THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers immediately.

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K. SENG SENG CORPORATION BERHAD

(198501000983 (133427-W))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

(I) PROPOSED ACQUISITION BY K. SENG SENG CORPORATION BERHAD ("KSSC" OR THE "COMPANY") OF 1,104,000 ORDINARY SHARES IN METALMACH MICRO TECHNOLOGY SDN BHD, REPRESENTING 40% EQUITY INTEREST FROM LOW KIM YOONG FOR A CASH CONSIDERATION OF RM14.00 MILLION;

(II) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF KSSC TO INCLUDE THE MANUFACTURING OF HIGH PRECISION METAL PRODUCTS; AND

(III) PROPOSED PRIVATE PLACEMENT OF UP TO 55,739,900 NEW ORDINARY SHARES IN KSSC, REPRESENTING NOT MORE THAN 30% OF THE ISSUED ORDINARY SHARES OF KSSC (ASSUMING FULL EXERCISE OF ITS OUTSTANDING WARRANTS) TO INDEPENDENT THIRD-PARTY INVESTOR(S) TO BE IDENTIFIED AND AT AN ISSUE PRICE TO BE DETERMINED LATER.

(COLLECTIVELY, REFERRED AS THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

M & A SECURITIES SDN BHD
(197301001503 (15017-H))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of KSSC will be conducted virtually through live streaming from the broadcast venue at Unit 8 Level 5, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor on Tuesday, 11 June 2024 at 10.00a.m.. The Notice of EGM, Proxy Form and Administrative Guide for the EGM are enclosed together with this Circular. The completed and signed Proxy Form should be lodged with the Company Secretary at the Registered Office of the Company at Unit 8 Level 7, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia. Please refer to the Administrative Guide for the EGM for further details.

Last day, date and time for lodging the Proxy Form	: Sunday, 9 June 2024 at 10.00 a.m.
Day, date and time of the EGM	: Tuesday, 11 June 2024 at 10.00 a.m.

This Circular is dated 28 May 2024

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

"Acquisition of Land"	:	The acquisition of a parcel of freehold land together with a single storey factory cum three storey office for a purchase consideration of RM14.70 million, which was completed on 28 March 2023. The acquisition was not subject to the approval of the shareholders of the Company or any relevant authorities
"Act"	:	Companies Act 2016
"ASC"	:	Apparent steel consumption
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of KSSC
"BRSB"	:	Blu Resources Sdn Bhd (202001031627 (1387947-A))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
"CAGR"	:	Compound annual growth rate
"Circular"	:	This circular dated 28 May 2024 to the shareholders of KSSC in relation to the Proposals
"Comparable Companies"	:	Selected comparable companies listed on Bursa Securities that are involved in similar business activities as Metalmach
"COVID-19"	:	Coronavirus disease 2019, an infectious disease which affects the respiratory system, and is a global pandemic
"Director(s)"	:	Director of the Company which shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and Section 2 of the Act
"E&E"	:	Electrical and electronic
"EBITDA"	:	Earnings before interest, tax, depreciation and amortisation
"Eco Asia"	:	Eco Asia Capital Advisory Sdn Bhd (201801022562 (1284581-H)), being the independent expert opining on the fairness of the Purchase Consideration
"EGM"	:	Extraordinary general meeting
"EPS"	:	Earnings per share
"Equity Guidelines"	:	Equity Guidelines issued by the Securities Commission of Malaysia
"ESI"	:	Engineering Support Industry
"EV"	:	Enterprise value
"F&B"	:	Food and beverage
"FPE"	:	Financial period ended/ending, as the case may be

"Frazel"	:	Frazel Group Sdn Bhd (201601021070 (1192009-A))
"FYE"	:	Financial year ended/ending 31 December, as the case may be
"GDP"	:	Gross domestic product
"Government"	:	Government of Malaysia
"GP"	:	Gross profit
"Guaranteed PAT"	:	A minimum consolidated PAT of Metalmach Group of at least RM10.00 million for both FYE 2024 and FYE 2025 in aggregate
"Indicative Issue Price"	:	RM0.92 per Placement Share, being the indicative issue price for the Placement Shares used for illustrative purposes. The Indicative Issue Price represents an approximate 9.41% discount to the 5D-VWAMP of KSSC Shares up to and including LPD of RM1.0156 per KSSC Share
"KSSC" or "Company"	:	K. Seng Seng Corporation Berhad (198501000983 (133427-W))
"KSSC Group" or "Group"	:	KSSC and its subsidiaries, collectively
"KSSC Share(s)"	:	Ordinary share(s) in KSSC
"LAT"	:	Loss after tax
"LBT"	:	Loss before tax
"LPD"	:	30 April 2024, being the latest practicable date prior to the printing of this Circular
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"M&A Securities" or "Adviser"	:	M & A Securities Sdn Bhd (197301001503 (15017-H))
"M&E"	:	Machining & equipment
"MCO"	:	Movement control orders
"Metalmach"	:	Metalmach Micro Technology Sdn Bhd (199001010586 (202156-P))
"Metalmach Group"	:	Metalmach and the Subsidiaries, collectively Details of the Subsidiaries of Metalmach are set out in Section 4 of **Appendix I**.
"Metalmach Share(s)"	:	Ordinary share(s) in Metalmach
"MT"	:	Metric ton
"NA"	:	Net assets
"NL"	:	Net liabilities

"PAT"	:	Profit after taxation
"PB"	:	Price-to-Book
"PBT"	:	Profit before taxation
"PE"	:	Price-to-earnings
"Placees"	:	Independent investor(s) to be identified later for the Proposed Private Placement
"Placement Share(s)"	:	New KSSC Share(s) to be issued pursuant to the Proposed Private Placement
"Private Placement 1"	:	A private placement exercise entailing the listing of and quotation for 13,000,000 new KSSC Shares, representing 9.5% of the then total number of issued KSSC Shares, which was completed on 8 September 2023
"Proposals"	:	Proposed Acquisition, Proposed Diversification and Proposed Private Placement, collectively
"Proposed Acquisition"	:	Proposed acquisition by KSSC of 1,104,000 Metalmach Shares, representing 40% equity interest in Metalmach from the Vendor for a cash consideration of RM14.00 million
"Proposed Private Placement"	:	Proposed private placement of up to 55,739,900 new KSSC Shares representing not more than 30% of the issued ordinary shares of the Company, at an indicative issue price of RM0.74 per Placement Share
"Proposed Diversification"	:	Proposed diversification of KSSC's existing business to include the manufacturing of high precision metal products
"Protégé" or "Independent Market Researcher"	:	Protégé Associates Sdn Bhd (200401037256 (675767-H)), being the independent market researcher
"Purchase Consideration"	:	Cash consideration of RM14.00 million for the Proposed Acquisition
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RVA"	:	Relative valuation approach
"Senshin"	:	Senshin Seimitsu Sdn Bhd (199701039999 (455499-K))
"Subsidiaries"	:	Tong Soon, Senshin and BRSB
"SME(S)"	:	Small medium enterprise(s)
"sq ft"	:	Square feet
"SSA"	:	Conditional share sale agreement entered into between KSSC with the Vendor dated 15 January 2024 for the Proposed Acquisition
"Tong Soon"	:	Tong Soon Micron Sdn Bhd (199401041272 (326959-P))

"USD"	:	United States Dollar
"Vendor"	:	Low Kim Yoong
"Warrant(s)"	:	35,520,529 outstanding warrant(s) 2022/2029 in KSSC as at LPD, which will expire on 10 October 2029
"5D-VWAMP"	:	5-day volume weighted average market price

Any discrepancy in the figures included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference in this Circular to any statues, rules, regulations or rules of the stock exchange is a reference to such statues, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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TABLE OF CONTENTS

		Page
EXECUTIVE SUMMARY		vii
LETTER TO THE SHAREHOLDERS OF KSSC IN RELATION TO THE PROPOSALS CONTAINING:		
1.	INTRODUCTION	1
2.	DETAILS OF THE PROPOSALS	2
3.	RATIONALE FOR THE PROPOSALS	14
4.	RISK FACTORS	16
5.	OUTLOOK AND PROSPECTS	17
6.	EFFECTS OF THE PROPOSALS	24
7.	APPROVALS REQUIRED	28
8.	HIGHEST PERCENTAGE RATIO	28
9.	HISTORICAL SHARE PRICES	29
10.	INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM	29
11.	ESTIMATED TIMEFRAME FOR COMPLETION	30
12.	DIRECTORS' STATEMENT AND RECOMMENDATION	30
13.	OUTSTANDING CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION	30
14.	EGM	30
15.	FURTHER INFORMATION	31
APPENDICES		
I	INFORMATION ON METALMACH	32
I(A)	AUDITED FINANCIAL STATEMENTS OF METALMACH FOR FYE 31 DECEMBER 2022	34
I(B)	AUDITED FINANCIAL STATEMENTS OF TONG SOON FOR FYE 31 DECEMBER 2022	35
I(C)	AUDITED FINANCIAL STATEMENTS OF SENSHIN FOR FYE 31 DECEMBER 2022	36
I(D)	AUDITED FINANCIAL STATEMENTS OF BRSB FOR FYE 31 MARCH 2023	37
II	SALIENT TERMS OF THE SSA	40
III	EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION	43
IV	DIRECTORS' REPORT ON METALMACH	57

V FURTHER INFORMATION 58

NOTICE OF EGM **ENCLOSED**

ADMINISTRATIVE GUIDE **ENCLOSED**

PROXY FORM **ENCLOSED**

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THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE SALIENT INFORMATION OF THE PROPOSALS. YOU ARE ADVISED TO READ THIS CIRCULAR IN ITS ENTIRETY FOR FURTHER DETAILS AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSALS BEFORE VOTING AT THE FORTHCOMING EGM.

The Board is recommending shareholders of KSSC to vote **IN FAVOUR** of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.

Key information		Description	Reference to Circular
Summary	:	**Proposed Acquisition** The Proposed Acquisition entails the acquisition by KSSC of 1,104,000 Metalmach Shares, representing 40% equity interest in Metalmach for a cash consideration of RM14.00 million, subject to the terms and conditions of the SSA. **Proposed Diversification** The Proposed diversification of KSSC's existing business to include the manufacturing of high precision metal products pursuant to the Proposed Acquisition. **Proposed Private Placement** The Proposed Private Placement will involve the issuance of up to 55,739,900 Placement Shares representing not more than 30% of the total number of the enlarged issued shares of KSSC (assuming full exercise of the Warrants) to third-party investors to be identified, at an issue price to be determined and fixed by the Board after receipt of all relevant approvals for the Proposed Private Placement.	Section 2
Rationale	:	**Proposed Acquisition** The Proposed Acquisition is in line with KSSC Group's objective of acquiring significant stakes in companies involved in high value-added metal-related industries with potential for future growth. KSSC Group is primarily engaged in manufacturing and processing secondary stainless steel and other metal-related products, trading industrial hardware including marine hardware and consumables and engineering works. Whereas Metalmach Group is engaged in the manufacturing of high-precision metal products including and not limited to tools and dies, moulds and mould parts precision jigs, fixtures and mechanical parts. The Proposed Acquisition will enable KSSC to tap into the semiconductor industry which Metalmach Group is presently serving. Upon completion of the Proposed Acquisition, Metalmach will become a 40%-owned associate company of KSSC. This is expected to contribute positively to the Group's financial performance and in turn, improve shareholders' value as it provides the Group with an opportunity to position itself for further growth and become more competitive in the market.	Section 3

Key information		Description	Reference to Circular
		Proposed Diversification Coupled with the Proposed Acquisition, the Proposed Diversification will enable KSSC Group to derive synergistic benefits which include business integration of technology and knowledge, cross-marketing of products with different designs and specifications to a wider clientele base. Based on the above, the Board believes that the Proposed Diversification will augur well for the Group. **Proposed Private Placement** The Proposed Private Placement will strengthen the capital position of KSSC and allow the Group to raise the necessary funding to finance the Proposed Acquisition and working capital of KSSC Group.	
Approvals required	:	The Proposals are subject to the approvals being obtained from the following: (i) Bursa Securities, for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities, which was obtained vide its letter dated 8 May 2024; (ii) shareholders of KSSC at an EGM to be convened; and (iii) any other relevant authorities and/or parties, if required.	Section 7
Conditionality	:	The Proposals are inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.	Section 7

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K. SENG SENG CORPORATION BERHAD
(198501000983 (133427-W))
(Incorporated in Malaysia)

Registered Office:
Unit 8, Level 7, Kompleks Komersil Akasa,
Jalan Akasa, Akasa Cheras Selatan
43300 Seri Kembangan
Selangor

28 May 2024

Board of Directors:

Datuk Keh Chuan Seng *(Executive Chairman)*
Lee Hai Peng *(Executive Director)*
Dr Lim Pang Kiam *(Non-independent Non-Executive Director)*
Er Kian Hong *(Independent Non-Executive Director)*
Datuk Low Chin Koon *(Independent Non-Executive Director)*
Teh Boon Beng *(Independent Non-Executive Director)*

To: The shareholders of KSSC

Dear Sir/Madam,

(I) PROPOSED ACQUISITION;
(II) PROPOSED DIVERSIFICATION; AND
(III) PROPOSED PRIVATE PLACEMENT

(COLLECTIVELY, THE "PROPOSALS")

1. INTRODUCTION

On 15 January 2024, on behalf of the Board, M&A Securities announced that the Company proposed to undertake the Proposals.

On 8 May 2024, M&A Securities on behalf of the Board, announced that Bursa Securities had vide its letter dated 8 May 2024, approved the listing of and quotation for the Placement Shares on the Main Market, subject to the following conditions:

No	Conditions	Status of Compliance
(i)	KSSC and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement	To be complied
(ii)	M&A Securities to inform Bursa Securities upon the completion of the Proposed Private Placement	To be complied

No	Conditions	Status of Compliance
(iii)	KSSC or M&A Securities to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposals prior to the listing of the new shares to be issued pursuant to the Proposed Private Placement	To be complied
(iv)	M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed	To be complied
(v)	M&A Securities to furnish Bursa Securities with details of the placees in accordance with Paragraph 6.15 of the Listing Requirements for Bursa Securities' review, prior to the issuance/allotment of the new ordinary shares	To be complied

Further details of the Proposals are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING BY WAY OF POLL ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Acquisition

The Proposed Acquisition entails the acquisition by the Company of 1,104,000 Metalmach Shares, representing 40% equity interest from Low Kim Yoong for a purchase consideration of RM14.00 million, which shall be satisfied wholly in cash. The issued shares in Metalmach will be acquired free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto.

The Board wishes to reiterate that the earlier proposal to acquire 51% of Metalmach was revoked and rescinded on 28 December 2023 as parties were not able to fulfil the conditions precedent, within the prescribed period under the previous conditional share sale agreement dated 14 June 2023 ("**Previous SSA**"), in particular the condition precedent relating to the approval of the shareholders of KSSC for the said acquisition due to a delay in convening the shareholders' meeting. This then led to the renegotiation between KSSC and the Vendor where the Vendor has resolved to hold, together with the remaining shareholders, the majority shareholdings in Metalmach, given that the Vendor is also a provider of the Guaranteed PAT. The remaining shareholders, namely Low Yin Chee and Wong Ching Foong, are the parents of the Vendor.

The rationale to revise the quantum of the Proposed Acquisition from 51% to 40% equity interest in Metalmach is attributable to the intention of the Vendor and the remaining shareholders of Metalmach to maintain a majority shareholding in Metalmach, notwithstanding the Previous SSA which included a term that the Vendor and Company would enter into a management services agreement for the Vendor to continue running Metalmach Group's business.

Leading up to the renegotiation, the Vendor gained a more comprehensive understanding of the implications of KSSC holding majority ownership in Metalmach. This allowed the Vendor to re-assess the extent of control that would be relinquished if the Vendor and the remaining shareholders were to become the minority shareholders in Metalmach. In recognising the importance of maintaining control over the strategic initiatives and ensuring fulfilment of performance targets, particularly to meet the Guaranteed PAT, the Vendor prioritised retaining significant control over Metalmach's operations during the renegotiation process.

The Vendor's decision was also driven by a better understanding of the management services agreement, in that entering into the same would not afford him the necessary level of control to effectively execute the abovementioned strategic initiatives aligned with his vision. Importantly, the Vendor's responsibility for delivering the Guaranteed PAT underscores the importance of retaining majority ownership in driving the company's performance and ensuring the fulfilment of the Vendor's contractual obligation.

During the renegotiation, the Vendor and KSSC also agreed that the retention of control by the Vendor of Metalmach would pre-empt any potential disagreements between KSSC and the Vendor in respect of the management of Metalmach. By retaining majority ownership, the parties would ensure clarity regarding who holds the final decision-making authority, thereby minimising the likelihood of conflict and facilitating smoother operational governance of Metalmach.

Thus, as part of the renegotiation between KSSC and the Vendor, the Vendor has resolved to hold together, with the remaining shareholders, the majority shareholdings in Metalmach. In holding the majority of equity interest in Metalmach, the Vendor and the remaining shareholders of Metalmach would continue to steer the strategic direction of Metalmach, which has proven to be effective in the past years.

For KSSC, the decision, although guided by the Vendor's position, is still beneficial as it aligns with the Group's risk mitigation strategy. Opting for the slightly smaller ownership stake of 40% provides enhanced flexibility, and protection against unforeseen challenges or adverse outcomes, although unlikely. As an associate company of KSSC, the Group will still able to account for 40% of the profit of Metalmach Group, of which pursuant to the terms of the SSA, the Vendor guarantees that Metalmach Group shall achieve the Guaranteed PAT.

2.1.1 Information on Metalmach

Metalmach was incorporated in Malaysia on 7 August 1990 under the Companies Act 1965 as a private limited company, and commenced business operations on the same day. Metalmach specialises in precision manufacturing of semiconductor moulds, tools and dies, precision parts, jigs and fixtures, carbide tooling and the design and assembly of automation machines.

As at LPD, the shareholders of Metalmach are as follows:

	Direct		**Indirect**	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Low Kim Yoong (Vendor)	1,846,333	66.9	-	-
Low Yin Chee	872,667	31.6	-	-
Wong Ching Foong	41,000	1.5	-	-
	2,760,000	**100.0**	-	-

Further details on the background information on Metalmach together with its Subsidiaries, namely Tong Soon, Senshin and BRSB including details of Metalmach's acquisition of the Subsidiaries are set out in **Appendix I**.

2.1.2 Information on the Vendor

Low Kim Yoong, a Malaysian male aged 37, is the Executive Director of Metalmach. He has approximately 16 years of engineering experience in various companies of which 13 years was in Metalmach. Low Kim Yoong graduated with a Bachelor of Engineering (Mechanical and Manufacturing Engineering) from University of Birmingham, United Kingdom. He is responsible for managing the operations of Metalmach as well as overseeing the long-term business expansion and its strategic planning. As part of the terms of the Proposed Acquisition, Low Kim Yoong will be appointed Managing Director of Metalmach, succeeding his father, Low Yin Chee who is presently the Managing Director.

Upon the completion of the Proposed Acquisition, the Vendor will remain as a shareholder with 26.9% ownership in Metalmach. In this regard, the Vendor and the remaining shareholders of Metalmach, who are his parents, would hold the majority shareholdings in Metalmach, and therefore, would retain their position as the key stakeholder and decision maker in the business operations, which has proven to be effective in the past years. The Vendor will also enter into a management services agreement with Metalmach as disclosed in Section (v) (c) of **Appendix II**.

2.1.3 Basis and justification for the Purchase Consideration

The purchase consideration of RM14.00 million was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration, amongst others, the following:

(i) the audited combined PAT of RM3.59 million for FYE 2022 (combination of RM2.27 million from Metalmach, RM0.34 million from Tong Soon and RM0.72 million from Senshin for FYE 2022 as well as RM0.26 million from BRSB for FYE 31 March 2023) (collectively referred to as (the "**Combined Financial Results of Metalmach Group**") and the Guaranteed PAT;

(ii) the PE multiple of 7.0 times, derived based on the average Guaranteed PAT of Metalmach Group of approximately RM5.00 million a year (total of RM10.00 million for FYE 2024 and FYE 2025);

(iii) the rationale of the Proposed Acquisition as set out in Section 3.1; and

(iv) prospects of the enlarged KSSC Group as set out in Section 5.4.

Reasonableness of the Guaranteed PAT

The Guaranteed PAT was a commercial decision arrived at between KSSC and the Vendor after taking into consideration the following:

(i) the historical financial performance of Metalmach Group as set out in **Appendix I**;

(ii) the continuation of the Vendor and the remaining shareholders as the majority shareholders in Metalmach which would allow them to retain their position as key stakeholders and decision makers in the business operations and to steer the strategic direction of Metalmach;

(iii) the continuation of the Vendor's involvement in the day-to-day operations of Metalmach Group, being one of the terms in SSA; and

(iv) the potential growth of Metalmach Group after taking into consideration the outlook and prospects of the ESI industry in Malaysia as set out in Section 5.3.

In the event that the actual consolidated PAT of Metalmach Group for FYE 2024 and FYE 2025 collectively or accumulatively (not each) is less than the Guaranteed PAT, the Vendor shall be liable to pay into Metalmach any shortfall between the actual consolidated PAT of Metalmach Group for FYE 2024 and 2025 (collectively) and the Guaranteed PAT within 14 days from the date of finalisation of audited financial statements for FYE 2025 of Metalmach Group.

The Board after having considered the above, is of the view that the Guaranteed PAT for the Proposed Acquisition is reasonable and realistic.

In addition, the Board has also appointed Eco Asia, an independent expert to opine on the fairness of the Purchase Consideration. Eco Asia had through its report as set out in **Appendix IV**, adopted the RVA as the most appropriate method of valuation to assess the fairness of the Purchase Consideration. Based on the RVA, Eco Asia has identified three suitable metrics, ranked in accordance to its suitability, with the most suitable metric chosen as the primary metric and the least fitting as the tertiary metric. Among these metrics, the PE multiple was selected as the primary metric, the EV/EBITDA multiple was selected as the secondary metric and the PB multiple was selected as the tertiary metric.

PE multiple estimates a company's market value based on its PAT relative to its peers and is more likely to reflect the current sentiment of the market and it is computed as follows:

$$\text{PE multiple} = \frac{\text{Market capitalisation}}{\text{PAT}}$$

EV/EBITDA multiple estimates the market value of a company's business relative to its historical pre-tax operation performance, with regard to the company's capital structure. It is computed as follow:

EV = Market capitalisation + preferred equity + non-controlling interests + short and long-term debt – cash and cash equivalents

EBITDA = PAT + taxation + interest expense – interest income + depreciation + amortisation

PB multiple values a company based on the value of its assets, net of all liabilities at a specific point in time, indicating the premium which investors are willing to pay to invest in a company compared to its book value. It is computed as follows:

$$\text{PB multiple} = \frac{\text{Market capitalisation}}{\text{Net assets}}$$

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Eco Asia had considered the PE multiples, EV/EBITDA multiples and PB multiples of the Comparable Companies which are profitable and listed on the Main Market or ACE Market of Bursa Securities and principally operating in the manufacturing and trading of high precision tools and dies, moulds and parts, precision jigs, fixtures and/or mechanical parts with at least 60% of the total revenue being derived from these activities.

It should be recognised that there is no company considered to be identical to Metalmach Group in terms of, amongst others, composition of business activities, scale of business operation, asset base, accounting and tax policies, risk and financial profile, profit track record, capital structure, competitive environment, and financial position, and that such business may have fundamentally different profitability objectives. In addition, the selection of the Comparable Companies is highly subjective and judgmental in view that the Comparable Companies may not be entirely comparable to Metalmach Group due to various specific factors such as geographical, product market segment, clientele base and technical know-how. It should be noted that any comparison made with respect to any of the Comparable Companies is merely to provide an indicative current market expectation with regards to the implied valuation range of Metalmach Group.

The details of the Comparable Companies and the respective market capitalisation, PE, EV/EBITDA and PB multiples are set out below:

Comparable companies	**Principal activities**	**[(1)]Market capitalisation RM' mil**	**[(1)]PE multiple (times)**	**[(1)]EV/EBITDA multiple (times)**	**[(1)]PB multiple (times)**
CPE Technology Berhad	Involved in the manufacturing and selling of precision-machined parts and components used in various industries, such as semiconductor, life science and medical devices, automotive and general engineering.	634.39	15.75	12.88	3.46
Dufu Technology Corp. Berhad	Involved in the design, development and manufacturing of high precision machining part and components for hard disk drives, industry safety and sensor, telecommunication, consumer electronics, medical, automotive and office equipment.	1,002.33	[(2)]49.74	7.98	3.02
HPMT Holdings Berhad	Involved in the manufacturing and trading of high precision machining tools and provision of physical vapor deposition coating services.	118.26	18.00	4.56	0.84
Kobay Technology Bhd	Principally involved in the manufacturing of precision machined components, precision	432.24	24.55	13.04	1.13

Comparable companies	Principal activities	[1]Market capitalisation RM' mil	[1]PE multiple (times)	[1]EV/EBITDA multiple (times)	[1]PB multiple (times)
	stamping, sheet metal parts, surface treatment, precision moulds, tooling and dies, semiconductor assembly and testing equipment, metal works and structures, modules and parts. It is also involved in property development and property management, as well as wholesale and retail sale of pharmaceutical and healthcare products.				
FoundPac Group Berhad	Involved in the designing, developing, manufacturing, marketing and selling of precision engineering parts and laser stencils. It is also involved in the manufacturing and selling of cables and connectors, as well as industrial equipment and machinery.	226.07	[2]31.92	15.42	2.09
	Multiples				
	High		24.55	15.42	3.46
	Average		19.43	10.78	2.11
	Median		18.00	12.88	2.09
	Low		15.75	4.56	0.84
	(-) Illiquidity discount[3]		30%	30%	30%
	Multiples: After illiquidity discount				
	High		17.19	10.79	2.42
	Average		13.60	7.55	1.48
	Median		12.60	9.02	1.46
	Low		11.03	3.19	0.59
	(-) DLOC[4]		25%	25%	25%

Comparable companies	Principal activities	[1]Market capitalisation RM' mil	[1]PE multiple (times)	[1]EV/EBITDA multiple (times)	[1]PB multiple (times)
	Adjusted multiples				
	High		**12.89**	**8.09**	**1.82**
	Average		**10.20**	**5.66**	**1.11**
	Median		**9.45**	**6.77**	**1.10**
	Low		**8.27**	**2.39**	**0.44**
	Multiple of Metalmach Group		**[5]7.00**	**[6]3.78**	**[7]1.64**

Notes:

(1) As at 5 January 2024, extracted from S&P Capital IQ, a platform that provides financial data, company performance data, market insights which is similar to Bloomberg.

(2) Deemed as outlier as it is significantly higher than the PE multiple of other Comparable Companies.

(3) Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran, a factor which may have an impact on the valuation is the liquidity of the asset i.e., the extent in which the asset can be freely bought or sold. Generally, shares of non-listed companies are not freely tradeable as compared to public listed companies. Illiquidity discount typically ranges from 20% - 30%. In the case of the Metalmach Group, we adopted a higher illiquidity discount of 30% after taking into consideration that the size of Metalmach Group where the ascribed valuation of 100% equity interest in Metalmach Group based on the total purchase consideration of RM35.00 million is significantly lower than the market capitalisation of the Comparable Companies as at 5 January 2024.

(4) Based on "Damodaran on Valuation: 2nd Edition" by Aswath Damodaran, the value of control is often a key factor in determining the value of a company. In acquisitions, acquirers often pay a premium for control in the company. On the other hand, a discount often attached to buying minority stakes in the company due to the absence of control. Discount for lack of control ("**DLOC**") generally ranges from 20% - 30%. In the case of the Metalmach Group, we adopted a simple average DLOC of 25%.

(5) Computed based on the ascribed valuation for 100% equity interest in Metalmach Group of RM35.00 million over the average Guaranteed PAT of RM5.00 million a year.

(6) Computed based on the ascribed valuation for 100% equity interest in Metalmach Group of RM35.00 million plus Metalmach Group's aggregated short and long term debts of RM2.84 million and deducting cash and cash equivalent of RM7.46 million divided by the EBITDA of RM8.03 million computed from the Guaranteed PAT of RM5.00 million a year adjusted for taxation, net finance cost, depreciation and amortisation based on the Combined Financial Results of Metalmach Group.

(7) Computed based on the ascribed valuation for 100% equity interest in Metalmach Group of RM35.00 million over Metalmach Group's aggregate net assets of RM21.39 million as at 31 December 2022 for Metalmach, Tong Soon and Senshin, and as at 31 March 2023 for BRSB.

Based on the RVA in the table above, although the implied PE multiple of Metalmach Group is lower than the overall range of the adjusted PE multiples of the Comparable Companies, Eco Asia is of the opinion that the Purchase Consideration is fair to KSSC due to the following:

(i) The implied EV/EBITDA multiple of Metalmach Group of 3.78 times is within the overall range of the adjusted EV/EBITDA multiples of the Comparable Companies between 2.39 times and 8.09 times; and

(ii) The implied PB multiple of Metalmach Group of 1.64 times is within the overall range of the adjusted PB multiples of the Comparable Companies between 0.44 times and 1.82 times.

Premised on the above, the Board deemed the Purchase Consideration to be reasonable and justifiable after taking into account the valuation statistics of the Comparable Companies above, as well as the rationale for the Proposed Acquisition and the prospects of the enlarged KSSC Group as set out in Sections 3.1 and 5.4 respectively.

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2.1.4 Source of funding

The Purchase Consideration will be funded via the proceeds to be raised from the Proposed Private Placement which details are set out in Section 2.3.

2.1.5 Liabilities to be assumed by KSSC

Save for the obligations and liabilities of KSSC in and arising from the SSA, the Company will not assume any other liabilities (including contingent liabilities and/or guarantees, if any) pursuant to the Proposed Acquisition.

2.1.6 Additional financial commitment

After the completion of the Proposed Acquisition, KSSC does not expect to incur any additional material financial commitment to put the existing operations of the Metalmach Group on-stream as Metalmach Group is already in operation and generating income and cash flow.

2.2 Proposed Diversification

At present, KSSC Group is principally involved in:

(i) Manufacturing of secondary stainless steel products namely welded stainless steel tubes and pipes, and stainless steel flat products;

(ii) Processing of secondary stainless steel flat and long products namely stainless steel sheets, stainless steel round, angles and flat bars;

(iii) Trading of other metal-related products, namely aluminium, copper, bronze and brass, etc.; and

(iv) Trading of industrial hardware including marine hardware and consumables.

The segmental financial performance of the Group for FYE 2022 and FYE 2023, are set out as follows:

	Audited	
	FYE 2022	**FYE 2023**
	RM'000	**RM'000**
Revenue		
- Stainless steel and metal-related products	143,106	106,792
- Marine hardware and consumables	22,688	22,966
- Engineering and project works	21,139	40,876
- Other industrial hardware	5,758	75,246
- Investment holding	30	630
	192,721	**246,510**
Reportable Segment Gross Profit/(Loss)		
- Stainless steel and metal-related products	21,444	12,973
- Marine hardware and consumables	4,918	5,111
- Engineering and project works	(1,496)	3,002
- Other industrial hardware	2,185	3,313
- Investment holding	6,531	3,862
- Inter-company elimination	(5,850)	(2,624)
	27,732	**25,637**

	Audited	
	FYE 2022	**FYE 2023**
	RM'000	**RM'000**
PAT/(LAT)		
Stainless steel and metal-related products	3,282	(1,299)
Marine hardware and consumables	1,044	199
Engineering and project works	(3,490)	(9,169)
Other industrial hardware	1,062	508
Investment holding	(144)	(3,478)
	1,754	**(13,239)**

The Group recorded a revenue of RM246.51 million for FYE 2023, an increase of RM53.79 million or 27.91% compared to RM192.72 million for FYE 2022. This was largely attributable to higher revenue from the engineering and project works segment due to increased order books as well as higher revenue from other industrial hardware segment, largely attributed to new stream of revenue generated from dealers in industrial hardware and supplies, electric motors, tools and equipment, conveyor components and accessories used in various industries, quarries and mines.

The Group reported a gross profit of RM25.64 million for FYE 2023, compared to RM27.73 million for FYE 2022. Despite higher revenue, the Group recorded a decline in gross profit by RM2.09 million mainly due to fluctuating and volatile raw materials costs due to lower global demand in general and higher costs of sales due to under-utilisation of the Group's production capacity of stainless steel and metal-related products and appreciation of the USD against RM.

The Group reported a LAT of RM13.24 million for FYE 2023, compared to a PAT of RM1.75 million for FYE 2022. The decline in profits was mainly attributable to the engineering and project works segment (glove dipping lines) as a result of impairment loss on contract costs of RM6.5 million during FYE 2023. In addition, the stainless steel and metal-related products segment also recorded lacklustre performance, fuelled by overcapacity and under-utilisation issues in the stainless steel industry. The Group also incurred some one-off non-operating expenses of RM3 million during FYE 2023.

The core business segment of KSSC Group, i.e. the stainless steel and metal-related products segment, is on a decreasing trend. As part of its long-term business growth initiatives, the Group expanded its business to the aluminium fabrication sectors within the engineering and project works segment. The Group also plans to expand its business in the high value-added metal-related industry with potential for future growth. The Proposed Acquisition, therefore presents KSSC Group an opportunity to expand its range of products to those high precision metal products customers.

On the contrary, Metalmach Group has an established profit track record and has consistently generated positive cash flow over the years. As part of the terms of the Proposed Acquisition, the Vendor has provided the Guaranteed PAT such that the minimum consolidated PAT of Metalmach Group is at least RM10.00 million collectively for both FYE 2024 and FYE 2025 (not each); and in the event that the actual consolidated PAT of Metalmach Group for FYE 2024 and FYE 2025 collectively or accumulatively (not each) is less than the Guaranteed PAT, the Vendor shall be liable to pay into Metalmach any shortfall between the actual consolidated PAT of Metalmach for FYE 2024 and 2025 (collectively) and the Guaranteed PAT within 14 days from the date of finalisation of the audited financial statement for FYE 2025 of Metalmach.

Upon the completion of the Proposed Acquisition, Metalmach Group will be an associate company of KSSC. In line with its share of the Guaranteed PAT, the Board expects that the manufacturing of high precision metal products may contribute more than 25% of the Group's PAT for FYE 2024 and therefore, in accordance with Paragraph 10.13(1) of the Listing Requirements, KSSC wishes to seek its shareholders' approval to diversify its existing business to include the manufacturing of high precision metal products. The Proposed Diversification will not require any additional financial resources apart from those committed under the Proposed Acquisition. Notwithstanding the Proposed Diversification, the Group intends to continue with its existing business activities.

2.3 Proposed Private Placement

As at LPD, KSSC has:

(i) an issued share capital of RM76,698,738 comprising 150,279,255 KSSC Shares; and

(ii) 35,520,529 Warrants, which will expire on 10 October 2029. The Warrants are exercisable into a total of 35,520,529 new KSSC Shares at the exercise price of RM0.54 each.

Taking into consideration the full exercise of the Warrants, the Proposed Private Placement will therefore involve the issuance of up to 55,739,900 Placement Shares representing not more than 30% of the enlarged issued ordinary shares of the Company. However, the actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will be determined at a later date, after obtaining the relevant approvals.

The Proposed Private Placement will be undertaken based on the following scenarios:

	Base Scenario	**Maximum Scenario**
Scenario	Assuming none of the outstanding Warrants are exercised prior to the implementation of the Proposed Private Placement.	Assuming all outstanding Warrants are exercised prior to the implementation of the Proposed Private Placement.
No. of Placement Shares to be issued	Up to 45,083,700 Placement Shares	Up to 55,739,900 Placement Shares

Subject to the prevailing market conditions, the Proposed Private Placement may be implemented in multiple tranches, within 6 months from the date of approval from Bursa Securities for the Proposed Private Placement (depending on investors' interest at the point of implementation) or any extended period as may be approved by Bursa Securities, provided that the Placement Shares must not exceed 30% of the then issued ordinary shares of KSSC.

2.3.1 Basis of arriving at the issue price of the Placement Shares

The issue price of each tranche of the Placement Shares, where applicable, shall be determined separately and fixed by the Board at a later date after obtaining the relevant approvals for the Proposed Private Placement.

The Board will take into consideration amongst others, the prevailing market conditions and the provisions of Paragraph 6.04(a) of the Listing Requirements, in determining the issue price of the Placement Shares. The issue price shall not be a discount of more than 10.0% to the 5D-VWAMP of KSSC Shares prior to the price-fixing date. The mechanism to determine the issue price of the Placement Shares is in accordance with market-based principles.

For illustration purpose, the Indicative Issue Price of the Placement Shares is assumed to be RM0.92 each. The Indicative Issue Price represents a discount of approximately 9.41% to the 5D-VWAMP of KSSC Shares for the 5 market days up to and including the LPD of RM1.0156 per KSSC Share.

2.3.2 Placement arrangement

The Placement Shares are proposed to be placed to the Placees which in accordance with Paragraph 6.04(c) of the Listing Requirements, shall not be the following parties:

(i) the interested director, interested major shareholder or interested chief executive of KSSC or a holding company of KSSC (if applicable), or interested person(s) connected with such director, major shareholder or chief executive; and

(ii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Additionally, the Placees shall also be person(s) or party(ies) who/which qualify under Schedules 6 or 7 of the Capital Markets and Services Act 2007.

2.3.3 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the then existing issued KSSC Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to the shareholders of the Company, for which the relevant entitlement date precedes the date of allotment of the Placement Shares.

2.3.4 Listing of and quotation for the Placement Shares

Bursa Securities had vide its letter dated 8 May 2024 approved the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.3.5 Utilisation of proceeds

Based on the Indicative Issue Price, the proceeds to be raised are expected to be utilised in the following manner:

	Base Scenario	**Maximum Scenario**		**Expected time frame for utilisation of proceeds (from listing date)**
	RM'000	**RM'000**	**Notes**	
Proposed Acquisition	14,000	14,000	(i)	Within 1 month
Repayment of bank borrowings	20,000	30,000	(ii)	Within 6 months
Working capital	6,377	6,181	(iii)	Within 12 months
Estimated expenses for the Proposals	1,100	1,100	(iv)	Within 1 month
Total estimated proceeds	**41,477**	**51,281**		

Notes:

(i) The Company proposes to utilise RM14.00 million of the proceeds to pay the Purchase Consideration.

(ii) The Group utilises trade loans to finance its trade purchases. The Company proposes to allocate RM20.00 million (base scenario) or RM30.00 million (maximum scenario) to fully repay its trade loans which is expected to record annual interest savings of approximately RM0.91 million (base scenario) and RM1.83 million (maximum scenario) respectively, based on the interest rates ranging from 3.78% to 5.36% per annum for the banking facilities. However, the actual interest savings may vary depending on the then applicable interest rates and repayment dates. The proposed repayment of bank borrowings will reduce the Group's pro forma gearing level from 1.14 times to 0.70 times and 0.53 times respectively, as set out in Section 6.2.

(iii) The proceeds will be allocated for working capital as follows:

Utilisation	Base Scenario RM'000	Maximum Scenario RM'000
Payment of overheads such as expenses relating to general upkeep and maintenance of the Group's manufacturing plants, including but not limited to overhaul of equipment and replacement of major parts and staff salaries	2,295	2,295
Payment to suppliers for down payments for importing stainless steel coils and long products	4,082	3,886
Total	**6,377**	**6,181**

(iv) This includes payment of fees to the relevant authorities, advisory and placement fees. Any surplus or shortfall for the payment of expenses for the Proposed Private Placement will be adjusted accordingly against the amount allocated for the Group's working capital purposes.

The actual proceeds to be raised from the Proposed Private Placement will be dependent on the issue price of the Placement Shares and actual number of Placement Shares issued, depending on the Group's operating requirement. The proceeds of the Proposed Private Placement will be prioritised in the following order, firstly for payment of the Purchase Consideration, followed by payment of the estimated expenses, followed by the repayment of borrowings, and lastly for the Group's working capital.

Pending full utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institution(s) as the Board deems fit. The interest derived from the deposits with financial institutions will be used as additional funds for the working capital.

2.3.6 Details of equity fund raising exercises undertaken in the past 12 months

Save as disclosed below, KSSC has not undertaken any other fund-raising exercises in the past 12 months preceding the date of this Circular:

The status of the utilisation of proceeds of Private Placement 1 is as follows:

	Original proposed utilisation raised	Actual proceeds received	Actual utilisation as at LPD	Balance unutilised as at LPD
	RM'000	RM'000	RM'000	RM'000
Working capital[(1)]	18,380	13,670	13,670	-
Estimated expenses for the Private Placement 1	110	110	110	-
	18,490	**13,780**	**13,780**	**-**

Note:

(1) For the purchase of machineries, raw materials and semi-finished products to enhance the Group's production facilities.

The Private Placement 1 has been completed on 8 September 2023 and all proceeds raised therein have been utilised as at LPD.

3. RATIONALE FOR THE PROPOSALS

3.1 Proposed Acquisition

KSSC Group is principally involved in:

(i) Manufacturing of secondary stainless steel products namely welded stainless steel tubes and pipes, and stainless steel flat products;

(ii) Processing of secondary stainless steel flat and long products namely stainless steel sheets, stainless steel round, angles and flat bars;

(iii) Trading of other metal-related products, namely aluminium, copper, bronze and brass, etc.; and

(iv) Trading of industrial hardware including marine hardware and consumables.

Metalmach is a precision manufacturer of semiconductor moulds, tools and dies, precision parts, jigs and fixtures and carbide tooling with over 40 years of experience. 60% of the revenue of Metalmach Group is derived from multi-national companies from the semiconductor industry, 30% from the automation industry and the remaining from other general industries.

In terms of their positioning in the supply chain, KSSC Group is an upstream supplier while Metalmach Group is operating in the downstream supply chain. To put into perspective, Metalmach Group is an existing customer of KSSC Group whereby KSSC Group is supplying various metal products, including but not limited to stainless steel flat and long products, aluminium and copper products, which form part of Metalmach Group's input materials.

The Proposed Acquisition is in line with KSSC Group's objective of acquiring significant stakes in companies involved in high value-added metal-related industries with potential for future growth. KSSC Group is primarily engaged in manufacturing and processing secondary stainless steel and other metal-related products, trading industrial hardware including marine hardware and consumables and engineering works whereas Metalmach Group is engaged in the manufacturing of high-precision tools and dies, moulds and mould parts precision jigs, fixtures and mechanical parts. Thus, the Proposed Acquisition will enable KSSC Group to tap into the semiconductor industry which Metalmach Group is currently serving.

In addition, the Proposed Acquisition comes with the Guaranteed PAT that Metalmach will achieve at least RM10.00 million collectively for FYE 2024 and FYE 2025. As a result, upon completion of the Proposed Acquisition, KSSC Group will increase its profitability by equity accounting for 40% of Metalmach's PAT, hence strengthening its financial performance and creating value for its shareholders.

The Proposed Acquisition also aligns with the Group's risk mitigation strategy. Opting for the slightly smaller ownership stake of 40% provides enhanced flexibility, and protection against unforeseen challenges or adverse outcomes, although unlikely. Further, as an associate company of KSSC, the Group will still benefit from the expected growth in Metalmach Group and equity account for 40% of the profit of Metalmach Group.

Having considered the above and notwithstanding that the Proposed Acquisition does not accord KSSC with statutory control of Metalmach, the Board is still of the view that the Proposed Acquisition is earnings accretive and will enable KSSC Group to derive synergistic benefits which include business integration of technology and knowledge, cross-marketing of products with different designs and specifications to a wider clientele base. Such collaborative efforts between KSSC Group and Metalmach Group includes but is not limited to the following:

(a) Economies of scale in terms of procurement of input materials and utilisation of production capacity

Metalmach is heavily involved in manufacturing for the semiconductor and automation industries which uses stainless steel and aluminium as input materials, both of which are products of KSSC Group. As such, Metalmach is able to leverage on KSSC Group to source for its stainless steel and aluminium materials which in turn, will benefit KSSC Group in terms of optimising the production capacity of its stainless steel and metal-related products. With greater capacity utilisation, average cost of production will decrease. This will collectively, lower both KSSC Group's and Metalmach's production costs and allow them to price their products more competitively. Separately, with greater access to input materials from KSSC Group at more competitive pricing, Metalmach can also explore into providing metal stamping services to the semiconductor and automation industries.

(b) Market expansion and enhanced engineering support

Metalmach has been in the engineering industry for more than 40 years, and possess vast engineering knowledge, not only on precision moulding, but the engineering industry in general. KSSC Group will be able to leverage onto Metalmach's knowledge and insights to (i) identify cross-selling opportunities to sell KSSC Group's products to Metalmach's existing customers; and (ii) offer better engineering support and solutions to KSSC's existing customers. In addition, KSSC will also be able to leverage on Metalmach's existing customers to gain direct access into the semiconductor industry.

3.2 Proposed Diversification

The Proposed Diversification is sought as KSSC Group expects that the manufacturing of high precision metal products may contribute above 25% of the Group's PAT in the future.

The Proposed Diversification will expand the Group's core business to include the manufacturing of high precision metal products in line with the rationale of the Proposed Acquisition which is to meet KSSC Group's objective of expanding its business in the high value-added metal-related industry with potential for future growth.

KSSC Group is primarily engaged in the manufacturing and processing of secondary stainless steel and other metal-related products, trading of industrial hardware including marine hardware and consumables and engineering works. In comparison, Metalmach Group is engaged in manufacturing of high precision tools and dies, moulds and mould parts precision jigs, fixtures and mechanical parts.

Metalmach Group is led by the Vendor (which profile is set out under Section 2.1.2) and his father, Low Yin Chee. Low Yin Chee, a Malaysian male aged 74, is the Managing Director and founder of Metalmach. He is responsible for technical development of the products and management of the company. He has approximately 40 years of experience in machining and semiconductor industry. Low Yin Chee holds a diploma in business administration and his former employment was in Motorola Malaysia in 1974 where he was involved in the machining division at that time. Later in 1979, Low Yin Chee formed a partnership business, Microtech Precision Engineering Co. with Loh Yeh Kong and Loh Yem Men. Subsequently in 1990, the operations and business of Microtech Precision Engineering Co. was then transferred to Metalmach.

As part of the terms of the Proposed Acquisition, Low Yin Chee will step down as the Managing Director with Low Kim Yoong assuming the role. This transition is a condition for the completion of the SSA as set out in **Appendix II**. Nonetheless, Low Yin Chee who remains a shareholder of Metalmach with 31.6% equity interest will continue to lend his expertise as a consultant to Metalmach.

Based on the above, the Board is of the view that the Proposed Diversification in conjunction with the Proposed Acquisition will enable KSSC Group to derive synergistic benefits which include business integration of technology and knowledge, cross-marketing of products with different designs and specifications to a wider clientele base. The expanded range of products from Metalmach Group is expected to also diversify the Group's income stream and dilute its business risk over a wider customer base.

Premised on the above, the Board believes that the Proposed Diversification will augur well for the Group.

3.3 Proposed Private Placement

The Proposed Private Placement will strengthen the capital position of KSSC and allow the Group to raise the necessary funding to finance the Proposed Acquisition and working capital of KSSC Group.

The Board is thus of the opinion that the Proposed Private Placement is the most cost-effective way to meet the Group's funding needs in the short-term and also the most expeditious way of fundraising from the capital market as opposed to other forms of fundraising.

4. RISK FACTORS

4.1 Risk relating to the Proposed Acquisition and Proposed Diversification

The Proposed Acquisition and Proposed Diversification are subject to the risks inherent in the precision moulding business, of which KSSC Group is presently subject to. As such, the enlarged KSSC Group will be exposed to similar business, operational and financial risks inherent in the industry after the completion of the Proposed Acquisition and Proposed Diversification. The additional potential risks that may have an impact on KSSC Group, which may not be exhaustive, pertaining to the Proposed Acquisition and Proposed Diversification coupled with the existing keys risks inherent in the precision moulding business are set out below:

(i) Acquisition and diversification risk

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

(ii) Non-completion risk

The completion of the Proposed Acquisition is conditional upon the fulfilment of amongst others, the conditions precedent of the SSA in respect of the Proposed Acquisition. If any of the conditions precedent is not met or waived in accordance with the SSA, the SSA may be terminated and the Company will not be able to complete the Proposed Acquisition, and thereupon, the Proposed Diversification.

Nevertheless, KSSC will take all necessary and reasonable steps to ensure the fulfilment of the conditions precedent as set out in the SSA in a timely manner and to perform its obligations in accordance with the terms of the SSA to facilitate the completion of the Proposed Acquisition.

(iii) Commodity price fluctuation risk

Both KSSC Group and Metalmach Group are exposed to significant risks due to fluctuations in commodity prices. These fluctuations can result from various factors including changes in supply and demand dynamics, geopolitical events, economic

conditions, and natural disasters. Such volatility can have a substantial impact on the cost of raw materials, which in turn affects the production costs and profit margins of KSSC Group and Metalmach Group. Additionally, sudden and severe price changes can disrupt its supply chain, leading to delays and increased expenses.

(iv) Shortage of skilled labour risk

Both KSSC Group and Metalmach Group face risks associated with the shortage of skilled labour. As their industry relies heavily on specialised expertise and technical skills, any difficulty in attracting, retaining, and training qualified personnel can negatively impact the operations and growth of KSSC Group and Metalmach Group. Shortage of skilled labour can lead to increased labour costs, reduced productivity and delays in project timelines. Furthermore, competition for skilled workers may intensify, exacerbating these challenges.

5. OUTLOOK AND PROSPECTS

KSSC Group is primarily engaged in the secondary stainless and metal related industry, mainly serving intermediate customers who are involved in ESI in Malaysia. As such, the prospects for its business and demand of its products are primarily driven by the general economic conditions in Malaysia as well as the stainless steel and engineering support industries in Malaysia.

Metalmach Group on the other hand, is involved in ESI in Malaysia primarily as a manufacturer of high-precision metal products and mainly serving end-customers from the semiconductor and automation industries. As such, the prospects for its business and demand of its products are primarily driven by the general economic conditions and ESI in Malaysia. Further, as Metalmach Group procures secondary stainless steel products as major input material for its manufacturing activities, they are also subject to the vagaries of the stainless steel industry in Malaysia.

5.1 Overview and prospects of the Malaysian economy

The Malaysian economy expanded by 3% in the fourth quarter of 2023 (3Q 2023: 3.3%; 2Q 2023: 2.9%). Household spending remained supported by improving labour market conditions and easing cost pressures. The unemployment rate declined to the pre-pandemic level of 3.3% while the labour force participation rate was at a historic high in 2023. Meanwhile, growth in investment activity was underpinned by the progressive realisation of multi-year projects and capacity expansion by firms. Exports, however, remained subdued due to prolonged weakness in external demand amid stronger imports. On the supply side, there was a broad-based expansion. The commodities sector grew. This was supported by higher oil and gas production as well as expansion in the agriculture sector amid improved labour supply. The services and construction sectors continued to expand. The manufacturing sector remained soft from continued weakness in the electrical and electronics industry. In terms of monthly GDP, December recorded a growth of 1.4%, lower than November (3.8%) and October (3.9%), attributed mainly to the shorter school holiday period during the month and weaker export-oriented manufacturing sector. On a quarter-on-quarter seasonally-adjusted basis, the economy contracted by 2.1% (3Q 2023: +2.6%).

Overall, the 2023 growth for the Malaysian economy normalised to 3.7%, following a strong growth registered in the previous year (2022: 8.7%). Growth moderated amid a challenging external environment. This was due mainly to slower global trade, the global tech downcycle, geopolitical tensions and tighter monetary policies. On the domestic front, despite the lapse of large policy support provided as the economy started to open up in 2022, the continued recovery in economic activity and labour market conditions supported growth in 2023. In addition, the solid growth performance of the economy is reinforced by a resilient external position. Despite the challenging external environment, the current account surplus for the year 2023 was sustained at 1.2% of GDP, supported by a diversified export structure across market and product. The strength in external position is also reflected in the external debt, which

declined to 68.2% of GDP in 2023 (3Q 2023: 69%), and a higher net international investment position at 6.6% of GDP in 2023 (3Q 2023: 5.2%). Importantly, the external debt remains manageable given the favourable maturity and currency profiles. One-third of the external debt is denominated in ringgit, limiting currency risk, while around 70% of debt have medium and longer-term tenures. Foreign currency borrowings are also subject to BNM's prudential requirements and continue to consist mainly of concessionary intragroup loans.

Headline inflation continued to decline to 1.6% during the quarter (3Q 2023: 2%). The downward trend was contributed by the moderation in fresh food inflation (4Q 2023: 0.5%; 3Q 2023: 1.9%) and core inflation (2%; 3Q 2023: 2.5%). The lower core inflation was largely driven by an easing in services sub-segments, including food away from home and repair and maintenance of personal transport. Inflation pervasiveness continued to trend lower, as the share of Consumer Price Index items recording monthly price increases moderated to 36.3% during the quarter (3Q 2023: 40.8%). This brought inflation pervasiveness below its fourth quarter long-term average (2011-2019) of 41.7%. For 2023 as a whole, headline inflation declined to 2.5% (2022: 3.3%) while core inflation averaged at 3% (2022: 3%).

Domestic financial markets continued to be driven by evolving financial market expectations over the global monetary policy path. In particular, financial market participants viewed that the US policy rate had already peaked and that the US Federal Reserve will start reducing the policy rate in 2024 amid the ongoing disinflation.

Against this backdrop, the ringgit appreciated by 2.1% against the USD in the fourth quarter of 2023, in line with regional currencies following a broad-based depreciation in the US dollar. Malaysia's external position also remains supportive of inflows. BNM will continue to ensure sufficient liquidity to support the orderly functioning of the domestic foreign exchange market.

Credit to the private non-financial sector expanded by 4.7% (3Q 2023: 4.3%), driven by higher growth in business loans (3.6%; 3Q 2023: 1.9%) while outstanding corporate bonds growth moderated to 4.2% (3Q 2023: 5%). The higher business loan growth was driven mainly by higher growth in working capital loans. Of note, SME loan growth remained forthcoming (8.2%; 3Q 2023: 7%). For households, outstanding loan growth remained steady at 5.6% (3Q 2023: 5.4%), reflecting sustained growth across key purposes.

Growth in 2024 will be driven by resilient domestic expenditure and improvement in external demand. On the external front, the IMF is projecting a rebound in global trade growth from 0.4% in 2023 to 3.3% in 2024. Together with the tech upcycle, the stronger external demand and continued improvement in the tourism sector will provide support to Malaysia's exports. On the domestic front, household spending will be supported by continued employment and wage growth. Investment activity will be underpinned by further progress of multi-year projects, by both the private and public sectors, as well as the implementation of catalytic initiatives under the various national master plans. Improvement in tourist arrivals and spending are expected to continue. The growth outlook remains subject to downside risks stemming from weaker-than-expected external demand and larger declines in commodity production. Nonetheless, there are upside risks to growth emanating from greater spillover from the tech upcycle, stronger-than-expected tourism activity and faster implementation of existing and new projects.

Both headline and core inflation have moderated due mainly to lower cost pressures amid stabilising demand conditions. In 2024, inflation is expected to remain modest, broadly reflecting stable cost and demand conditions. However, inflation outlook remains highly subject to changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2023, BNM, 16 February 2024)

5.2 Overview and outlook of the stainless steel industry in Malaysia

During the period 2018 to 2019, the stainless steel industry in Malaysia registered steady growth in production and exports as seen in the increase in production of cold rolled stainless steel from 280,000 MT to 300,000 MT, while exports of cold rolled stainless steel expanded from approximately 273,292 MT to 291,687 MT. At the same time, ASC also registered an increase from 105,756 MT to 149,761 MT during the same period. Nevertheless, the stainless steel industry like other sections of the economy also grappled with the repercussions of the COVID-19 pandemic. The pandemic led to significant decrease in demand for stainless steel products in tandem with the global economic slowdown. In 2020, the production of cold rolled stainless steel dropped to 115,000 MT, exports decreased to 202,196 MT and ASC of cold rolled stainless steel fell to 25,936 MT.

In 2021, the production of cold rolled stainless steel began to rebound and expanded by approximately 17.4% to 135,000 MT from previous year. However, in 2022, the production of cold rolled stainless steel in Malaysia moderated with production decreasing by 8.2% to 123,871 MT. Similarly, exports for stainless steel declined by 5.4% to 169,023 MT. Conversely, the ASC for cold rolled stainless steel increased steadily to 53,127 MT in 2022. There is currently no production of hot-rolled stainless steel in the Malaysian market.

The demand for stainless steel is expected to grow, notably in industries such as construction, manufacturing and F&B services, which will further underpin the growth of the stainless steel industry in Malaysia. In the wake of the global economic recovery post the COVID-19 pandemic followed increasing demand for goods and services, industries that use stainless steel, such as the construction and manufacturing also saw an increase in demand. The easing of pandemic related lockdowns and travel restrictions, coupled with vaccine distributions revitalised business activities, including the production and transportation of stainless steel. These factors along with the pent-up demand for stainless steel, contributed to the robust rebound in the stainless steel industry. Although the consumption levels have yet to fully return to pre-pandemic levels, the stainless steel industry is projected to continue growing fuelled by demand from the construction and manufacturing industries.

The construction industry is projected to grow by 4.1% from RM53.44 billion in 2022 to RM56.82 billion in 2023, primarily supported by infrastructure and specialised construction activities. As outlined in the Budget 2024 ("**2nd Belanjawan MADANI**"), the allocation for development expenditure stands at RM90.00 billion and is expected to continue driving growth in the local construction industry. Furthermore, the development of high impact infrastructure projects such as the Pan Borneo Highway and East Coast Rail Link will spearhead the construction industry. The demand for stainless steel is expected to rise in tandem with these planned developments and accordingly, drive the expansion of the stainless steel industry. In addition, the Green Technology Master Plan 2017 – 2030 championed by the Government promotes sustainable construction practice using green building materials. The usage of stainless steel is expected to increase due to its durability, low maintenance and cost-effective. Furthermore, stainless-steel is indefinitely recyclable, making it an ideal building material for sustainable construction industry.

Given that stainless steel is used in the manufacturing of various products such as gears, shafts and stainless steel pipes, the growth in the manufacturing sector is expected to support the local stainless steel industry. The manufacturing sector in terms of gross domestic product value stood at RM364.13 billion in 2022, marking a 8.1% increase from the previous year.

The stainless steel industry faces several challenges such as labour shortage and increasing cost of operations. In addition to the shortage of low-skilled labour, the industry also faces a shortage of technically skilled workers due to a lack of technical training programs and a prevailing perception of the industry as hazardous and demanding, which discourages potential talents. As a result, local industry players face an uphill task to recruit both technically skilled and low-skilled workers. Moreover, costs are set to rise with the Government's decision to increase the national minimum wage by 25% in May 2022 from RM1,200 to RM1,500. This decision is likely to increase the cost of operations for local industry players.

Furthermore, the industry's high energy consumption, particularly in smelting process, makes it vulnerable to the volatility of electricity tariffs, which could elevate operational costs, and put the local industry players in a disadvantaged position, especially in light of competition from foreign imports. Electricity cost is a determining factor for the continuity of the stainless steel production; hence a high electricity tariff rate is expected to adversely impact the stainless steel industry. Even with the Government's announcement on the reduction of surcharge rates from 20sen/kilowatt-hour to 17sen/kilowatt-hour on 23 June 2023, electricity rate is still considered high since the Imbalance Cost Past-Through surcharge is not fully waived. As a result, the increasing cost of operations will remain a cause of concern particularly for industry players in Peninsular Malaysia.

Going forward, the outlook of the stainless steel industry in Malaysia is positive, given the anticipated growth in the construction, manufacturing and F&B services industries. As these industries rely on stainless steel for various applications from infrastructure to consumer goods, demand for stainless steel is expected to rise in tandem with the growth in these end-user industries and accordingly, drive the expansion of the stainless steel industry in Malaysia.

(Source: Protégé)

5.3 Overview and outlook of ESI in Malaysia

The ESI revolves around the manufacture of high precision metal products that are later used to produce various end products. The segmentation of the ESI as per description in Malaysian Investment Development Authority includes moulds and dies, machining, metal casting, metal stamping, surface engineering, heat treatment, forging and metal fabrication.

There are a few key drivers that will propel the demand for the ESI in Malaysia, with the key factor being the technological advancement of devices, especially with the advent of the fourth industrial revolution. Along with the advancement in technology, there has been an increasing number of electronic components that have been incorporated into conventional and new devices across various industries. As the ESI relies heavily on the performance of its end-user markets, the industry stands to benefit from the rapid evolving technological trends which has driven the expansion of these end-user markets.

From the supply side, they are several key factors that will drive the supply for ESI in Malaysia, primarily the expansion within the ESI, the growing sophistication of manufacturing technology and the support from the Government. To stay competitive in the global market, market players have continuously upgraded their production facilities, as well as adopting the latest manufacturing technologies to be able to meet the expectations of its end-user markets. This trend also applies to the ESI, whereby industry players have invested in their production facilities and newer technology to stay competitive as qualified vendors. Some also opted to enhance their competitive advantage by offering integrated services and total manufacturing solutions or niche segment products that require additional design and development capabilities to meet the customers' demands. Besides that, the growing sophistication of manufacturing technology is also a key supply driver for the ESI in Malaysia. The term technostructure facilities and resources refers to the various state-of-the-art machine and tools, the use of computer system along with advanced computer-aided design and other related design and engineering software, R&D facilities, quality control facilities.

Meanwhile, the continuous support from the Government is also a primary supply driver for the ESI. The Malaysian Government has introduced various supporting programmes in the form of tax incentives that are relevant for manufacturing companies, all of which are expected to aid in the expansion of the ESI in Malaysia. In addition, the Government launched various Industry4WRD related financial facility supports and incentives to help SMEs to drive digital transformation in their manufacturing businesses. The continued support of the Malaysian Government augers well for the growth of the local ESI.

Nonetheless, there are several key challenges that might hamper the growth of the local ESI, primarily the geopolitical tension globally, which affects the economic activities and the downward pricing pressure from customers. As part of the global supply chain, economic activities in Malaysia are subject to geopolitical events that may affect economic activities globally. Global trading avenues has witnessed a rising trend of trade protectionism, notably from that of USA and China. Furthermore, the ongoing war between Russia and Ukraine interrupted the global supply chain as well, as Russia's involvement has affected global oil supply dynamics, whereby some countries have banned crude oil and petroleum products from the country. As a result, global oil prices have spiked in the first half of 2022 and renewed supply chain disruptions.

On top of that, the ESI faces constant challenges from downward pricing pressure from technology-based end-user markets, notably the semiconductor industry. The cyclical nature of the semiconductor industry characterised with frequent introduction of new and innovative electronic devices has resulted in older technology becoming obsolete at a faster pace. This pricing pressure affects the entire semiconductor supply chain, including the ESI, which provides various parts and components. As a result, ESI companies are forced to accept lower profits or cut costs to meet customer demands and stay financially stable. However, ESI companies have been investing in better manufacturing facilities and the latest technologies to offer comprehensive manufacturing solutions. Leveraging on their expertise, some companies are moving into more specialised production areas that require advanced design and development capabilities. This shift allows them to move away from low-profit production while maintaining financial health.

The ESI in Malaysia was valued at RM10.15 billion in 2023, which was an expansion from RM9.37 billion in 2022. The local ESI is forecast to reach RM10.84 billion in 2024 and expand by a compound annual growth rate of 8.5% to reach RM15.25 billion in 2028, supported by the advancement in technology as well as expansion in end-user markets. In the short term (2024), the growth of the Malaysian ESI may be affected by the global economic slowdown, heightened inflation rates, and subdued consumer spending. Nevertheless, the increasing demand for engineering supporting services from end-user industries is likely to support the Malaysian ESI. The semiconductor industry is also expected to stage a recovery, further supporting growth of the Malaysian ESI. Growth in the industry is expected to be underpinned by an increasing number of electronic components being incorporated into both emerging and traditional industries, thus spurring demand for more semiconductors. Furthermore, the global semiconductor industry is also expected to be driven by the advancement in telecommunication technology such as the rollout of 5G technology and the increasing adoption of Internet of Things ("**IoT**"), in which both will boost demand for semiconductors.

The global semiconductor industry can be divided into four regions namely the Americas, Asia Pacific, Japan and Europe, and was valued at USD574.08 billion in 2022. The Asia Pacific region has retained its top position (in terms of revenue), generating sales of USD330.94 billion in 2022, accounting for 57.6% of global semiconductor sales. While the global semiconductor industry is poised for continuous growth as an increasing array of electronics and electrical devices incorporate semiconductor technology, the industry is forecasted to contract to USD520.13 billion in 2023, owing to a global economic slowdown and reduced consumer spending, leading to diminished demand and oversupply in specific semiconductor segments. The oversupply resulted from a rapid expansion in production capacity as demand for semiconductors soared during the start of the COVID-19 pandemic and from various countries' investment in onshoring semiconductor production in light of tensions between the USA and China. At the same time, as a major market for E&E products, the slower than expected economic recovery in China since the country's reopening has also weighed on demand for consumer electronics, which would in turn dampen demand for semiconductors. Despite the challenges, looking ahead to 2024, the global semiconductor industry is anticipated to experience a comeback due to demand recovery from end-user markets such as enterprise networking, enterprise computer, industrial, medical and commercial transportation. Moreover, the USA government introduced the Creating Helpful Incentives to Produce Semiconductor and Science Act of 2022 (CHIPS Act) on August 9, 2022 to provide subsidies for companies investing in chip fabrication plants, chip research and development, and workforce development as well as offers incentives for facilities manufacturing semiconductor manufacturing equipment.

The local ESI stands to benefit from the growth of the local M&E industry which serves as an important supporting industry for the broader manufacturing sector. As manufacturing activities intensify, there's an expected increase in investments, particularly in enhancing and expanding production capacities. This includes the integration of automated equipment solutions such as collaborative robots and industrial IoT, which would translate to increased demand for the M&E solutions in Malaysia.

The COVID-19 pandemic highlighted the vulnerabilities of global supply chains, prompting manufacturers to prioritise automation for cost-effective solutions across customer engagement, supply chain management, and production. According to the Malaysia Investment Development Authority ("**MIDA**"), the global industrial automation market size was valued at USD168.81 billion in 2019 and is projected to reach USD326.14 billion by 2027, at a forecast CAGR of 8.9 per cent. In response, the Malaysian government is actively promoting automation through initiatives like the Industry4wrd policy and MIDA's Automation Project Initiatives ("**API**"). The API aims to assist companies, especially those heavily reliant on unskilled labour, in adopting automation. Despite initial investment costs, automation offers long-term benefits such as increased efficiency, reduced reliance on manual labour, and improved production consistency.

In Malaysia, there are about 50 companies including Malaysian owned companies that have grown and established themselves as internationally recognised providers of factory automation systems such as Pentamaster Corporation Berhad, Greatech Technology Berhad, Genetec Technology Berhad, Cheng Hua Engineering Works Sdn Bhd, TXMR Sdn Bhd, Vepro Group Sdn Bhd and XTS Technologies Sdn Bhd. The ongoing shift to automation presents opportunities for manufacturers to enhance efficiency and mitigate risks associated with labor shortages. Through initiatives like the API and partnerships with automation solution providers, businesses can effectively navigate challenges and capitalize on automation's long-term benefits.

In the medium to long term (2025-2028), the ESI in Malaysia is expected to undergo cyclical growth due to fluctuations in the global economy and volatile foreign currency exchange rates which will affect the export demand for the high precision metal products from the ESI in Malaysia. Despite the potential headwinds, growth of the ESI will be driven by factors such as technological advancements, strong government support and a globally ageing population globally. Malaysia's ESI can also benefit from the trade war on technology between the USA and China in the form of trade and investment diversion to countries outside of the USA and China. Given its position in the global supply chain, the ESI in Malaysia may be a viable option for multinational companies seeking expansion opportunities. Industries such as the semiconductor, telecommunications and automation industries are likely to be key beneficiaries of potential investment diversion.

(Source: Protégé)

5.4 Prospects of the enlarged KSSC Group

The proceeds from the Proposed Private Placement as disclosed in Section 2.3.6 would be partially used for the Proposed Acquisition.

KSSC Group is primarily involved in manufacturing and trading of stainless steel and other metal-related products. It has more than 30 years of experience in manufacturing, processing and trading stainless steel and other metal-related products, particularly aluminium, brass, bronze and copper tubes and bars.

In line with the Group's objectives and its long-term strategy, the Proposed Acquisition and Proposed Diversification will mitigate its risk of over-dependence on the current business by venturing into the precision moulding business which produces higher value metal-related products that yield better profit margin. This will in turn provide the Group with better earnings visibility over the long term to strengthen the financial performance of the Group.

The Group shall continue to focus on expanding its customer base by entering new geographic markets and developing new products or services, specifically in the aluminium fabrication segment. Venturing into new segments allows the Group to access new customer base and markets. Aluminium-related businesses may cater to different industries or applications than stainless steel-related businesses, providing opportunities for growth and market expansion. Furthermore, the Group will be able to offer a broad range of products and services, making it a one-stop solution for customers' needs in the construction, manufacturing and other industries. The Group will also actively tender for various other projects, such as stainless steel water piping and plumbing solutions, to increase profitability. In addition, the Group will target a mix of projects across various industries and applications to reduce dependency on specific market segments and mitigate risks.

The Proposed Acquisition and Proposed Diversification are in line with the Group's objective of acquiring strategic stakes in companies involved in high value-added industry with potential for future growth. The Proposed Acquisition and Proposed Diversification provide an opportunity for the Group to expand downstream into the manufacturing of high precision metal products, which complements the Group's activities which are upstream in nature as the Group's existing products are generally used by downstream manufacturers such as Metalmach. As such, the Proposed Acquisition and Proposed Diversification will further differentiate the enlarged Group from its competitors and provides the Group with a more comprehensive range of products. The Proposed Acquisition and Proposed Diversification also enable KSSC to integrate its broad capabilities in the upstream metal processing and product manufacturing which are foundational materials and components of the downstream precision-focused applications that Metalmach can further apply/ refine. This integration allows for a more comprehensive supply chain and enhances the value proposition for both companies by combining KSSC's raw material processing with Metalmach's precision engineering capabilities.

Premised on the above, the Group is of the view that the Proposals are expected to contribute positively to the Group's financial performance and in turn, improve shareholders' value as it provides the Group with an opportunity to position itself for further growth and to become more competitive in the market.

(Source: Management of KSSC)

6. EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any effect on the issued share capital and shareholding structure of the Group nor financial effects on the NA, gearing and earnings of the Group.

6.1 Issued share capital

The Proposed Acquisition will not have any effects on the issued share capital of KSSC as it does not involve any issuance of new ordinary shares in KSSC.

The pro forma effects of the Proposed Private Placement on the share capital of KSSC are as follows:

Base scenario	**No. of shares**	**RM**
Share capital as at LPD	150,279,255	76,698,738
To be issued pursuant to the Proposed Private Placement[(1)]	45,083,700	41,477,004
Enlarged share capital	**195,362,955**	**118,175,742**

Maximum scenario	**No. of shares**	**RM**
Share capital as at LPD	150,279,255	76,698,738
To be issued pursuant to the exercise of Warrants	35,520,529	19,181,086
	185,799,784	95,879,824
To be issued pursuant to the Proposed Private Placement[(1)]	55,739,900	51,280,708
Enlarged share capital	**241,539,684**	**147,160,532**

Note:

(1) Based on the Indicative Issue Price.

6.2 NA and gearing

Based on the latest audited consolidated statement of financial position of KSSC Group as at 31 December 2022, the pro forma effects of the Proposed Acquisition and Proposed Private Placement on the NA and gearing of KSSC Group are as follows:

		I	II	III
Base Scenario	**Audited as at 31 December 2023**	**[1]Adjustment for subsequent events**	**After I and Proposed Private Placement**	**After II and Proposed Acquisition**
		RM'000		
Share capital	76,645	76,699	118,176	118,176
Retained earnings	25,446	25,446	25,446	[3]24,346
Equity attributable to owners of the Company	**102,091**	**102,145**	**143,622**	**142,522**
Non-controlling interests	6,971	6,971	6,971	6,971
Total equity	**109,062**	**109,116**	**150,593**	**149,493**
No. of shares ('000)	150,179	150,279	195,363	195,363
NA per share (RM)	0.68	0.68	0.74	0.73
Borrowings	124,691	124,691	[2]104,691	[2]104,691
Gearing ratio (times)	1.41	1.14	0.70	0.70

Maximum Scenario	Audited as at 31 December 2023	I [1]Adjustment for subsequent events	II After I and full exercise of Warrants	III After II and Proposed Private Placement	IV After III and Proposed Acquisition
			RM'000		
Share capital	76,645	76,699	95,880	147,161	147,161
Retained earnings	25,446	25,446	25,446	25,446	[3]24,346
Equity attributable to owners of the Company	**102,091**	**102,145**	**121,326**	**172,607**	**171,507**
Non-controlling interests	6,971	6,971	6,971	6,971	6,971
Total equity	**109,062**	**109,116**	**137,459**	**179,578**	**178,478**
No. of shares ('000)	150,179	150,279	185,800	241,540	241,540
NA per share (RM)	0.68	0.68	0.65	0.71	0.71
Borrowings	124,691	124,691	124,691	[2]94,691	[2]94,691
Gearing ratio (times)	1.41	1.14	0.97	0.53	0.53

Notes:

(1) After adjusting for the allotment and issuance of 100,000 KSSC Shares at RM0.54 per Share pursuant to the exercise of Warrants after 31 December 2023 up to and including LPD.

(2) After repayment of bank borrowings upon utilisation of the proceeds from the Proposed Private Placement.

(3) After deducting estimated expenses in relation to the Proposals of approximately RM1.10 million (adjusted for tax effect).

6.3 Earnings and EPS

The Proposed Acquisition is expected to be earnings accretive and to contribute positively to the long-term future earnings and EPS of the KSSC Group. For illustration purposes only, assuming that the Proposed Acquisition had been effected on 1 January 2023 (being the beginning of KSSC's for FYE 2023), the pro forma effects of the Proposed Acquisition on the earnings and EPS of KSSC Group are as follows:

		I	II
Base Scenario	**Audited as at 31 December 2023**	**(1)Adjustment for subsequent events**	**(5)After I and Proposals**
		RM'000	
LAT attributable to owners of the Company	(13,397)	(13,397)	(13,397)
Add:			
Combined PAT based on 40% equity interest in Metalmach Group to be held(2)	-	-	1,437
Interest savings from the repayment of bank borrowings(3)	-	-	914
Less:			
Estimated expenses relating to the Proposals(4)	-	-	(1,100)
Pro forma LAT attributable to the owners of the Company	**(13,397)**	**(13,397)**	**(12,146)**
No. of shares ('000)	150,179	150,279	195,363
EPS (sen)	(9.82)	(9.82)	(6.22)

		I	II	III
Maximum Scenario	**Audited as at 31 December 2023**	**(1)Adjustment for subsequent events**	**(6)After I and full exercise of Warrants**	**After II and Proposals**
			RM'000	
LAT attributable to owners of the Company	(13,397)	(13,397)	(13,397)	(13,397)
Add:				
Combined PAT based on 40% equity interest in Metalmach Group to be held(2)	-	-	-	1,437
Interest savings from the repayment of bank borrowings(3)	-	-	-	1,828
Less:				
Estimated expenses relating to the Proposals(4)	-	-	-	(1,100)
Pro forma LAT attributable to the owners of the Company	**(13,397)**	**(13,397)**	**(13,397)**	**(11,232)**
No. of shares ('000)	150,179	150,279	185,800	241,540
EPS (sen)	(9.82)	(9.82)	(7.21)	(4.65)

Notes:

(1) The subsequent event was the allotment and issuance of 100,000 KSSC Shares at RM0.54 per Share pursuant to the exercise of Warrants after 31 December 2023 up to and including LPD.

(2) Based on KSSC's share of 40% of Metalmach Group's audited combined PAT of RM3.59 million for FYE 2022.

(3) Interest savings from the repayment of bank borrowings amounting to RM0.91 million and RM1.83 million respectively, for the Base and Maximum Scenario.

(4) After deducting the estimated expenses in relation to the Proposals of RM1.10 million (adjusted for tax effect).

(5) Assuming that none of Warrants will be exercised and 45,083,700 Placement Shares are issued under the Proposed Private Placement at the Indicative Issue Price.

(6) Assuming that all the Warrants are fully exercised and 55,739,900 Placement Shares are issued under the Proposed Private Placement at the Indicative Issue Price.

The Proposed Private Placement is expected to be earnings accretive due to the utilisation of proceeds which are to primarily finance the Proposed Acquisition and working capital. As such, the Proposed Private Placement is expected to contribute positively to the Group's future earnings as and when the benefits of the utilisation of proceeds are realised.

The EPS of the Group will however be proportionately diluted as a result of the increase in the number of KSSC Shares after the Proposed Private Placement.

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6.4 Substantial shareholders' shareholdings

The Proposed Acquisition will not have any effects on the substantial shareholders' shareholdings in KSSC as it does not involve any issuance of new ordinary shares in KSSC.

The pro forma effects of the Proposed Private Placement on the shareholding of the substantial shareholders of KSSC based on the Company's Register of Substantial Shareholders as at LPD are set out in the table below:

Base scenario

	As at LPD				After Proposed Private Placement			
	<--------Direct-------->		<-------Indirect------->		<--------Direct-------->		<---------Indirect------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Cheong Lai Sin	41,217,700	27.4	-	-	41,217,700	21.1	-	-
Frazel	34,531,012	23.0	-	-	34,531,012	17.7	-	-
Datuk Keh Chuan Seng	-	-	(1)34,531,012	23.0	-	-	(1)34,531,012	17.7
Datin Cheong Kai Meng	-	-	(1)34,531,012	23.0	-	-	(1)34,531,012	17.7
Placees (collectively)	-	-	-	-	45,053,700	23.1	-	-

Maximum scenario

	As at LPD				I After full exercise of Warrants			
	<--------Direct-------->		<-------Indirect------->		<--------Direct-------->		<-------Indirect------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Cheong Lai Sin	41,217,700	27.4	-	-	41,217,700	22.2	(2)13,860,000	7.5
Koh Shing Yee	-	-	-	-	13,860,000	7.5	-	-
Frazel	34,531,012	23.0	-	-	45,708,649	24.6	-	-
Datuk Keh Chuan Seng	-	-	(1)34,531,012	23.0	-	-	(1)45,708,649	24.6
Datin Cheong Kai Meng	-	-	(1)34,531,012	23.0	-	-	(1)45,708,649	24.6
Placees (collectively)	-	-	-	-	-	-	-	-

	II			
	After I and Proposed Private Placement			
	<--------Direct-------->		<-------Indirect------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Cheong Lai Sin	41,217,700	17.1	(2)13,860,000	5.7
Koh Shing Yee	13,860,000	5.7	-	-
Frazel	45,708,649	18.9	-	-
Datuk Keh Chuan Seng	-	-	(1)45,708,649	18.9
Datin Cheong Kai Meng	-	-	(1)45,708,649	18.9
Placees (collectively)	55,739,900	23.1	-	-

Notes:

(1) Deemed interested for the shares held by Frazel pursuant to Section 8 of the Act.

(2) Deemed interested for the shares held by Koh Shing Yee, who is the daughter of Cheong Lai Sin, assuming Koh Shing Yee fully exercise the Warrants held by her ownself.

6.5 Convertible securities

The Proposals will not have any effect on the outstanding Warrants of KSSC.

7. APPROVALS REQUIRED

The Proposals are subject to the approvals being obtained from the following:

(i) Bursa Securities, for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities, which was obtained vide its letter dated 8 May 2024;

(ii) shareholders of KSSC at an EGM to be convened for the Proposals; and

(iii) any other relevant authorities and/or parties, if required.

The Proposals are inter-conditional upon each other and are not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements of Bursa Malaysia Securities Berhad is 97.0%, calculated by using the PAT of Metalmach Group based on its latest financial statements for FYE 2022 against the PAT of KSSC based on its latest audited financial statements for FYE 2022 at the point of entering into the SSA.

For the avoidance of doubt, the Proposed Acquisition is not deemed as a very substantial transaction pursuant to Paragraph 10.02 of the Listing Requirements. Further, pursuant to Paragraph 1.01 of the Listing Requirements and Chapter 2.01 of the Equity Guidelines, the Proposed Acquisition will not result in a significant change in the business direction or policy of KSSC premised on the following:

(i) The percentage ratios applicable for the Proposed Acquisition as prescribed under Paragraph 1.01 of the Listing Requirements are below 100%;

(ii) The Proposed Acquisition will not result in a change in the controlling shareholding of KSSC;

(iii) The Proposed Acquisition will not result in a change in the Board of KSSC;

(iv) The Proposed Acquisition is not an acquisition of assets by a corporation classified as a cash company by Bursa Securities under Chapter 8 of the Listing Requirements to regularise its condition;

(v) The Proposed Acquisition does not involve the transfer of KSSC's listing status and introduction of new assets to the other corporation; and

(vi) The Proposed Acquisition is not a qualifying acquisition by a special purpose acquisition company (i.e. SPAC).

9. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of KSSC Shares as traded on Bursa Securities for the period of 12 months up to LPD are set out below:

	High	**Low**
	(RM)	**(RM)**
2023		
May	1.400	1.200
June	1.300	1.180
July	1.280	1.180
August	1.250	1.140
September	1.240	1.100
October	1.180	1.000
November	1.060	0.925
December	1.040	0.825
2024		
January	0.865	0.760
February	0.900	0.780
March	1.100	0.750
April	1.100	0.850

The last transacted price of KSSC Shares on 12 January 2024, the market day before the day of the announcement of the Proposals was RM0.85.

The last transacted price of KSSC Shares on LPD was RM1.02.

(Source: Bloomberg)

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of the Company, and/or persons connected with them have any interest, either direct or indirect, in the Proposals, other than their respective entitlements.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the first half of 2024.

The tentative timetable in relation to the completion of the Proposals are as follows:

Events	Tentative timeline
EGM for the Proposals	Mid June 2024
Fulfilment of the conditions precedent under the SSA	Mid June 2024
Listing of and quotation for the Placement Shares and completion of the Proposed Private Placement	End June 2024
Completion of the Proposals	Early July 2024

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the rationale, prospects as well as the terms and conditions of the Proposals, is of the opinion that the Proposals are in the best interests of the Company and its shareholders.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

13. OUTSTANDING CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals (which are the subject matter of this Circular), there are no other corporate proposals that have been announced but pending completion by the Company as at LPD.

14. EGM

The EGM, the notice of which is enclosed in this Circular, will be held and conducted virtually through live streaming from the broadcast venue at Unit 8 Level 5, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor on Tuesday, 11 June 2024 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering the Proposals contained herein and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

You may complete and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Company Secretary at the Registered Office of the Company at Unit 8, Level 7, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The Proxy Form may also be submitted electronically via AISL Online at https://vpoll.com.my/. Kindly refer to the Administrative Guide for the EGM for further information on electronic submission of the Proxy Form. The last day, date and time for lodging the Proxy Form for the EGM is Sunday, 9 June 2024 at 10.00 a.m..

15. FURTHER INFORMATION

Please refer to the appendices of this Circular for further information.

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

LEE HAI PENG
Executive Director

1. HISTORY AND PRINCIPAL ACTIVITIES

Loh Yeh Kong, Loh Yem Men and Low Yin Chee previously managed a partnership business, Microtech Precision Engineering Co. which produced a wide range of tools and dies for the semiconductor and other industries since 1979. Metalmach was later incorporated in Malaysia on 7 August 1990 as a private limited company and with effect from 1990, the shareholders have transferred the operations and business of Microtech Precision Engineering Co. to Metalmach and capitalised the assets to consolidate the business operations.

Metalmach is principally involved in the manufacturing of high precision tools and dies, moulds and mould parts, precision jigs, fixtures and mechanical parts. The details of the Subsidiaries as at LPD are set out in Section 5 herein.

Metalmach is supported by comprehensive infrastructure and industrial amenities located at the Oakland Industrial Park in Seremban, Negeri Sembilan with its 50,000 sq ft production facility with more than 100 highly trained professional machinists and engineers.

The annual production capacity and output of Metalmach's manufacturing facility for FYE 31 December 2020, 31 December 2021 and 31 December 2022 are as follows:

	31 December			Annual production capacity
	2020	2021	2022	(set)
Annual production output (set)				
– Mould & Die	60,500	73,500	95,000	110,000
– Parts & Accessories	30,500	38,000	50,000	55,000
– General Machine Parts	11,000	14,500	18,000	20,000
– Medical Parts	11,000	14,500	18,000	20,000

The annual production capacity is calculated based on an average 8 hours per day and 6 days per week.

In 2001, Metalmach received the ISO 9001:2000 certification in recognition of its consistency in delivery quality products and services that constantly meet and exceed clients' expectation. Metalmach is an experienced manufacturer of industrial ESI systems and machinery. It has machining and tooling capabilities and facilities for the fabrication of special parts, and to fabricate jigs and fixtures.

Metalmach also provides customised machining for customers. Metalmach utilises some of the latest computer numerical control ("**CNC**") equipment to handle prototype, pre-production and production runs and is capable in developing high tolerance precision parts, jigs and fixtures that require precise manufacturing techniques using high-quality components and materials. Metalmach continues to move one step further to place gear and automation in line with the needs of the current market. Metalmach offers a one-stop solution for the production of precision-engineered systems and sub-modules assemblies and high precision parts and components.

Leveraging the complementary skills, technologies, and capabilities of its manufacturing centers, Metalmach can deliver integrated and cost-effective solutions to cater to the specific outsourcing needs of its global customers. As at LPD, their products are delivered worldwide, with customers in North America, United Kingdom, Europe, Asia and Australia.

Based on the audited financial statements of Metalmach for the FYE 31 December 2022, its principal market is in Malaysia which accounted for 60% of its total revenue generated. The remaining 40% of its total revenue is generated from ASEAN countries.

The raw materials utilised by Metalmach are mainly from local suppliers.

2. SHARE CAPITAL

As at LPD, the total issued share capital of Metalmach is RM2,760,000.00 comprising 2,760,000 ordinary shares.

3. DIRECTORS AND SHAREHOLDERS

The directors and shareholders of Metalmach and their respective shareholdings in Metalmach as at LPD are as follows:

			Direct		Indirect	
Shareholders	**Nationality**	**Designation**	**No. of shares**	**%**	**No. of shares**	**%**
Low Kim Yoong	Malaysian	Director / Shareholder	1,846,333	66.9	-	-
Low Yin Chee	Malaysian	Director / Shareholder	872,667	31.6	-	-
Wong Ching Foong	Malaysian	Shareholder	41,000	1.5	-	-
			2,760,000	**100.0**	**-**	**-**

4. SUBSIDIARY AND ASSOCIATED COMPANY

The acquisitions of the Subsidiaries were completed on various dates in August 2023, hence, as at LPD, the Subsidiaries are wholly-owned subsidiaries of Metalmach:

(a) Tong Soon[(1)]

Tong Soon was incorporated on 13 December 1994 as a private limited company under the Companies Act, 1965.

Tong Soon is principally involved in civil and engineering works.

As at LPD, the issued share capital of Tong Soon is RM100,000.00 comprising 100,000 ordinary shares.

As at LPD, the directors of Tong Soon are Low Kim Yoong and Low Yin Chee.

As at LPD, Tong Soon is a wholly-owned subsidiary of Metalmach.

(b) Senshin[(2)]

Senshin was incorporated on 19 December 1997 as a private limited company under the Companies Act, 1965.

Senshin is principally involved in manufacturing and trading of precision tools and other related component parts.

As at LPD, issued share capital of Senshin is RM500,000.00 comprising 500,000 ordinary shares.

As at LPD, the directors of Senshin are Low Yin Chee and Low Kim Yoong.

As at LPD, Senshin is a wholly-owned subsidiary of Metalmach.

(c) BRSB[3]

BRSB was incorporated on 7 October 2020 as a private limited company under the Companies Act, 2016.

BRSB is principally involved in consultation and trading on engineering products and services.

As at LPD, issued share capital of BRSB is RM50,000.00 comprising 50,000 ordinary shares.

As at LPD, the directors of BRSB are Low Kim Yoong and Low Yin Chee.

As at LPD, BRSB is a wholly-owned subsidiary of Metalmach.

Notes:

(1) The acquisition of Tong Soon by Metalmach was completed on 7 August 2023.

(2) The acquisition of Senshin by Metalmach was completed on 30 August 2023.

(3) The acquisition of BRSB by Metalmach was completed on 30 August 2023.

5. FINANCIAL INFORMATION

5.1 Metalmach

A summary of the financial information of Metalmach for the past 3 FYE 31 December 2020 to 2022 is set out below:

	Audited		
	FYE 31 December 2020	**FYE 31 December 2021**	**FYE 31 December 2022**
	RM'000	**RM'000**	**RM'000**
Revenue	15,941	20,719	24,344
Gross profit	4,067	6,771	6,927
PBT	1,099	3,599	3,289
PAT	794	2,697	2,266
Current assets	11,818	15,339	17,744
Current liabilities	3,914	4,871	6,893
Shareholders' funds/NA	13,242	15,939	18,206
Total borrowings	2,331	3,045	2,519
No. of Metalmach Shares issued ('000)	2,760	2,760	2,760
NA per Metalmach Share (RM)	4.80	5.76	6.60
Basic EPS (RM)	0.29	0.98	0.82
Gearing (times)	0.18	0.19	0.14
Current ratio (times)	3.02	3.15	2.57

Commentary on past financial performance

Comparison between FYE 31 December 2021 and FYE 31 December 2020

Revenue increased by RM4.78 million or 30% from FYE 31 December 2020 to FYE 31 December 2021 mainly due to an increase in demand from the semiconductor industry after the upliftment of MCO.

PBT increased by RM2.51 million or 233.4% from FYE 31 December 2020 to FYE 31 December 2021 mainly due to the improvement of average selling price and high demand from the semiconductor industry during the upliftment of MCO.

Comparison between FYE 31 December 2022 and FYE 31 December 2021

Revenue increased by RM3.63 million or 17.5% from FYE 31 December 2021 to FYE 31 December 2022 mainly due to an increase in demand from the semiconductor industry after the upliftment of MCO.

PBT decreased by RM0.31 million or 8.6% from FYE 31 December 2021 to FYE 31 December 2022 mainly due to the increased in the raw materials price and foreign exchange rates.

5.2 Tong Soon

A summary of the financial information of Tong Soon for the past 3 FYE 31 December 2020 to 2022 is set out below:

	Audited		
	FYE 31 December 2020	**FYE 31 December 2021**	**FYE 31 December 2022**
	RM'000	**RM'000**	**RM'000**
Revenue	1,300	1,357	1,602
Gross profit	656	693	676
PBT	483	510	423
PAT	401	422	343
Current assets	722	556	499
Current liabilities	33	32	142
Shareholders' funds/NA	1,043	864	1,207
Total borrowings	-	-	-
No. of Tong Soon Shares issued ('000)	100	100	100
NA per Tong Soon Share (RM)	10.43	8.64	12.07
Basic EPS (RM)	4.01	4.22	3.34
Gearing (times)	-	-	-
Current ratio (times)	21.88	17.38	3.51

Commentary on past financial performance

Comparison between FYE 31 December 2021 and FYE 31 December 2020

Revenue increased by RM0.06 million or 4.4% and the PBT increased by RM0.03 million or 5.6% from FYE 31 December 2020 to FYE 31 December 2021 mainly due to an improvement of the demand in civil and engineering works due to the upliftment of MCO.

Comparison between FYE 31 December 2022 and FYE 31 December 2021

Revenue increased by RM0.25 million or 18.1% from FYE 31 December 2021 to FYE 31 December 2022 and the PBT decreased by RM0.09 million or 17.1% from FYE 31 December 2021 to FYE 31 December 2022. The financial performance was rather consistent with prior year.

5.3 Senshin

A summary of the financial information of Senshin for the past 3 FYE 31 December 2020 to 2022 is set out below:

	Audited		
	FYE 31 December 2020	**FYE 31 December 2021**	**FYE 31 December 2022**
	RM'000	**RM'000**	**RM'000**
Revenue	2,662	3,824	5,651
Gross profit	476	507	1,319
PBT	126	72	799
PAT	127	72	720
Current assets	1,367	1,523	2,060
Current liabilities	750	1,034	1,021
Shareholders' funds/NA	628	700	1,421
Total borrowings	382	305	325
No. of Senshin Shares issued ('000)	500	500	500
NA per Senshin Share (RM)	1.26	1.40	2.84
EPS (RM)	0.25	0.17	1.44
Gearing (times)	0.61	0.44	0.22
Current ratio (times)	1.82	1.47	2.02

Commentary on past financial performance

Comparison between FYE 31 December 2021 and FYE 31 December 2020

Revenue increased by RM1.16 million or 43.7% from FYE 31 December 2020 to FYE 31 December 2021 mainly due to an increase in demand from the semiconductor industry after the upliftment of MCO.

PBT decreased by RM0.05 million or 42.9% from FYE 31 December 2020 to FYE 31 December 2021 mainly due to an increase in the commodity price as the raw materials are imported as well as depreciation of RM against USD.

Comparison between FYE 31 December 2022 and FYE 31 December 2021

Revenue increased by RM1.83 million or 47.8% from FYE 31 December 2021 to FYE 31 December 2022 mainly due to an increase in demand from the semiconductor industry after the upliftment of MCO.

PBT increased by RM0.73 million or 846.5% from FYE 31 December 2021 to FYE 31 December 2022 mainly due to increased in the sales and achieved economies of scale.

5.4 BRSB

A summary of the financial information of BRSB for FPE 31 March 2022 and FPE 31 March 2023 is set out below:

	Audited	
	FPE 31 March 2022	**FYE 31 March 2023**
	RM'000	**RM'000**
Revenue	1,315	1,607
Gross profit	437	583
PBT	287	311
PAT	240	263
Current assets	741	1,297
Current liabilities	503	772
Shareholders' funds/NA	290	553
Total borrowings	-	-
No. of BRSB Shares issued ('000)	50	50
NA per BRSB Share (RM)	5.8	11.06
EPS (RM)	4.8	5.26
Gearing (times)	-	-
Current ratio (times)	1.47	1.68

Commentary on past financial performance

Comparison between FPE 31 March 2022 and FYE 31 March 2023

Revenue increased by RM0.29 million or 22.2% from FPE 31 March 2022 to FYE 31 March 2023 mainly due to an increase in demand from the semiconductor industry after the upliftment of MCO.

PBT increased by RM0.02 million or 8.36% from FPE 31 March 2022 to FYE 31 March 2023 mainly due to slight increase in the gross profit margin.

6. EXCEPTIONAL AND EXTRAORDINARY ITEMS, AUDIT QUALIFICATION AND ACCOUNTING POLICIES

There were no exceptional or extraordinary items during FYE 31 December 2020 to 2022.

The audited financial statements of Metalmach Group for FYE 31 December 2020 to 2022 were also not subject to any audit qualifications.

During FYE 31 December 2020 to 2022, there were no accounting policies adopted by Metalmach Group which are peculiar to Metalmach Group due to the nature of its business or the industry it is involved in, which had effects on the determination of income or financial position of Metalmach Group.

Metalmach Group will adopt its first set of financial statements in accordance with Malaysian Financial Reporting Standards for the FYE 31 December 2023. Prior to FYE 31 December 2022, the financial statements have been audited under the financial reporting framework, Malaysian Private Entities Reporting Standard in Malaysia.

7. MATERIAL PROPERTIES

As at LPD, details of the material properties owned by Metalmach are set out below:

Location	Tenure	Description / Existing use	Land area / Built-up area	Approximate age of building	Carrying amount as at 31 December 2022
			sq ft	Years	RM'000
Held under Metalmach					
H.S.(D) 72239, PT 4986, Mukim Rasah, Daerah Seremban, Negeri Sembilan	Freehold	A piece of industrial land comprising a single storey detached factory and a double storey office/ Manufacturing facilities and office	50,762/ 30,098	28	3,137
PN 108172/M1D/1/122, Lot 64579, Daerah Petaling, Pekan Baru Subang, Selangor	99 years leasehold expiring on 26 June 2111	A three storey shop office/ Investment property	2,250/ 6,374	12	2,959
Held under Tong Soon					
Geran 98232, Lot 7539, Daerah Seremban, Pekan Rasah Jaya Negeri Sembilan	Freehold	One and a half storey terraced shop office/ Manufacturing facilities and office	1,650/ 2,394	21	110
Geran 98233, Lot 7540, Daerah Seremban, Pekan Rasah Jaya, Negeri Sembilan	Freehold	One and a half storey terraced shop office/ Manufacturing facilities and office	1,647/ 2,394	21	110
Geran 98234, Lot 7541, Daerah Seremban, Pekan Rasah Jaya, Negeri Sembilan	Freehold	One and a half storey terraced shop office/ Manufacturing facilities and office	1,647/ 2,394	21	104

8. MATERIAL CONTRACTS

Save as disclosed below, Metalmach Group has not entered into any material contract (not being a contract entered into in the ordinary course of business) within the past 2 years immediately preceding the date of this Circular:

(a) On 10 August 2023, Metalmach had entered into a share sale agreement with Loke Keng Woe, Low Yin Chee and San Yuen Yoong for the acquisition of 500,000 ordinary shares in Senshin, representing the entire equity in Senshin for a total consideration of RM1,650,000.00.

The acquisition was completed on 30 August 2023.

(b) On 24 July 2023, Metalmach had entered into a share sale agreement with Loh Chai Hoon, Low Kim Yoong and Low Yin Chee for the acquisition of 100,000 ordinary shares in Tong Soon, representing the entire equity in Tong Soon for a total consideration of RM1,800,000.00.

The acquisition was completed on 7 August 2023.

9. MATERIAL COMMITMENTS

As at LPD, the directors of Metalmach are not aware of any material commitments incurred or known to be incurred by Metalmach Group, which upon becoming enforceable may have a material effect on the business or financial position of Metalmach Group.

10. CONTINGENT LIABILITIES

As at LPD, the directors of Metalmach are not aware of any contingent liabilities incurred or known to be incurred by Metalmach Group, which upon becoming enforceable may have a material impact on the business or financial position of Metalmach Group.

11. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at LPD, Metalmach Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant or otherwise, and the directors of Metalmach are not aware of any proceedings pending or threatened against Metalmach Group or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of Metalmach Group.

The salient terms of the SSA are as follows:

(i) Sale and purchase of Metalmach Shares

The Vendor agrees to sell and the Company agrees to purchase Metalmach Shares free from claim, charges, liens, encumbrances and equities whatsoever together with all interest and rights attached thereto at **RM14,000,000.00** to be satisfied wholly by cash.

(ii) Guaranteed PAT

(a) the Vendor shall guarantee a minimum consolidated PAT of Metalmach Group of at least RM10,000,000.00 collectively for both FYE 2024 and FYE 2025 (not each) ("**Guaranteed PAT**"); and

(b) In the event that the actual consolidated PAT of Metalmach Group for FYE 2024 and FYE 2025 collectively or accumulatively (not each) is less than the Guaranteed PAT, the Vendor shall be liable to pay into Metalmach any shortfall between the actual consolidated PAT of Metalmach for FYE 2024 and 2025 (collectively) and the Guaranteed PAT within 14 days from the date of finalisation of audited financial statement for FYE 2025 of Metalmach.

(iii) Purchase Consideration

The Purchase Consideration shall be paid in the following manner:

(a) upon the execution of the SSA, the Company shall pay to the Vendor a sum of **RM1,912,000.00**;

(b) the sum of **RM12,088,000.00** shall be paid to the Vendor within 30 days from the date of fulfilment of the conditions precedent set out in section (iv) below with an automatic extension of 30 days provided that the Company shall pay an interest on the balance sum outstanding at the rate of 8% per annum calculated on daily rest basis.

(iv) Conditions precedent of the SSA

This SSA shall be conditional upon the following being obtained, procured and/or fulfilled or being waived within 90 days from the date of the SSA by the Company and/or the Vendor: -

(a) the approval of the shareholders of the Company at a general meeting for the implementation of the SSA;

(b) consent and/or approval from the existing financier of Metalmach and/or all appropriate authorities in relation to the change in control of Metalmach (if applicable); and

(c) such other waivers, consents or approvals as may be required.

(v) Condition for completion of the SSA

The condition for completion of the SSA are as follows:

(a) no event of default has occurred or reasonably anticipated to occur as a result of the completion of the SSA;

(b) the shareholders of Metalmach entering into a shareholder agreement to govern their relationship as shareholders of Metalmach;

(c) the Vendor entering into a management services agreement with Metalmach to act as managing director on such terms and conditions mutually agreed upon;

(d) there has been no material adverse change in the financial condition or operation of Metalmach since the date of the SSA;

(e) all debts owing by or to the Vendor, the directors of Metalmach and their affiliated companies and/or affiliated persons had been settled, waived or forgiven (if applicable);

(f) each of the representations and warranties remains accurate at the completion date of the SSA; and

(g) the Vendor has not breached any material undertakings, representations, warranties and covenants under the SSA.

(vi) 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.

(a) **Breach:** breach of any material or fundamental terms or conditions of 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; or

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

(c) **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

(d) **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

(e) **Cessation of Business:** the defaulting party ceases or threatens to cease carrying on a substantial portion of the defaulting party's business other than in compliance with the defaulting party's obligations under the SSA; or

(f) **Events of Default:** the defaulting party commits any act or omits to do an act which results in the breach or non-fulfillment of any term or condition of any banking, finance or credit facility which has the effect of causing the events specified in sub-clauses (b), (c), (d) and (e) above to occur; or

(g) **Misrepresentation:** any material representation, warranty or statement which is made (or acknowledged to have been made) by the Parties in the SSA or which is contained in any certificate, statement, legal opinion, notice, replies made in the course of the due diligence review or information furnished in the due diligence review or provided under or in connection herewith or therewith proves to be incorrect in any material respect.

(vii) Termination

If the defaulting party fails to remedy the relevant default or breach, the non-defaulting party may elect to terminate the SSA and claim damages.

(a) **Company's default:** In the event of termination due to the default or breach of the Company, the Vendor shall have the option to either claim for specific performance and seek for other remedies available to the Vendor, such as monetary compensation for any loss suffered by the Vendor as a result of the Company's default; or to terminate the SSA and forfeit 10% of the Purchase Consideration as liquidated damages.

Upon such termination, the Vendor shall have the right to resell the Metalmach Shares to such person in such manner at such price and on such terms as the Vendor may think fit and the Company shall have no right to any part of the purchase money thereby arising.

(b) **Vendor' default:** In the event of termination due to the default or breach of the Vendor, the Company shall have the option to either claim for specific performance and seek for other remedies available to the Vendor, such as monetary compensation for any loss suffered by the Vendor as a result of the Company's default; or to terminate the SSA whereby the Vendor shall refund all the monies that have been paid by the Company towards the Purchase Consideration together with an additional sum equivalent to 10% of the Purchase Consideration as liquated agreed damages.

Upon such termination, the SSA shall become null and void and be no further effect and neither party shall have any claim whatsoever against the other or in respect of the SSA.

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Eco Asia Capital Advisory Sdn Bhd
[Registration No. 201801022562 (1284581-H)]
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5 January 2024

K. Seng Seng Corporation Berhad
Lot 3707, Jalan 7/5
Taman Industri Selesa Jaya
43300 Balakong
Selangor

Attn: Board of Directors

Dear Sirs,

FAIRNESS OPINION ON THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION OF 40% EQUITY INTEREST IN METALMACH MICRO TECHNOLOGY SDN BHD ("METALMACH") AND ITS SUBSIDIARIES (COLLECTIVELY KNOWN AS "METALMACH GROUP" OR "THE GROUP"), FOR A TOTAL CASH CONSIDERATION OF RM14.00 MILLION ("PROPOSED ACQUISITION")

1. INTRODUCTION

On 15 January 2024, K. Seng Seng Corporation Berhad (**"KSSC"** or **"the Company"**) had entered into a conditional share sale agreement (**"SSA"**) with Low Kim Yoong (**"LKY"** or **"Vendor"**) for the Proposed Acquisition. As part of the terms of the SSA in respect of the Proposed Acquisition, the Vendor as the guarantor has provided a cumulative two (2) years' profit guarantee to be achieved by Metalmach Group for the financial year ended (**"FYE"**) 31 December 2024 and 31 December 2025 ("**Guaranteed Period**"). Under the terms of the profit guarantee, the guarantor guarantees to KSSC that Metalmach Group shall achieve a minimum consolidated profit after tax (**"PAT"**) of at least RM10.00 million on a cumulative basis ("**Guaranteed PAT**") over the Guaranteed Period.

Eco Asia Capital Advisory Sdn Bhd (**"Eco Asia"**) has been appointed by the Board of Directors (**"Board"**) of KSSC to provide an evaluation on the fairness of the purchase consideration of the Proposed Acquisition amounting to RM14.00 million (**"Purchase Consideration"**) to be satisfied wholly in cash.

This report (**"Report"**) has been prepared for the use by the Board and inclusion into the circular to shareholders of KSSC in relation to the Proposed Acquisition (**"Circular"**). This Report must be read in conjunction with the Circular, the limitation and restrictions set out in paragraph 4 and 5 below respectively and the key bases of the valuation set out in paragraph 7.1 below.

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ECO ASIA

2. SOURCES OF INFORMATION

In preparation of this Report, Eco Asia has relied on the following sources of information and documents:

(i) Audited financial statements of Metalmach, Tong Soon Micron Sdn Bhd (**"Tong Soon"**) and Senshin Seimitsu Sdn Bhd (**"Senshin"**) for the FYE 31 December 2022;

(ii) Audited financial statements of Blu Resources Sdn Bhd (**"BRSB"**) for the FYE 31 March 2023;

(iii) SSA dated 15 January 2024 signed between KSSC and LKY;

(iv) KSSC's announcement dated 15 January 2024;

(v) Other relevant information, documents, representation and explanation furnished to us by the directors and management of KSSC and Metalmach Group (collectively referred to as **"the Management"**);

(vi) Financial data of the comparable public listed companies extracted from S&P Capital IQ, a platform that provides financial data, company performance data, market insights which is similar to Bloomberg; and

(vii) Other publicly available information in respect of the industry that Metalmach Group is involved in.

3. DATE OF OPINION

The date of our opinion is 5 January 2024 (herein also referred to as the "**Date of Opinion**").

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ECO ASIA

4. SCOPE AND LIMITATION TO THE EVALUATION

Eco Asia was not involved in the formulation of the Proposed Acquisition or any deliberation and negotiation on the terms and conditions of the Proposed Acquisition. Our scope is limited to expressing an opinion on the fairness of the Purchase Consideration of Metalmach Group to the Board and shareholders of KSSC based on the information and documents made available to us as mentioned in paragraph 2 above.

Our role does not extend to us expressing an opinion on the commercial merits of the Proposed Acquisition. The assessment of the commercial merits of the Proposed Acquisition is solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. Further, our terms of reference do not include us rendering an expert opinion on the legal, accounting and taxation issues relating to the Proposed Acquisition.

We have made all reasonable enquiries and conducted our own reviews, where possible, with regards to the information provided to us. We have also relied on the Management to exercise due care to ensure that all information and documents as mentioned above and that all relevant facts, information and representations necessary for our assessment have been disclosed to us and that such information is accurate, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate. This includes carrying out reasonableness checking and/or corroborating documents prepared by and/or signed off by independent parties where possible.

Our procedures and inquiries do not include any verification work that constitutes an audit on the information that we have relied upon in preparing this Report. Accordingly, we issue no warranty or any other form of assurance as to the accuracy or completeness of the information provided by the Management.

We have not undertaken an independent investigation into the business of Metalmach Group. Based on the above and from our review of the relevant documents provided by the Management, we are satisfied that the information and documents provided to us by the Management are sufficient and we have no reason to believe that any such information provided to us are untrue, inaccurate or misleading or the disclosure of which might reasonably affect our assessment as set out in this Report.

The Directors of KSSC have individually and collectively, accept full responsibility to all material facts, financial and other information contained in this Report, and for the accuracy of the information in respect of the Proposed Acquisition (save for those in relation to our evaluation and opinion) as prepared herein and confirmed that after making all reasonable enquires and to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein incomplete, false and/or misleading.

It should be noted that the evaluation in itself is highly dependent on, amongst others, the prevailing economic, market and other conditions that may change significantly over a relatively short period of time. It should also be highlighted that the evaluation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the valuation was based. As such, the adoption of such bases and assumptions does not imply that we warrant their validity or achievability.

No representation or warranty, whether expressed or implied, is given by Eco Asia that the information and documents provided will remain unaltered subsequent to the issuance of this Report.

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5. RESTRICTIONS

This Report is prepared strictly and solely for the use by the Board and for the inclusion into the Circular and it is not intended for general circulation in whole or in part. Accordingly, we shall not be responsible or liable for any losses or damages as a result of reliance by any party contrary to the provision set out in this Report or our engagement letter.

Save for the purpose stated herein, this Report cannot be relied upon by any party other than the Board, KSSC and its shareholders. Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or used of, or reliance on this Report, in whole or in part.

Neither Eco Asia nor any of its partners, principals, directors, shareholders, agents or employees undertake responsibility arising in any way whatsoever to any person other than KSSC in respect of this Report, including any error or omission therein, however caused. We are under no obligation to update our Report in respect of any events or information that come to our attention subsequent to the Date of Opinion.

6. BACKGROUND INFORMATION OF METALMACH GROUP

Metalmach was incorporated in Malaysia on 7 August 1990 as a private limited company and commenced its business operations on the same day. It specialises in precision manufacturing of semiconductor moulds, tools and dies, precision parts, jigs and fixtures, carbide tooling and the design and assembly of automation machines.

As at the Date of Opinion, the shareholders of Metalmach and their shareholdings are as follows:

	Direct		Indirect	
Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
LKY	1,846,333	66.9	-	-
Low Yin Chee	872,667	31.6	-	-
Wong Ching Foong	41,000	1.5	-	-
	2,760,000	**100.0**	-	-

The background information of the subsidiaries of Metalmach is summarised as follows:

Company Name	Incorporation Date	Paid-up Share Capital RM'000	Principal Activities
Tong Soon	13/12/1994	100	Involved in civil and engineering works.
Senshin	19/12/1997	500	Involved in manufacturing and trading of precision tools and other related component parts.
BRSB	7/10/2020	50	Involved in architectural and engineering activities and related technical consultancy.

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7. VALUATION

7.1 Basis of Valuation

The basis of our valuation is the fair market value which is defined as the arms' length price at which such assets would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, in an open and unrestricted market and both having reasonable knowledge of relevant facts. The concept of market value means the cash equivalent price of an asset being valued assuming the transaction took place under conditions existing at the date of valuation of the assets. The amount would not be considered as market value if it was influenced by special motivation or characteristic of a typical buyer or seller.

The range of values that we have estimated is based on a going concern use and not, for example, on the break-up value of the business.

7.2 Method of Valuation

We took into consideration the nature of asset and the business of Metalmach Group in determining the most appropriate methods of valuation amongst the following commonly used valuation methodologies in equity valuation:

Valuation Methodologies	Discussion
Relative Valuation Approach (**"RVA"**)	RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the company's financial worth. General acceptable metric considered under the RVA are as follows: i. Price-to-Earnings (**"PE"**) Multiple: estimates a company's market value based on its PAT relative to its peers and is more likely to reflect the current sentiment of the market. PE Multiple has been adopted as the primary metric in this valuation in view that the Purchase Consideration is derived based on the Guaranteed PAT. ii. Enterprise Value (**"EV"**)/ Earnings Before Interest, Tax, Depreciation and Amortisation (**"EBITDA"**) Multiple: estimates the market value of a company's business relative to its historical pre-tax operation performance, with regard to the company's capital structure. EV/EBITDA Multiple has been adopted as the secondary metric in this valuation as it is not affected by the differences in capital structures, borrowing costs and taxation as well as different depreciation and amortisation policies of the comparable companies. iii. Price-to-Book (**"PB"**) Multiple: values a company based on the value of its assets, net of all liabilities at a specific point in time and it indicates the premium which investors are willing to pay to invest in a company compared to its book value. This valuation metric was adopted as the tertiary metric as it provides a fairly stable measure of value by taking into consideration the cumulative financial position which can be compared to the market price.

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7.2 **Method of Valuation (Cont'd)**

Valuation Methodologies	Discussion
Net Asset Valuation ("**NAV**") / Revalued Net Asset Valuation ("**RNAV**")	NAV/RNAV is not adopted for this valuation as it may not reflect the potential value of Metalmach Group since this valuation method focus on the book value of the company, without taking into consideration the potential value to be derived from its future business operations and the premium which investors are willing to pay.
Discounted Free Cash Flow to Equity ("**FCFE**")	FCFE valuation method was not adopted for this valuation as this is more appropriate for companies with a set of projected cash inflow and outflow that can be estimated with a high level of certainty. At this point, it is difficult for the Management to accurately project the future cashflow of Metalmach Group as the sales and purchases of the Group are based on spot terms and there is no long-term contract entered with its customers and suppliers.

7.3 **Valuation Results**

Based on the RVA, the indicative valuation of Metalmach Group is determined based on the valuation metrics of selected comparable companies which are broadly comparable to Metalmach Group.

We have selected the comparable companies based on the following criteria:

(i) Principally involved in the manufacturing and trading of high precision tools and dies, moulds and parts, precision jigs, fixtures and/or mechanical parts with at least 60% of the total revenue being derived from these activities; and

(ii) Profitable companies as at the Date of Opinion which are listed on the Main Market or ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

It should be recognised that there is no company which is considered to be identical to Metalmach Group in terms of, among others, composition of business activities, scale of business operation, asset base, accounting and tax policies, risk and financial profile, profit track record, capital structure, competitive environment, financial positions and that such business may have fundamentally different profitability objectives.

In addition, the selection of the comparable companies is highly subjective and judgmental in view that the comparable companies may not be entirely comparable to Metalmach Group due to various specific factors such as geographical factors, product market segment, client base and technical know-how. It should be noted that any comparison made with respect to the comparable companies is merely to provide an indicative current market expectation with regards to the implied valuation range of Metalmach Group.

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7.3 **Valuation Results (Cont'd)**

Based on the selection criteria above, we have identified all comparable companies (**"Comparable Companies"**) which fulfilled the selection criteria as follows:

Comparable Companies	Listed on Bursa Securities	Principal Activities	[(1)] Market Capitalisation (RM' million)
CPE Technology Berhad (**"CPE"**)	Main Market	Involved in the manufacturing and selling of precision-machined parts and components used in various industries, such as semiconductor, life science and medical devices, automotive and general engineering.	634.39
Dufu Technology Corp. Berhad (**"Dufu"**)	Main Market	Involved in the design, development and manufacturing of high precision machining part and components for hard disk drives, industry safety and sensor, telecommunication, consumer electronics, medical, automotive and office equipment.	1,002.33
HPMT Holdings Berhad (**"HPMT"**)	Main Market	Involved in the manufacturing and trading of high precision machining tools and provision of physical vapor deposition coating services.	118.26
Kobay Technology Bhd (**"Kobay"**)	Main Market	Involved in the manufacturing of precision machined components, precision stamping, sheet metal parts, surface treatment, precision moulds, tooling and dies, semiconductor assembly and testing equipment, metal works and structures, modules and parts. It is also involved in the property development and property management, as well as wholesale and retail sale of pharmaceutical and healthcare products.	432.24
FoundPac Group Berhad (**"FoundPac"**)	Main Market	Involved in the designing, developing, manufacturing, marketing and selling of precision engineering parts and laser stencils. It is also involved in the manufacturing and selling of cables and connectors, as well as industrial equipment and machinery.	226.07

Note A:

(1) Extracted from S&P Capital IQ based on the closing share prices and number of shares issued as at the Date of Opinion.

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7.3 Valuation Results (Cont'd)

7.3.1 RVA - PE Multiple

The PE Multiple of the Comparable Companies are as follows:

Comparable Companies	[1] Closing Market Price (RM)	[2] PAT (RM' million)	[2] Weighted Average No. of Shares (Units' million)	[3] EPS (RM)	PE Multiple (Times)
CPE	0.945	30.29	503.49	0.060	15.75
Dufu	1.890	20.36	530.30	0.038	[4] 49.74
HPMT	0.360	6.45	328.49	0.020	18.00
Kobay	1.350	17.52	320.94	0.055	24.55
FoundPac	0.415	7.01	545.82	0.013	[4] 31.92
High					24.55
Average					19.43
Median					18.00
Low					15.75
(-) Illiquidity Discount [5]					30%
Multiples: After illiquidity discount					
High					17.19
Average					13.60
Median					12.60
Low					11.03
(-) Discount for Lack of Control ("**DLOC**") [6]					25%
Adjusted PE Multiples					
High					**12.89**
Average					**10.20**
Median					**9.45**
Low					**8.27**

Note B:

(1) Extracted from S&P Capital IQ as at the Date of Opinion.

(2) Extracted from S&P Capital IQ the based on the latest available trailing twelve (12) months financial results as at Date of Opinion.

(3) Computed based on PAT over weighted average number of shares.

(4) Deemed as outlier as it is significantly higher than the PE Multiple of other Comparable Companies.

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7.3 Valuation Results (Cont'd)

7.3.1 RVA - PE Multiple (Cont'd)

Note B: (Cont'd)

(5) Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran, a factor which may have an impact on the valuation is the liquidity of the asset i.e., the extent in which the asset can be freely bought or sold. Generally, shares of non-listed companies are not freely tradeable as compared to public listed companies. Illiquidity discount typically ranges from 20% - 30%. In the case of Metalmach Group, we adopted a higher illiquidity discount of 30% after taking into consideration that the size of Metalmach Group where the ascribed valuation of 100% equity interest in Metalmach Group based on the total purchase consideration of RM35.00 million is significantly lower than the market capitalisation of the Comparable Companies as at the Date of Opinion.

(6) Based on "Damodaran on Valuation: 2nd Edition" by Aswath Damodaran, the value of control is often a key factor in determining the value of a company. In acquisitions, acquirers often pay a premium for control in the company. On the other hand, a discount often attached to buying minority stakes in the company due to the absence of control. DLOC generally ranges from 20% - 30%. In the case of the Metalmach Group, we adopted a simple average DLOC of 25%.

The implied PE Multiple of Metalmach Group is computed as follows:

	(RM' million)
Ascribed valuation for 100% equity interest in Metalmach Group computed based on the Purchase Consideration	35.00
(÷) Average Guaranteed PAT per annum	5.00
Implied PE Multiple (times)	**7.00**

The implied PE Multiple of Metalmach Group at 7.00 times is lower than the adjusted average and median PE Multiple of the Comparable Companies of 10.20 times and 9.45 times respectively. The implied PE Multiple is also lower than the overall range of the adjusted PE Multiples of the Comparable Companies between 8.27 times and 12.89 times.

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7.3 Valuation Results (Cont'd)

7.3.2 RVA – EV/EBITDA Multiple

As a secondary valuation metric, we have conducted an analysis of the EV/EBITDA Multiple of the Comparable Companies as follows:

Comparable Companies	(1) Market Capitalisation (RM' million)	(2) EV (RM' million)	(3) EBITDA (RM' million)	EV/EBITDA Multiple (times)
CPE	634.39	614.18	47.70	12.88
Dufu	1,002.33	953.62	119.44	7.98
HPMT	118.26	82.81	18.15	4.56
Kobay	432.24	504.61	38.69	13.04
FoundPac	226.07	184.91	11.99	15.42
High				15.42
Average				10.78
Median				12.88
Low				4.56
(-) Illiquidity Discount (4)				30%
Multiples: After illiquidity discount				
High				10.79
Average				7.55
Median				9.02
Low				3.19
(-) DLOC (5)				25%
Adjusted EV/EBITDA Multiples				
High				**8.09**
Average				**5.66**
Median				**6.77**
Low				**2.39**

Note C:

(1) As explained in Note B above.

(2) Computed based on the formula, (EV = Market capitalisation + preferred equity + non-controlling interests + short and long-term debt – cash and cash equivalents) as extracted from S&P Capital IQ based on the latest available trailing twelve (12) months financial results as at Date of Opinion.

(3) Computed based on the latest available trailing twelve (12) months financial results as at Date of Opinion extracted from S&P Capital IQ.

(4) As explained in Note B above.

(5) As explained in Note B above.

ECO ASIA

7.3 Valuation Results (Cont'd)

7.3.2 RVA – EV/EBITDA Multiple (Cont'd)

The implied EV/EBITDA Multiple of Metalmach Group is computed as follows:

	(RM' million)
Ascribed valuation for 100% equity interest in Metalmach Group computed based on the Purchase Consideration	35.00
(+) Total debts [(1)]	2.84
(-) Total cash and cash equivalents [(1)]	(7.46)
Indicative EV (a)	30.38
Average Guaranteed PAT per annum	5.00
(+) Taxation @ 24% [(2)]	1.58
(+) Net finance cost [(1)]	0.16
(+) Amortisation and Depreciation [(1)]	1.29
EBITDA (b)	8.03
Implied EV/EBITDA Multiple (a) / (b) (times)	**3.78**

Note D:

(1) Extracted from the audited financial statements of Metalmach Group (financial results of Metalmach, Tong Soon and Senshin for the FYE 31 December 2022 and financial results of BRSB for the FYE 31 March 2023).

(2) Based on corporation tax rate of 24%. The estimated tax was derived by dividing the average Guaranteed PAT by 76% (i.e.: 1 – corporate tax rate), and thereafter, deducting the average Guaranteed PAT.

The implied EV/EBITDA Multiple of Metalmach Group at 3.78 times lower than the adjusted average and median PE Multiple of the Comparable Companies of 5.66 times and 6.77 times respectively. However, the implied EV/EBITDA Multiple is within the overall range of the adjusted EV/EBITDA Multiples of the Comparable Companies between 2.39 times and 8.09 times.

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7.3 Valuation Results (Cont'd)

7.3.3 RVA – PB Multiple

As the tertiary valuation metric, the analysis of the PB Multiple of the Comparable Companies as summarised follows:

Comparable Companies	[1] Closing Market Price (RM)	[2] NA (RM' million)	[3] No. of Shares (RM' million)	[4] Book Value per Share (RM)	PB Multiple (times)
CPE	0.945	137.69	503.49	0.273	3.46
Dufu	1.890	332.20	530.33	0.626	3.02
HPMT	0.360	140.97	328.49	0.429	0.84
Kobay	1.350	381.71	320.18	1.192	1.13
FoundPac	0.415	108.52	544.74	0.199	2.09
High					3.46
Average					2.11
Median					2.09
Low					0.84
(-) Illiquidity Discount [5]					30%
Multiples: After illiquidity discount					
High					2.42
Average					1.48
Median					1.46
Low					0.59
(-) DLOC [6]					25%
Adjusted PB Multiples					
High					**1.82**
Average					**1.11**
Median					**1.10**
Low					**0.44**

Note E:

(1) As explained in Note B above.

(2) Computed based on the latest available trailing twelve (12) months financial results as at Date of Opinion extracted from S&P Capital IQ.

(3) Extracted from S&P Capital IQ based on the latest available trailing twelve (12) months financial results as at Date of Opinion.

(4) Computed based on NA over total number of shares.

(5) As explained in Note B above.

(6) As explained in Note B above.

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7.3 Valuation Results (Cont'd)

7.3.3 RVA – PB Multiple (Cont'd)

The implied PB Multiple of Metalmach Group is computed as follows:

	(RM' million)
Ascribed valuation for 100% equity interest in Metalmach Group computed based on the Purchase Consideration	35.00
(÷) Net assets [(1)]	21.39
Implied PB Multiple (times)	**1.64**

Note F:

(1) Extracted from the audited financial statements of Metalmach Group (financial results of Metalmach, Tong Soon and Senshin for the FYE 31 December 2022 and financial results of BRSB for the FYE 31 March 2023).

The implied PB Multiple of Metalmach Group at 1.64 times is higher than the adjusted average and median PB Multiple of the Comparable Companies of 1.11 times and 1.10 times respectively. However, the implied PB Multiple is within the overall range of the adjusted PB Multiples of the Comparable Companies between 0.44 times and 1.82 times.

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8. CONCLUSION

As at the Date of Opinion, although the implied PE Multiple of Metalmach Group is lower than the overall range of the adjusted PE Multiples of the Comparable Companies, we are of the opinion that the Purchase Consideration of RM14.00 million for 40% equity interest in Metalmach Group is fair to KSSC due to the following:

(i) The implied EV/EBITDA Multiple of Metalmach Group at **3.78 times** is within the overall range of the adjusted EV/EBITDA Multiples of the Comparable Companies between 2.39 times and 8.09 times; and

(ii) The implied PB Multiple of Metalmach Group at **1.64 times** is within the overall range of the adjusted PB Multiples of the Comparable Companies between 0.44 times and 1.82 times.

These values are limited by the approaches as outlined in paragraph 7.2 above and any reference to the values will have to be read in the context of the approaches used in the valuation as well as the basis of the valuation as detailed in paragraph 7.1.

It should be recognised that the valuation of any entity is always subject to a great deal of uncertainty and involves a high degree of subjectivity and element of judgment. Because of the susceptibility of valuation inputs of the model applied, valuations can change quite quickly in response to market changes or changes in the surrounding circumstances, including the market outlook. These values represent the range that a well-informed general investor may pay. The final price of Metalmach Group will reflect the specific circumstances of the buyer and seller, their perceptions of business and market factors as at the point of execution.

Yours faithfully,
For and behalf of
Eco Asia Capital Advisory Sdn Bhd

Kelvin Khoo
Managing Director

METALMACH MICRO TECHNOLOGY SDN. BHD. (202156-P)
Lot 17243, PT 4986, Oakland Industrial Park, 70300 Seremban, Negeri Sembilan.
Tel : 606-7648839 Fax : 606-7648383
Email : sales@mmtsb.com

Date: 28 May 2024

To: The Shareholders of K. Seng Seng Corporation Berhad

Dear Sir/Madam,

K. SENG SENG CORPORATION BERHAD

PROPOSED ACQUISITION OF METALMACH

On behalf of the Board of Directors ("**Board**") of Metalmach Micro Technology Sdn Bhd ("**Company**"), I wish to report that, after making due enquiries in relation to the Company during the period between 31 December 2022, being the date on which the latest audited financial statements have been made up, and the date hereof, being a date not earlier than fourteen (14) days before the date of issue of this Circular:-

(a) the business of the Company has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Company which have adversely affected the trading or the value of the assets of the Company;

(c) the current assets of the Company appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by the Company;

(e) there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and

(f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Company since the last audited financial statements of the Company.

Yours faithfully,
For and on behalf of the Board
Metalmach Micro Technology Sdn Bhd

Low Kim Yoong
Director

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENTS AND DECLARATION OF CONFLICT OF INTERESTS

Consents

M&A Securities, being the Adviser for the Proposals, and Placement Agent for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Protégé, being the Independent Market Researcher for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Eco Asia, being the independent expert opining on the fairness of the Purchase Consideration for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, its expert's report on the fairness of the Purchase Consideration for the Proposed Acquisition and all references thereto in the form and context in which they appear in this Circular.

Declaration of conflict of interests

M&A Securities, Protégé and Eco Asia, are not aware of any situation which would likely to give rise to a potential conflict of interest in relation to their respective roles as the Adviser, Independent Market Researcher and independent expert for the Proposed Acquisition respectively.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant or otherwise, and the Board is not aware of any proceedings pending or threatened against KSSC Group or of any facts likely to give rise to any proceedings which may materially or adversely affect the position or business of KSSC Group.

4. MATERIAL COMMITMENTS

As at LPD, the Board is not aware of any material commitments contracted or known to be contracted by KSSC Group which may have a material impact on KSSC Group's profits or NA upon becoming enforceable.

5. CONTINGENT LIABILITIES

As at LPD, the Board is not aware of any contingent liabilities, incurred or known to be incurred by KSSC Group, which upon becoming enforceable may have a material impact on the profits or NA of the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection 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 normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to the date of EGM:

(a) Constitutions of KSSC, Metalmach, Tong Soon, Senshin and BRSB respectively;

(b) SSA;

(c) Audited consolidated financial statements of KSSC for FYE 2022 and 2023;

(d) Material contracts referred to in Section 8 in Appendix I;

(e) Independent market research report on the stainless steel industry and ESI of Malaysia dated 28 May 2024 as prepared by Protégé as referred to in Section 5;

(f) Expert's report on the fairness of the Purchase Consideration prepared by Eco Asia as referred to in Appendix III;

(g) Directors' report on Metalmach as referred to in Appendix IV; and

(h) Letters of consents and declarations of conflict of interests referred to in Section 2 above.

K. SENG SENG CORPORATION BERHAD
(198501000983 (133427-W))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of K. Seng Seng Corporation Berhad ("**KSSC**" or the "**Company**") will be conducted virtually through live streaming from the broadcast venue at Unit 8 Level 5, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor on Tuesday, 11 June 2024, at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without any modifications, the following ordinary resolutions:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION OF 1,104,000 ORDINARY SHARES IN METALMACH MICRO TECHNOLOGY SDN BHD ("METALMACH"), REPRESENTING 40% EQUITY INTEREST IN METALMACH FOR A CASH CONSIDERATION OF RM14.00 MILLION ("PROPOSED ACQUISITION")

"**THAT**, subject to the approvals of all relevant parties and/or authorities being obtained (where required), approval be and is hereby given to the Company to acquire 1,104,000 ordinary shares in Metalmach, representing 40% equity interest in Metalmach from Low Kim Yoong for a cash consideration of RM14.00 million, in accordance with the terms and conditions as set out in the share sale agreement dated 15 January 2024 entered into between the Company and Low Kim Yoong for the Proposed Acquisition.

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Acquisition with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Acquisition."

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF KSSC TO INCLUDE THE MANUFACTURING OF HIGH PRECISION METAL PRODUCTS

"**THAT**, subject to the approvals of all relevant authorities/parties being obtained, approval be and is hereby given to the Company to diversify its existing business to include the manufacturing of high precision metal products.

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Proposed Diversification with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Directors of the Company may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Diversification."

ORDINARY RESOLUTION 3

PROPOSED PRIVATE PLACEMENT OF UP TO 55,739,900 NEW ORDINARY SHARES IN KSSC, REPRESENTING NOT MORE THAN 30% OF THE ISSUED ORDINARY SHARES OF KSSC (ASSUMING FULL EXERCISE OF ITS OUTSTANDING WARRANTS) ("PROPOSED PRIVATE PLACEMENT")

"**THAT** subject to all approvals of the relevant authorities and/or persons (if required) being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to issue and allot up to 55,739,900 new ordinary shares in the Company ("**KSSC Shares**" or "**Shares**") ("**Placement Shares**") by way of private placement to independent third party investor(s) to be identified later ("**Placees**") in a single or multiple tranche(s), at an issue price for each tranche to be determined and fixed by the Board at a later date, after all the relevant approvals have been obtained **AND THAT** the issue price shall, in no event, be at a discount of more than 10.00% to the 5D-VWAMP of KSSC Shares immediately preceding the price fixing date(s);

THAT such Placement Shares shall upon allotment and issuance, rank equally in all respects with the then existing KSSC Shares in issue, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to the shareholders of the Company, for which the relevant entitlement date(s) are prior to the date of allotment and issuance of the Placement Shares and the Placement Shares will be subject to all the provisions of the Company's Constitution;

THAT the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the circular to shareholders of the Company dated 28 May 2024 and the Board be and is hereby authorised with full power to vary the manner and/or purposes of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient in the best interest of the Company, subject to the compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") and the approval of the relevant authorities (where required);

AND THAT the Board be and is hereby empowered and authorised to do all such acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangement as may be necessary to give full effect to and complete the Proposed Private Placement, with full powers to assent to any conditions, modifications, variations and/or amendments deemed fit, necessary and/or expedient in the best interest of the Company and/or as may be required by the relevant authorities and to take all steps and actions as deemed fit, necessary and/or expedient in order to implement, finalise, give full effect to and complete the Proposed Private Placement."

BY ORDER OF THE BOARD OF
K. SENG SENG CORPORATION BERHAD

SIEW SUET WEI (MAICSA 7011254) (SSM PC No. 202008001690)
CHAN MIN WAI (MIA 26548) (SSM PC No. 202108000131)
YIP WEI LUN (MIA 47569) (SSM PC No. 202208000373)
Company Secretaries
Kuala Lumpur
28 May 2024

Notes:

(i) A member of the Company entitled to attend and vote at the meeting may appoint up to two (2) proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.

(ii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.

(iii) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at Unit 8, Level 7, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

(vi) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 4 June 2024 shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Proxy Form

誠成集團
K. SENG SENG CORPORATION BERHAD
Company No.: 198501000983 (133427-W)

CDS Account No.	
Number of Shares Held	

I/We _____NRIC/Passport/Company No. _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

with email address_____ mobile phone no._____

being a member/members of **K. SENG SENG CORPORATION BERHAD** hereby appoint the following person(s):-

Name of Proxy, NRIC No. & Address	No. of Shares to be Represented by Proxy	%
1.		
2.		

or failing him/her, *the Chairman of the Meeting as my/our proxy(ies), to vote for me/us on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be conducted virtually through live streaming from the broadcast venue at Unit 8 Level 5, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor on Tuesday, 11 June 2024 at 10.00 a.m. or at any adjournment thereof, and to vote as indicated below:

ORDINARY RESOLUTIONS		For	Against
1.	Proposed Acquisition		
2.	Proposed Diversification		
3.	Proposed Private Placement		

Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

* Delete if not applicable.

Dated this_____day of_____2024

_____
KSSC/Common Seal of member
Contact No.: _____

** Manner of execution:*

(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, one (1) of whom shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes :

(i) A member of the Company entitled to attend and vote at the meeting may appoint up to two (2) proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.

(ii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy

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(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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(vi) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 4 June 2024 shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

AFFIX STAMP

THE COMPANY SECRETARY
K. SENG SENG CORPORATION BERHAD
(Registration No. 198501000983 (133427-W))
Unit 8, Level 7, Kompleks Komersil Akasa,
Jalan Akasa, Akasa Cheras Selatan,
43300 Seri Kembangan, Selangor Darul Ehsan,
Malaysia
