently decide to do so.

Last date and time for lodging the Proxy Form	:	Monday, 20 July at 10.00 a.m.
Date and time of 35th AGM	:	Wednesday, 22 July 2020 at 10.00 a.m.
Venue of 35th AGM	:	Hang Tuah Room, Level 3, Philea Mines, Beach Resort City, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor.

This Circular is dated 30 June 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

- “Act” : Companies Act, 2016, as amended from time to time and any re-enactment thereof.
- “AGM” : Annual General Meeting.
- “ARMC” : Audit and Risk Management Committee.
- “Board” or “the Directors” : Board of Directors of KSSC.
- “Bursa Securities” : Bursa Malaysia Securities Berhad (635998-W).
- “CMSA” : Capital Markets and Services Act 2007.
- “Director” : Shall have the meaning given in Section 2 of the Act and Section 2(1) of the CMSA. For purposes of the RRPT Mandate, includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director or Chief Executive of KSSC, its subsidiary or holding company.
- “EIE” : EIE Asian Holding Sdn. Bhd. (Registration No. 200201001863 (569526-P)).
- “EPS” : Earnings per share.
- “Interested Related Parties” : Related Parties who are deemed to be interested in the Recurrent RPTs.
- “KS” : Koseng Sdn. Bhd. (Registration No. 201101042486 (970606-A)).
- “KSG” : KSG Engineering Sdn. Bhd. (Registration No. 201001038536 (922640-A)).
- “KSSC” or “the Company” : K. Seng Seng Corporation Berhad (Registration No. 198501000983 (133427-W)).
- “KSSC Group” or “the Group” : KSSC and its subsidiaries.
- “KSSI” : K. Seng Seng Industries Sdn. Bhd. (Registration No. 199901015238 (490138-K)).
- “KSSM” : K. Seng Seng Manufacturing Sdn. Bhd. ((Registration No. 200701033513 (791541-W)).
- “LPD” : 15 June 2020, being the latest practicable date prior to the printing of this Circular / Statement.
- “Listing Requirements” or “MMLR” : Bursa Securities Main Market Listing Requirements, as amended or modified from time to time.
- “Major Shareholder” : A person who has an interest or interests in one or more voting shares in a company and the number or the aggregate number of such shares, is:-

a) equal to or more than 10% of the total number of all the voting shares in the company; or
b) equal to or more than 5% of the total number of all the voting shares in the company where such person is the largest shareholder of the company.

For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act.

This includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a Major Shareholder of the Company as defined above, or any other company which is its subsidiary or holding company.
- “NA” : Net assets.
- “PTM” : PTM Stainless Steel Industry Sdn Bhd (Registration No. 199201013439 (244942-P)).
- “Related Parties” : Director(s), Major Shareholder(s) or person(s) connected with such Director(s) or Major Shareholder(s).
- “Related Party Transactions” or “RPTs” : Transactions with Related Parties.
- “Recurrent RPTs” : RPTs which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations of KSSC Group.
- “RM and Sen” : Ringgit Malaysia and sen, respectively.
- “RRPT Mandate” : Shareholders’ mandate for Recurrent RPTs of KSSC Group.
- “KSSP” : K.Seng Seng Parts Sdn Bhd (Registration No. 200601002494 (722242-D)).
- “Substantial Shareholder” : A person who has an interest in one or more voting shares in the company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than 5% of the aggregate of the nominal amounts of all the voting shares in the company, as defined under Section 136 of the Act.
- “TTH” : Three & Three Hardware Sdn Bhd (Registration No. 199501023130 (352333-P)).

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Registered Office:
Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur
Date : 30 June 2020

DIRECTORS:

Koh Seng Lee, *Managing Director*
Tsen Ket Shung @ Kon Shung, *Executive Director*
Lim Pang Kiam, *Independent Non-Executive Director*
Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff, *Independent Non-Executive Director*
Yap Siok Teng, *Independent Non-Executive Director*
Lim Ho Kin, *Senior Independent Non-Executive Director*

To: **Shareholders of KSSC**

Dear Sir/Madam

**K. SENG SENG CORPORATION BERHAD (“KSSC”)
RRPT Mandate**

1.0 INTRODUCTION

At the 34th AGM of the Company held on 21 May 2019, the shareholders of the Company approved the mandate for KSSC to enter into Recurrent RPTs. The said mandate shall, in accordance with the MMLR, expires at the conclusion of the 35th AGM of the Company.

On 5 May 2020, the Board announced the Company’s intention to seek shareholders’ approval for the RRPT Mandate.

The purpose of this Circular is to provide you with relevant information of the RRPT Mandate, and to seek your approval for the ordinary resolutions as set out in Appendix A of this Circular to be tabled at the 35th AGM, to be held on 22 July 2020.

2.0 RRPT MANDATE

2.1 MMLR

Paragraph 10.09 (2) of the Listing Requirements, states a listed issuer may seek a mandate from its shareholders for Recurrent Related Party Transactions subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- (b) the shareholders’ mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold below in relation to a listed issuer with an issued and paid-up capital of RM60 million and above:-
 - (i) the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more; or
 - (ii) the percentage ratio of such RRPT is 1% or more,

whichever is higher.

- (c) the listed issuer’s circular to shareholders for the shareholders’ mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain shareholders’ mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the RRPT. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the RRPT; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include such information as may be prescribed by Bursa Securities in its announcement.

2.2 DETAILS OF RRPT MANDATE

KSSC is an investment holding company. The principal activities of its wholly owned subsidiaries, subsidiary and its associate Company are as follows:-

Company	Date/ Place of Incorporation	Effective equity interest (%)	Principal activities
<u>Subsidiaries</u>			
KSSI	2 August 1999 / Malaysia	100	Sales of stainless steel industrial fasteners, rigging accessories and components, and trading of industrial hardware.
PTM	20 July 1992 / Malaysia	100	Manufacture of stainless steel tubes and pipes, and processing of secondary stainless steel flat products.
TTH	22 July 1995 / Malaysia	100	Processing of secondary stainless steel long products and trading of industrial hardware.
KSSP	25 January 2006 / Malaysia	100	Hiring Company.
KSG	18 November 2010 / Malaysia	100	Engineering works, fabrication and installation of rubber glove dipping line and trading of all kinds of bearings, motor, speed reducer, sprocket gear, belting, pulley, coupling and others.
KS	6 December 2011 / Malaysia	75	Trading of all kinds of industrial and marine hardware and consumables; sale and marketing of stainless steel products namely industrial fasteners, rigging accessories and components, flat and long products, tubes and pipes and supply of construction materials, machineries and machinery related parts.
<u>Subsidiary of KSG</u>			
KSSM	10 October 2007 / Malaysia	100	Manufacture of stainless steel industrial fasteners, conveyor chain, rigging accessories and components.
<u>Associate</u>			
EIE	22 January 2002 / Malaysia	50	Investment holding.

It is envisaged that in the normal course of the Group's businesses, Recurrent RPTs between KSSC Group and the Related Parties are likely to occur, and which are necessary for its day-to-day operations.

In this respect, the Directors are seeking approval from shareholders to allow the Group to enter into Recurrent RPTs with the Related Parties (as described in Section 2.2.1) provided such transactions are made at arms' length on KSSC's normal commercial terms and on terms not more favorable to the Related parties than those generally available to the public and are not to the detriment of the minority shareholders of KSSC.

The RRPT Mandate is subject to annual renewal. In this respect, authority conferred by the RRPT Mandate shall take effect on 22 July 2020 being the date of the 35th AGM and shall continue in force (unless revoked or varied by the Company in general meeting) until the conclusion of the next AGM of the Company; or the date by which the next AGM is required by law to be held, whichever is earlier.

2.2.1 Nature of Recurrent RPTs, Classes of Related Parties, Estimated Aggregate Value and Outstanding RRPT Receivables :

Recurrent RPTs which will be covered in the RRPT Mandate						
Related Parties	Nature of Recurrent RPTs with KSSC Group	Interested Related Parties	Estimated aggregate value during the validity period of RRPT mandate (RM'000)*	Estimated aggregate value as disclosed in the preceding year's circular to shareholders dated 30 April 2019 (RM'000)**	Actual value transacted from 20 May 2019 to LPD (RM'000)**	Outstanding RRPT Receivables which exceeded credit terms but less than 1 year as at 31 December 2019 (RM'000)***
EIE Industrial Products Sdn Bhd ("EIE Industrial") ¹ , a wholly owned subsidiary of EIE	▪ KSSI, a subsidiary of KSSC sells industrial hardware to EIE Industrial	Koh Seng Lee ("KSL") ^a	8,000	8,000	1,067	331
	▪ KS, a subsidiary of KSSC purchases Conveyor Belt from EIE Industrial		800	800	6	Nil

* The values are merely indicative estimates for the period from 22 July 2020 to the next AGM expected to be held in the month of May 2021. The estimated value is based on the current actual transactions and historical trends may vary.

** None of the actual value of the Recurrent RPT has exceeded the estimated value by 10% or more during the validity period of the previous mandate

*** Inclusive of late payment charges imposed on Overdue RRPT Receivables based on BLR + 1.5%. Interest charged imposed on those exceeding credit terms were fully settled as at 31 December 2019.

Principal activities of Related Parties

- ¹ The principal activities of EIE Industrial are trading of industrial hardware for various end user industries, particularly the mining and quarry market industries, quarries and mines.

Nature of relationships of KSSC Group with Interested Related Parties

- ^a KSL is a Director of KSSC, EIE and EIE Industrial. He is a Major shareholder of KSSC. KSSC is a Major shareholder of EIE with direct interest of 50% or 820,000 shares in EIE. Therefore, KSL shall be deemed to have an interest in EIE Industrial by virtue of EIE holding 100% shares in the capital of EIE Industrial

Save as disclosed above, none of the other Directors, and/or Major Shareholders of KSSC and/or persons connected with them, have any interest, direct or indirect, in the RRPT Mandate.

As at the financial year ended 31 December 2019, there is no amount due and owing to the Company by its related parties arising from the RRPT as set out in the Section 2.2.1 of this Circular, which exceeded the credit term.

2.2.2 Review and Disclosure Procedures

KSSC Group has established procedures to ensure that the Recurrent RPTs are conducted at arm's length and on normal commercial terms consistent with the Group's usual business practices and policies, are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

The Management will mark up the cost with certain approved percentage margin to be reviewed by the Group Accountant to ensure the Company does not incur loss.

All the recurrent RPTs, sales of the specific industrial hardware which are very unique and not available to other buyers are reviewed and recommended by senior management staff after taking into consideration on the KSSC Group's pricing policies, the funding and administrative cost. The Board does not set the threshold on the RRPT. All the recurrent RPT were reviewed and tabled at the Audit Committee Meetings quarterly. The Audit Committee has deliberated before it is put forward to shareholders.

The Company does not seek for any price comparison with unrelated third parties for they are very specialized and niche products that are sold only to the related party who is the authorized distributor to the products. The transaction price will be determined by the Management based on the cost of sale, funding, administration and other related cost to ensure that the Recurrent RPTs are not detrimental to the Group. The selling price is consistent with the group's pricing policy.

The Management of KSSC Group has been kept informed of the disclosure procedures for Recurrent RPTs, who would ensure that Recurrent RPTs with Related Parties would be entered into after taking into account the exclusivity of the distributorship, pricing, expertise required and funding factors.

Records/reports on all Recurrent RPTs disclosed by Directors, Major Shareholders and management are tabled at the quarterly AC meetings.

If a member of the Board and/or AC has an interest (direct or indirect), as the case may be, the Director concerned shall abstain from deliberation and any decision making in respect of the Recurrent RPTs.

The AC will review the mechanism on the pricing at least once in a year to ensure that RRPT is not detrimental to the minority and in the best interest of the Group.

2.2.3 ARMC Statement

All the Recurrent RPTs were tabled to ARMC for review and deliberation quarterly.

The ARMC is of the opinion that the procedures mentioned in Section 2.2.2 are sufficient:

- (a) to monitor, track and identify Recurrent RPTs in a timely and orderly manner; and
- (b) to ensure that Recurrent RPTs are not more favorable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of KSSC.

2.2.4 Disclosure

The Company has disclosed the details of Recurrent RPTs conducted during the financial year ended 31 December 2019 in its Annual Report 2019 in accordance with Section 3.1.5 of PN12.

Disclosure of the same will be made in the annual report of the Company for the next financial year during which the Proposed Mandate is in force, providing among others, the following information:

- (a) type of Recurrent RPTs; and
- (b) names of Related Parties involved in each type of Recurrent RPTs and their relationships with the Company.

2.3 RATIONALE FOR RRPT MANDATE

The Recurrent RPTs are carried out in the ordinary course of business. They are recurring transactions of a revenue or a trading nature which are likely to occur with some degree of frequency. These Recurrent RPTs may be time sensitive by nature, making it impractical to seek shareholders' approval on a case by case basis before entering into such RPTs. As such, the Board is seeking the RRPT Mandate under Paragraph 10.09 of the MMLR for these Recurrent RPTs so as to facilitate the efficiency with which these transactions are carried out.

By obtaining the RRPT Mandate and renewal of the same on an annual basis, the necessity to announce and/or convene separate general meetings to seek shareholders' approval as and when such Recurrent RPTs occur would not arise. This would substantially reduce administrative time and expenses associated with the convening of general meetings on an ad hoc basis, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available therein.

The Recurrent RPTs to be entered into by the Group as detailed in Section 2.2.1 are anticipated to continue to meet the Group's business needs on good terms and in the long term interest of the Group.

2.4 EFFECTS OF RRPT MANDATE

The RRPT Mandate is not expected to have any effect on the share capital, NA, earnings and shareholding structure of KSSC.

2.5 APPROVAL REQUIRED

The RRPT Mandate is subject to the approval of shareholders at the 35th AGM.

3.0 INTERESTS OF INTERESTED RELATED PARTIES

Save as disclosed below, none of the other Directors, Major Shareholders or person(s) connected has any interest, direct or indirect, in the RRPT Mandate.

The direct and indirect shareholdings of the Interested Related Parties in KSSC as at LPD are as follows:

Interested Related Parties	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Koh Seng Lee	16,501,200	17.19	-	-

Koh Seng Lee being the interested party was abstained from Board deliberations pertaining to the RRPT Mandate.

The Interested Related Parties will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the RRPT Mandate at the 35th AGM. In addition, the Interested Related Parties have undertaken to ensure persons connected with them abstain from voting on the RRPT Mandate at the 35th AGM.

4.0 DIRECTORS' RECOMMENDATION

The Directors (save for Interested Directors), having considered all aspects of the RRPT Mandate, are of the opinion that the RRPT Mandate is in the best interest of KSSC and accordingly, recommend that you vote in favour of the ordinary resolution pertaining to the RRPT Mandate to be tabled at the 35th AGM.

5.0 FURTHER INFORMATION

Shareholders are advised to refer to Appendix B for further information.

Yours faithfully
For and on behalf of the Board of
K. SENG SENG CORPORATION BERHAD

LIM PANG KIAM
INDEPENDENT NON-EXECUTIVE DIRECTOR

EXTRACT RESOLUTION**Ordinary Resolution 7****Renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

“THAT the Company and/or its subsidiaries (‘the Group’) be and is/are hereby authorised to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Group (‘Related Parties’) as specified in Section 2.2.1 of the Circular to Shareholders dated 30 June 2020 (‘Circular’), provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the Group’s day-to-day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms not more favourable to the Related Parties than those generally available to the public; and
- (iv) not detrimental to the minority shareholders.

(‘Recurrent Related Party Transaction (‘RRPT’) Mandate’);

AND THAT the RRPT Mandate, unless revoked or varied by the Company in general meeting, shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier;

AND FUTHER RESOLVED THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the interest of the Company to give effect to the RRPT Mandate.”

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board of KSSC and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no material facts, the omission of which, would make any statement herein misleading.

2. MATERIAL CONTRACT

There is no material contracts entered into by KSSC Group during the two (2) years immediately preceding the date of this Circular.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

KSSC Group does not engage in any material litigation, claims or arbitration, either as plaintiff or defendant as at the date of this Circular, and KSSC is not aware of any proceedings, pending or threatened against KSSC Group or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of KSSC Group.

4. DOCUMENTS FOR INSPECTION

The following documents are available for inspection during normal business hours at the Registered Office of KSSC from the date of this Circular up to and including the date of the 35th AGM :-

- (i) Constitution of KSSC;
- (ii) Audited financial statements of KSSC for the past 2 financial years ended 31 December 2018 and 31 December 2019;
and
- (iii) Management Accounts made up to 31 March 2020.