K. SENG SENG CORPORATION BERHAD ("KSSC" OR "COMPANY")
ACQUISITION OF 656,000 ORDINARY SHARES REPRESENTING THE REMAINING 40% EQUITY INTEREST IN EIE ASIAN HOLDING SDN BHD

1. INTRODUCTION

The Board of KSSC wishes to announce that the Company had on 2 May 2024 entered into a share sale agreement ("**SSA**") with Lee Choon Ming ("**Vendor**") to acquire the remaining 656,000 ordinary shares in EIE Asian Holding Sdn Bhd ("**EAHSB**") ("**Sale Shares**") not owned by the Company, representing 40% of the equity interest in EAHSB for a total cash consideration of RM2,800,000.00 ("**Purchase Consideration**") ("**Acquisition**").

Upon completion of the Acquisition, EAHSB will become a wholly-owned subsidiary of the Company.

Pursuant to Paragraph 10.12(2)(b) of the Main Market Listing Requirement of Bursa Securities Malaysia ('**Listing Requirement**"), the First Acquisition (defined hereinunder) and the Acquisition are to be aggregated as these transactions involved the acquisition of securities or interest in one particular corporation.

The Company had on 1 September 2023 entered into a share sale agreement ("**First SSA**") with the Vendor to acquire the 164,000 ordinary shares in EAHSB ("**Sale Shares**") not owned by the Company, representing 10% of the equity interest in EASHB for a total cash consideration of RM961,146.00 ("**10% Purchase Consideration**") ("**First Acquisition**").

2. DETAIL OF THE ACQUISITION

2.1 Information on EAHSB

EAHSB is a private limited company incorporated in Malaysia on 22 January 2002. The principal activity of EAHSB is an investment holding company and its subsidiaries are principally involved in dealing, marketing, sales and distribution in industrial products and hardware including but not limited to date cables, rubber conveyor belt and ceramic fibre blanket and gasket. The present issued and paid up share capital of EAHSB is RM1,640,000.00 comprising of 1,640,000 ordinary shares.

The directors of the EAHSB as at the date of the First SSA and this announcement are Lee Choon Ming, Wong Sau Fang, Chan Min Wai and Yip Wei Lun.

The shareholders of EAHSB and their respective shareholdings as at the date of this announcement are as follows:-

	First SSA		Acquisition	
Name	**No. of shares**	**%**	**No. of shares**	**%**
KSSC	820,000	50.0	984,000	60.0
Lee Choon Ming	820,000	50.0	656,000	40.0

As at the date of the First SSA and this announcement, save as disclosed below, EAHSB does not have any subsidiary and associated company:-

Name of company	**Date / Place of incorporation**	**Share capital**	**Effective equity interest (%)**	**Principal activities**
EIE Industrial Products Sdn Bhd	16 January 2002 / Malaysia	1,100,000	100	Dealing in industrial products and hardware
EIE Pulp & Speciality Sdn Bhd	7 June 1999 / Malaysia	200,000	100	General trading and dealing in paper and pulps

(EAHSB and its subsidiaries shall collectively referred to as "**EIE Group**")

The historical financial information of EAHSB based on its audited financial statements for the financial years ended ("**FYE**") 31 December 2021, 2022 and 2023 are set out below:

	Audited		
	FYE 31 December 2021	**FYE 31 December 2022**	**FYE 31 December 2023**
	(RM'000)	**(RM'000)**	**(RM'000)**
Revenue	17,323	21,181	22,418
Profit before taxation	376	443	994
Taxation	(26)	(138)	(387)
Profit after taxation	350	305	607
Shareholders' funds/ Net assets ("**NA**")	10,208	10,514	9,834

2.2 Basis and Justification in arriving at the 10% Purchase Consideration and Purchase Consideration

Both KSSC and the Vendor are the existing shareholders of EAHSB. The 10% Purchase Consideration and the Purchase Consideration were arrived at the willing buyer willing seller basis after taking into consideration of the following:-

a) audited net asset of EAHSB as at 31 December 2022 and 31 December 2023 respectively;

b) the rationale of the Acquisition as set out in Section 3 of this Announcement; and

c) the prospects of the KSSC Group as set out in Section 4 of this Announcement.

2.3 Source of funding

The 10% Purchase Consideration for the First Acquisition and the Purchase Consideration for the Acquisition are funded via internally generated funds.

2.4 Liabilities to be assumed by KSSC

Save for the obligations and liabilities of KSSC under the SSA, KSSC will not assume any other liabilities (including contingent liabilities and/or guarantees, if any) pursuant to the First Acquisition and Acquisition.

2.5 Additional financial commitment

After the completion of the First Acquisition and Acquisition, the Company does not expect to incur any additional material financial commitment to put the existing operations of EAHSB on-stream as EIE Group are already in operation and generating income and cash flow.

2.6 Salient terms of the First SSA for the First Acquisition

The salient terms of the First SSA are as follows:-

(a) Sale and purchase of the Sale Shares

The Vendor agrees to sell and the Company agrees to purchase the Sale Shares free from any claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto at the 10% Purchase Consideration to be satisfied wholly by cash.

(b) Purchase Consideration

The 10% Purchase Consideration was paid to the Vendor by the Company upon execution of the First SSA by way of cash.

(c) Termination Event

If any of the following events occurs before the completion date, the other non-defaulting party may (but is not obliged to) give notice in writing to the defaulting party, requiring the defaulting party to remedy the said default or breach:

(i) **Breach:** breach of any material or fundamental terms or conditions the First SSA or a failure to perform or observe any material or fundamental undertaking, obligation or agreement expressed or implied in the First SSA including the breach of any material warranties; or

(ii) **Receiver:** a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the defaulting party; or

(iii) **Arrangements:** the defaulting party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, the defaulting party's creditors or any class of them; or

(iv) **Winding-Up:** an application, petition or order is made for the winding-up or dissolution of the defaulting party, or a resolution is passed or any steps taken to pass a resolution for the winding-up or dissolution of the defaulting party, otherwise than for the purpose of an amalgamation or reconstruction which has prior written consent of the non-defaulting party; or

(v) **Misrepresentation**: any representation, warranty or statement which is made (or acknowledged to have been made) by the parties in the First SSA.

(d) Termination

If the defaulting party fails to remedy the relevant default or breach within the fourteen (14) days or such extended period as may be allowed by the non-defaulting party after being given notice to rectify, the non-defaulting party may elect to terminate the First SSA, upon which all the monies paid under the First SSA towards the 10% Purchase Consideration shall be refunded to the Company free of interest and claim for damages.

2.7 Salient terms of the SSA

The salient terms of the SSA are as follows:-

(e) Sale and purchase of the Sale Shares

The Vendor agrees to sell and the Company agrees to purchase the Sale Shares free from any claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto at the Purchase Consideration to be satisfied wholly by cash.

(f) Purchase Consideration

The Purchase Consideration shall be paid in the following manner:

(i) **First Payment:** The Company shall pay a sum of **RM1,400,000.00** to the Vendor within sixty (60) days from the date of this Agreement;

(ii) **Balance Payment:** the balance sum of RM1,400,000 shall be paid by the Company to the Vendor in eleven (11) equal monthly instalments with an amount of RM100,000.00 every month commencing from 1 July 2024, or the following month immediately after the Completion Date (defined hereinunder) and a final instalment of RM300,000.00 ("**Instalments**"). In the event the Company defaults in paying any Instalments, the Company shall pay a late payment interest of 8% per annum on the default payment/late payment of any Instalments to the Vendor from the day it becomes due until the same has been paid.

(g) Termination Event

If any of the following events occurs, the other non-defaulting party may (but is not obliged to) give notice in writing to the defaulting party, requiring the defaulting party to remedy the default or breach of any material or fundamental terms or conditions under the SSA or a failure to perform or observe any material or fundamental undertaking, obligation or agreement expressed or implied in the SSA including the breach of any material warranties.

(h) Termination

If the defaulting party fails to remedy the relevant default or breach within the fourteen (14) days or such extended period as may be allowed by non-defaulting party after being given notice to rectify, the non-defaulting party may elect to terminate the SSA, upon which all the monies paid under the SSA towards the Purchase Consideration shall be refunded to the Company free of interest and claim damages.

3. RATIONALE FOR THE FIRST ACQUISITION AND ACQUISITION

Upon the completion of the First Acquisition, the KSSC Group will hold 60% equity interest of EAHSB, which will allow KSSC Group to further consolidate the financial results of EIE Group. This is expected to improve the financial performance and strengthen the financial position of the KSSC.

The Acquisition will enable EAHSB to become a wholly-owned subsidiary of the Company. As stated in Section 2.1 of this Announcement, EIE Group is principally involved in industrial equipment and suppliers as well as in marketing and sales of hygiene and industrial wipers, oil and universal sorbents and chemical products to the hotel and petroleum industries. This Acquisition will enable the Company to streamline its Group's structure and assume full control of the operation of its subsidiaries and to drive the future strategic direction of EAHSB.

Upon completion of the Acquisition, it will enable the Company to consolidate 100% of the revenue and profits of EIE Group which will further strengthen the Company's financial position and thereafter improve the bottom line position of KSSC.

Premised on the above, the Board is confident that the Acquisition will boost revenue and earnings growth, while adding values to KSSC and its shareholders.

4. PROSPECTS OF THE KSSC GROUP

KSSC Group is primarily involved in manufacturing and trading of stainless steel and other metal related products, particularly aluminium, brass, bronze and copper tubes and bars.

The First Acquisition is in line with the KSSC Group's objective of acquiring strategic stakes in companies with potential for future growth. In addition, upon the completion of the First Acquisition, the Company will also be able to further consolidate the financial performance of EIE Group and expand and diversify its revenue and earnings stream.

Upon completion of the Acquisition, the Company will gain 100% control on EAHSB, which allows the KSSC Group to recognize the full financial results from EAHSB and this will accord KSSC Group the full control and flexibility in industrial equipment and suppliers as well as environment services industry.

Furthermore, as set out in Section 6.3 of this Announcement which illustrated the pro-forma effect of the Acquisition, the Acquisition demonstrated to be earning accretive to KSSC Group via the enhancement of EPS.

Barring any unforeseen circumstances, the Board, after considering the abovementioned prospects, is optimistic that the Acquisition may augur well for the overall business and financial prospect of EIE Group moving forward, and also enable KSSC Group to achieve its business plan and objective.

5. RISK FACTORS OF THE ACQUISITION

In view that EAHSB is an existing subsidiary of the Company, the First Acquisition and Acquisition are not expected to give rise to new risks which KSSC Group is not already exposed to which could materially affect, directly or indirectly, the business, operating results and financial condition of the KSSC Group.

5.1 Acquisition risk

Although the First Acquisition and Acquisition are expected to contribute positively to the earnings of the enlarged Group in the long term, there is no assurance that the anticipated benefits of the Acquisition will be realised or that the enlarged Group will be able to generate sufficient returns to offset the costs associated with the First Acquisition and Acquisition.

Notwithstanding the foregoing, the Company will constantly monitor the progress and performance of EAHSB and to leverage on its management expertise to properly manage the operations of EAHSB.

6. EFFECTS OF THE ACQUISITION

6.1 Issued Share Capital

The First Acquisition and Acquisition will not have any effect on the issued and paid-up capital of the Company as it does not involve any issuance of new ordinary shares in the Company.

6.2 NA and gearing

Based on the consolidated statements of KSSC for the FYE 31 December 2022, the First Acquisition is not expected to have a material effect on the net assets and gearing of KSSC.

Based on the latest audited consolidated statement of financial position of KSSC Group as at 31 December 2023, the pro forma effects of the Acquisition on the NA and gearing of KSSC Group are as follows:

	Audited as at 31 December 2022 RM'000	**(1)Adjustments for subsequent events RM'000**	**After the Acquisition RM'000**
Share capital	76,645	76,699	76,699
Retained earnings	25,446	25,446	(2),(3) 26,580
Equity attributable to owners of the Company	**102,091**	102,145	103,279
Non-controlling interest	6,971	6,971	(3)3,037
Total equity	109,062	109,062	106,316
No. of shares ('000)	150,179	150,279	150,279
Net assets per share (RM)	0.68	0.68	0.69
Borrowings (RM)	124,691	124,691	124,691
Gearing (times)	1.14	1.14	1.17

NOTES:

(1) After adjusting for the *allotment and issuance of 100,000 ordinary shares in KSSC at RM0.54 per share pursuant to the exercise of warrants after 31 December 2023 up to the date of this announcement.*

(2) *After taking into consideration:-*

(i) the estimated expenses for the Acquisition of approximately RM0.03 million;
(ii) the net gain on reversal of non-controlling interest amounting to RM3.93 million and purchase consideration of RM2.8 million.

6.3 Earnings and Earnings per Share ("EPS")

Based on the consolidated statements of KSSC for the FYE 31 December 2022, the First Acquisition is not expected to have a material effect on the earnings and earnings per share of KSSC.

Upon completion of the Acquisition, the Company will be able to consolidate the financial results of EIE Group. KSSC Group expects that EIE Group will contribute positively to the long-term future earnings and EPS of KSSC Group. For illustration purposes only, assuming that the Acquisition had been effected on 1 January 2023 (being the beginning of the latest audited financial statements of the Company for FYE 31 December 2023), the pro forma effects of the Acquisition on the earnings and EPS of KSSC Group are as follows:

	Audited as at 31 December 2023 RM'000	**(1)Adjustments for subsequent events RM'000**	**After the Proposed Acquisition RM'000**
Loss after tax attributable to owners of the Company	(13,397)	(13,397)	(13,397)
Add:			
PAT of EIE Group	-	-	326
Less:			
Estimated expenses relating to the Acquisition (2)	-	-	(30)
Pro forma Loss after tax attributable to the owners of the Company	(13,397)	(13,397)	(13,101)
No. of shares ('000)	150,179	150,279	150,279
Basic EPS (sen)	(9.82)	(9.82)	(9.60)
Diluted EPS (sen)	(9.82)	(9.82)	(9.60)

NOTES:

(1) After adjusting for the *allotment and issuance of 100,000 ordinary shares in KSSC at RM0.54 per share pursuant to the exercise of warrants after 31 December 2023 up to the date of this announcement.*

(2) *After taking into consideration the estimated expenses for the Acquisition of approximately RM0.03 million;*

6.4 Substantial shareholders' shareholdings

The First Acquisition and Acquisition will not have any effect on the substantial shareholders' shareholdings in the Company as it does not involve any issuance of new ordinary shares in the Company.

7. APPROVAL/ CONSENT REQUIRED FOR THE ACQUISITION

The First Acquisition and Acquisition are not subject to the approval of the shareholders of the Company and/or any other parties and/or relevant authorities.

8. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' AND/OR PERSONS CONNECTED WITH DIRECTORS' OR MAJOR SHAREHOLDERS' INTERESTS

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

9. STATEMENTS BY THE BOARD

The Board of KSSC, having considered all aspects of the Acquisition, including but not limited to the rationale, prospects, salient terms of the SSA and effects of the Acquisition, is of the opinion that the Acquisition is in the best interest of KSSC.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, The First Acquisition and Acquisition are deemed completed upon the execution of the First SSA and SSA.

11. HIGHEST PERCENTAGE RATIO

Pursuant to Paragraph 10.02(g) of the Listing Requirements:-

(i) the highest percentage ratio applicable to the First Acquisition is 2.0%, calculated using the PAT of EAHSB based on its audited financial statement for FYE 31 December 2022 against the PAT of KSSC based on its audited consolidated financial statements for FYE 31 December 2022; and

(ii) the highest percentage ratio applicable to the Acquisition is 3.9%, calculated using the NA of EAHSB against the NA of KSSC based on their latest audited financial statements as at 31 December 2023.

Pursuant to Paragraph 10.12 of the Listing Requirements, the highest percentage ratio for First Acquisition and Acquisition, collectively, within a period of 12 months is 5.9%.

12. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the First SSA and SSA will be made available for inspection by the shareholders of the Company at the registered office of the Company at Unit 8 Level 7, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor during the normal business hours from Mondays to Fridays (except for Public Holiday) for a period of three (3) months from the date of this Announcement.

This announcement is dated 6 May 2024.