**K. SENG SENG CORPORATION BERHAD ("KSSC" OR THE "COMPANY")**

**(I) PROPOSED ACQUISITION;**

**(II) PROPOSED DIVERSIFICATION; AND**

**(III) PROPOSED PRIVATE PLACEMENT**

**(COLLECTIVELY, "PROPOSALS")**

## 1. INTRODUCTION

Reference is made to the announcements dated 14 June 2023 and 16 June 2023, wherein it was announced, inter alia, that KSSC and Low Kim Yoong ("**Vendor**") had entered into a conditional share sale agreement on 14 June 2023 and a supplemental share sale agreement on 16 June 2023 for KSSC's acquisition of 1,407,600 ordinary shares representing 51% equity interest in Metalmach Micro Technology Sdn Bhd ("**Metalmach**").

On behalf of the Board of Directors of KSSC ("**Board**"), M & A Securities Sdn Bhd ("**M&A Securities**") wishes to announce that following further discussions with the Vendor and in light of the fact that the Vendor will continue to manage Metalmach and its subsidiaries, KSSC and the Vendor have mutually decided that the Vendor will maintain statutory control of Metalmach. Following these discussions, KSSC and the Vendor have entered into a deed of revocation on 28 December 2023 wherein both parties have mutually agreed to revoke and rescind the said conditional share sale agreement dated 14 June 2023 and the said supplemental share sale agreement dated 16 June 2023, with immediate effect ("**Deed of Revocation**").

In this regard:

(i) KSSC had on 15 January 2024 entered into a new conditional share sale agreement with the Vendor for the acquisition of 1,104,000 ordinary shares in Metalmach ("**Metalmach Share(s)**"), representing 40.0% equity interest in Metalmach ("**SSA**") ("**Proposed Acquisition**") for a total cash consideration of RM14,000,000.00 ("**Purchase Consideration**");

(ii) Pursuant to the Proposed Acquisition, KSSC will be diversifying the existing business of KSSC Group to include the manufacturing of intermediate metal products ("**Proposed Diversification**"); and

(iii) KSSC proposes to undertake a private placement involving up to 55,739,900 new KSSC Shares representing not more than 30% of the issued ordinary shares of the Company ("**Proposed Private Placement**").

For the avoidance of doubt, this announcement supersedes the announcements dated 22 February 2023, 14 June 2023, 16 June 2023 and 20 October 2023.

## 2. DETAILS OF THE PROPOSALS

### 2.1 Proposed Acquisition

Upon completion of the Proposed Acquisition, Metalmach will become an associate company of KSSC. Subject to the terms and conditions of the SSA in respect of the Proposed Acquisition, the issued shares in Metalmach will be acquired free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto.

As part of the terms of the SSA in respect of the Proposed Acquisition, the Vendor guarantees that Metalmach and its subsidiaries ("**Metalmach Group**") shall achieve a consolidated profit after taxation ("**PAT**") of at least RM10.00 million collectively for the financial year ended ("**FYE**") 31 December 2024 ("**FYE 2024**") and 31 December 2025 ("**FYE 2025**") in aggregate ("**Guaranteed PAT**").

In the event 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 FYE 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 salient terms of SSA are set out in **Appendix II**.

### 2.1.1 Information on Metalmach

Metalmach was incorporated in Malaysia on 7 August 1990 as a private limited company. Metalmach commenced its business operations on its incorporation date of 7 August 1990. 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 12 January 2024, being the last practicable date preceding the date of this announcement ("**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 (all as defined in Appendix I) including details of Metalmach's acquisition of these subsidiaries are set out in **Appendix I**.

### 2.1.2 Information on the Vendor

**Low Kim Yoong**, a Malaysian male aged 37 is a Director of Metalmach. He has approximately 16 years of engineering experience in various companies of which 13 years in Metalmach. Mr Low Kim Yoong graduated with a Bachelor of Engineering (Mechanical and Manufacturing Engineering) from University of Birmingham. He is responsible for managing the operations of Metalmach as well as overseeing the long-term business expansion and its strategic planning.

Mr Low Kim Yoong will continue to run the business as a director by entering into a management services agreement with Metalmach as disclosed in (v) of **Appendix II**, and will remain as the shareholder with 26.9%.

### 2.1.3 Basis and justification for the Purchase Consideration

The Purchase Consideration 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 31 December 2022 ("**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 known as **"Combined Financial Results of Metalmach Group"**) and the Guaranteed PAT;

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

(iii) rationale of the Proposed Acquisition as set out in Section 3; and

(iv) prospects of Metalmach Group as set out in Section 4.5.

In addition, the Board has appointed Eco Asia Capital Advisory Sdn Bhd ("**Eco Asia**") to provide its fairness opinion on the Purchase Consideration for the Proposed Acquisition, the opinion of which will be set out in the circular to the shareholders of KSSC. Eco Asia had adopted relative valuation approach (**"RVA"**) where the PE multiple was selected as the primary metric, the Enterprise Value (**"EV"**) /Earnings Before Interest, Tax, Depreciation and Amortisation ("**EBITDA**") multiple was selected as the secondary metric and the Price-to-Book (**"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:

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

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. | 634.4 | 15.75 | 12.88 | 3.40 |
| 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. | 1,002.3 | [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. | 118.3 | 18.00 | 4.56 | 0.84 |
| Kobay Technology Bhd | 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 | 432.2 | 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) |
|---|---|---|---|---|---|
| | 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. | 226.1 | [2]31.92 | 15.42 | 2.09 |
| | Multiples | | | | |
| | High | | 24.55 | 15.42 | 3.40 |
| | Average | | 19.43 | 10.78 | 2.10 |
| | 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 | 2.38 |
| | Average | | 13.60 | 7.54 | 1.47 |
| | Median | | 12.60 | 9.02 | 1.46 |
| | Low | | 11.03 | 3.19 | 0.59 |
| | (-) DLOC[4] | | 25% | 25% | 25% |
| | **Net multiples** | | | | |
| | **High** | | **12.89** | **8.09** | **1.79** |
| | **Average** | | **10.20** | **5.66** | **1.10** |
| | **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 and has been excluded from the computation of average PE Multiple 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 total purchase consideration 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 total purchase consideration 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 interest, depreciation and amortisation based on the Combined Financial Results of Metalmach Group.

(7) Computed based on the total purchase consideration 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, Eco Asia is of the opinion that the Purchase Consideration is fair to KSSC due to the following:

(i) The implied PE multiple of Metalmach Group of 7.00 times is lower than the range of the PE multiples of the comparable companies between 8.27 times and 12.89 times;

(ii) The implied EV/EBITDA multiple of Metalmach Group of 3.78 times is within the range of the EV/EBITDA multiples of the comparable companies between 2.39 times and 8.09 times; and

(iii) The implied PB multiple of Metalmach Group of 1.64 times is within the range of the PB multiples of the comparable companies between 0.44 times and 1.79 times.

### 2.1.4 Source of funding

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

### 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 Metalmach Group on-stream as these companies are already in operation and generating income and cash flow.

Details of the proposed subsidiaries of Metalmach are set out in Section 5 of **Appendix I**.

## 2.2 Proposed Diversification

At present, KSSC Group is principally involved in:

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

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

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

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

Metalmach Group on the other hand, is a precision manufacturer of semiconductor moulds, tools and dies, precision parts, jigs and fixtures and carbide tooling. The details of the principal activities of Metalmach Group are set out in Section 1 of **Appendix I**.

The financial performance of the Group for the past FYE 2022 as well as the 9 months financial period ended ("**FPE**") 30 September 2022 and 30 September 2023, are set out as follows:

| | **Audited** | **Unaudited** | |
|---|---|---|---|
| | **FYE 2022** | **FPE 30 Sept 2022** | **FPE 30 Sept 2023** |
| | **RM'000** | **RM'000** | **RM'000** |
| **Revenue** | | | |
| - Stainless steel and metal-related products | 143,106 | 107,109 | 71,165 |
| - Marine hardware and consumables | 22,688 | 17,969 | 16,909 |
| - Engineering works | 21,139 | 23,826 | 12,440 |
| - Other industrial hardware | 5,758 | 4,575 | 49,930 |
| - Investment holding | 30 | 22 | 622 |
| | **192,721** | **153,501** | **151,066** |

| | Audited | Unaudited | |
|---|---|---|---|
| | FYE 2022 | FPE 30 Sept 2022 | FPE 30 Sept 2023 |
| | RM'000 | RM'000 | RM'000 |
| **Gross Profit/(Loss)** | | | |
| - Stainless steel and metal-related products | 21,444 | 18,990 | 7,933 |
| - Marine hardware and consumables | 4,918 | 3,913 | 3,763 |
| - Engineering works | (1,496) | (1,371) | 818 |
| - Other industrial hardware | 2,185 | 2,108 | 1,444 |
| - Investment holding | 6,531 | 22 | 622 |
| | **33,582** | **23,662** | **14,580** |

The Group recorded a revenue of RM151.07 million for FPE 30 September 2023, a decrease of RM2.44 million or 1.60% compared to RM153.50 million for FPE 30 September 2022. The revenue reduction was mainly due to the softening of market demand and projects being held on hold by customers due to a slowdown in the glove manufacturing industry.

The Group reported a gross profit of RM 14.58 million for FPE 30 September 2023, compared to RM23.66 million for FPE 30 September 2022. The decline in the profit by RM9.08 million was mainly due to fluctuating raw materials costs and higher cost of sales.

All business segments of KSSC, other than the stainless steel and metal-related products segment, are on a decreasing trend. As part of its long-term business growth initiatives, the Group 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 metal-related products to those precision engineering 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 RM10,000,000.00 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 Group.

In line with the Guaranteed PAT, the Board expects that the manufacturing of intermediate 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 Main Market Listing Requirements ("**MMLR**"), KSSC wishes to seek its shareholders' approval to diversify its existing business to include the manufacturing of intermediate 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 RM76,644,738 comprising 150,179,255 KSSC Shares; and

(ii) 35,620,529 Warrants, which will expire on 10 October 2029. The Warrants are exercisable into a total of 35,620,529 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 45,053,700 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 MMLR, in determining the issue price of the Placement Shares. The issue price shall not be a discount of more than 10% to the volume weighted average market price of KSSC Shares for the 5 market days immediately preceding the price fixing date(s) ("**5D-VWAMP**"). The mechanism to determine the issue price of the Placement Shares is in accordance with market based principles.

For illustration purpose, the issue price of the Placement Shares is assumed to be RM0.83 each ("**Indicative Issue Price**"). The Indicative Issue Price represents a discount of approximately 1.8% to the 5D-VWAMP of KSSC Shares for the 5 market days up to and including the LPD of RM0.8452 per KSSC share.

### 2.3.2 Placement arrangement

The Placement Shares are proposed to be placed to independent investor(s) ("**Placee(s)**") to be identified later. In accordance with Paragraph 6.04(c) of the MMLR, the Placement Shares will not be placed to 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

KSSC shall make an application to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

### 2.3.5 Pre-emptive rights to Placement Shares

In order for the Board to issue the Placement Shares free of pre-emptive rights, such pre-emptive rights must be waived. As such, the Company will seek for the shareholders' approval for a waiver of such pre-emptive rights at the forthcoming extraordinary general meeting ("**EGM**") to be convened for the Proposed Private Placement. The resolution in relation to the Proposed Private Placement if passed, will exclude the shareholders' statutory pre-emptive rights pursuant to Section 85(1) of the Companies Act, 2016 ("**Act**") and Clause 57 of the Company's Constitution ("**Constitution**") to be first offered the Placement Shares pursuant to the Proposed Private Placement.

### 2.3.6 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 | 10,000 | 20,000 | (ii) | Within 6 months |
| Working capital | 12,295 | 11,164 | (iii) | Within 12 months |
| Estimated expenses for the Proposed Private Placement | 1,100 | 1,100 | (iv) | Within 1 month |
| **Total estimated proceeds** | **37,395** | **46,264** | | |

**Notes:**

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

(ii) The Group obtained trade loans for financing its trade purchases. We have allocated RM10.00 million (base scenario) or RM20.00 million (maximum scenario) to fully repay one of its trade loans which is expected to record annual interest savings of approximately RM0.46 million (base scenario) and RM0.91 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 our pro forma gearing level from 0.55 times to 0.38 times and 0.26 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 and staff salaries | 2,295 | 1,164 |
| Payment to suppliers | 10,000 | 10,000 |
| **Total** | **12,295** | **11,164** |

(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 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.

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

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

A private placement exercise was completed on 8 September 2023, entailing the listing of and quotation for up to 13,000,000 new KSSC Shares ("**Private Placement 1**"). 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 | - |
| Defrayment of expenses for 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:

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

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

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

(d) 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 semiconductor industry, 30% from automation industry and remaining from other general industries.

The Proposed Acquisition is in line with KSSC Group's objective of acquiring significant stakes in companies involved in 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, engineering works, fabrication and installation of glove dipping line and trading of glove dipping line parts whereas Metalmach Group is engaged in manufacturing of high precision 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. In addition, the Proposed Acquisition comes with the Guaranteed PAT from Metalmach of at least RM10.00 million collectively for FYE 2024 and FYE 2025; and in the event that the actual consolidated PAT of Metalmach Group for FYE 2024 and FYE 2025 (collectively) 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 FYE 2025 (collectively) and the Guaranteed PAT within 14 days from the date of finalisation of the audited financial statement for FYE 2025 of Metalmach. As a result, upon completion of the Proposed Acquisition, KSSC Group will be able to further increase profitability and strengthen its financial performance, which would in turn create value for its shareholders.

Based on the above, the Board is of the view that the Proposed Acquisition will enable KSSC Group to derive synergistic benefits which include cross-marketing of products with different designs and specifications to a wider clientele base.

**3.2 Proposed Diversification**

The Proposed Diversification will expand the Group's core business to include the manufacturing of intermediate 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, engineering works, fabrication and installation of glove dipping line and trading of glove dipping line parts. In comparison, Metalmach Group is engaged in manufacturing of high precision tools and dies, moulds and mould parts precision jigs, fixtures and mechanical parts.

Based on the above, the Board is of the view that the Proposed Acquisition coupled with 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. 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. OUTLOOK AND PROSPECTS

### 4.1 Overview and prospects of the Malaysian economy

The Malaysian economy expanded by 3.3% in the third quarter of 2023 (2Q 2023: 2.9%). Growth was anchored by resilient domestic demand. Household spending remained supported by continued growth in employment and wages. Meanwhile, investment activity was underpinned by the progress of multi-year projects and capacity expansion by firms. Exports remained soft amid prolonged weakness in external demand. This, however, was partially offset by the recovery in inbound tourism. On the supply side, the services, construction and agriculture sectors remained supportive of growth. This was partly offset by the decline in production in the manufacturing sector given the weakness in demand for electrical and electronic ("**E&E**") products and lower production of refined petroleum products. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 2.6% (2Q 2023: 1.5%). Overall, the Malaysian economy expanded by 3.9% in the first three quarters of 2023.

Headline inflation continued to moderate to 2% (2Q 2023: 2.8%) during the quarter. The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation declined further to 2.5% (2Q 2023: 3.4%) but remained above its long-term average (2011-2019 average: 2%). The moderation in core inflation was largely contributed by selected services, including food away from home, expenditure in restaurants and cafés, and personal transport repair and maintenance. Inflation pervasiveness declined as the share of Consumer Price Index (CPI) items recording monthly price increases moderated to 40.8% during the quarter (2Q 2023: 42.7%), below the third quarter long-term (2011-2019) average of 44.5%.

Domestic financial conditions were driven mainly by evolving expectations over the global monetary policy path. In particular, the strength of the US job markets has prompted expectations for a tighter-for-longer policy stance by the US Federal Reserve and subsequently higher US and global interest rates. In contrast, the People's Bank of China undertook further monetary policy easing to address weaker-than-expected growth in China, which dampened investor sentiments towards the region.

Against this backdrop, the US dollar appreciation extended into the quarter, and the Malaysian ringgit ended up depreciating by 0.2% alongside other regional currencies. However, the ringgit appreciated by 1.4% against a basket of major trading partner currencies, as indicated by the ringgit nominal effective exchange rate (NEER).

The growth in credit to the private non-financial sector improved to 4.2% (2Q 2023: 3.7%), supported by higher growth in business loans (1.6%; 2Q 2023: 0.5%) while outstanding corporate bonds growth was sustained at 5% (2Q 2023: 4.9%). The higher business loan growth was driven mainly by improving growth in working capital loans to non-small medium enterprises ("**SME(s)**"). Of note, SME loan growth remained forthcoming (6.7%; 2Q 2023:

6.4%). For households, outstanding loans expanded by 5.4% (2Q 2023: 5.1%), reflecting steady growth across key purposes.

Bank Negara Malaysia ("**BNM**") Governor Datuk Abdul Rasheed Ghaffour says, "Despite the challenging global environment, the Malaysian economy is projected to expand by around 4% in 2023 and 4% – 5% in 2024. Growth will continue to be driven by the expansion in domestic demand amid steady employment and income prospects, particularly in domestic-oriented sectors. This growth performance along with other favourable economic developments would provide support to the ringgit."

Improvements in tourist arrivals and spending are expected to continue. Investment will be supported by further progress of multi-year infrastructure projects and the implementation of catalytic initiatives. Measures under Budget 2024 will also provide additional impetus to economic activity. The growth outlook remains subject to downside risks stemming primarily from weaker- than-expected external demand as well as larger and more protracted declines in commodity production. However, there are upside risk factors such as stronger-than-expected tourism activity, a stronger recovery from the E&E downcycle, and faster implementation of existing and new investment projects.

As expected, both headline and core inflation have been declining throughout the year, mainly due to milder cost conditions. This would likely continue for the remainder of 2023. Overall, headline inflation is expected to average between 2.5% and 3% in 2023. Going forward, risks to the inflation outlook remain 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 Third Quarter of 2023, BNM, 17 November 2023)*

### 4.2 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 metric ton ("**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, apparent steel consumption ("**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 food and beverage ("**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, which was an increase of 8.1% from the previous year. However, the local manufacturing sector contracted marginally in the third quarter of 2023, after showing an increase of 0.1% in the second quarter of the year. This was mainly attributable to the global economic slowdown affecting demand for Malaysian manufactured products. The local manufacturing sector is expected to pick up along with economic recovery.

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 25.0% 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 Associate Sdn Bhd)*

## 4.3 Overview and outlook of Engineering Support Industry ("ESI") in Malaysia

The ESI revolves around the manufacture of intermediate 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. More recently, the sudden escalation of conflict between Hamas and Israel has led to the outbreak of the Hamas-Israel war which is in the early stage, and it is uncertain how the conflict will affect the global economy.

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 has led to products manufactured using older technologies becoming obsolete at a faster pace and the price of older products depreciating in order to remain competitive in the marketplace. The downward pricing pressure is then passed through to the entire value chain of the semiconductor industry, including the ESI which supplies various parts and components. This has resulted in ESI players being forced to accept lower margins or reduce production cost to fulfil orders at lower prices from customers while remain financially stable. Nonetheless, market players in the ESI have been investing in upgrading their manufacturing facilities and acquiring latest manufacturing technologies to provide total manufacturing solutions. Leveraging on their experience, market players have also begun to venture into higher value-added niche production concept which require design and development capabilities. Such a move allows the ESI to shy away from the competitive low-end production without hurting their financial performance.

The ESI in Malaysia is valued at RM9.37 billion in 2022 and is projected to grow at compound annual growth rate of 8.2% from RM9.98 billion in 2023 to RM13.88 billion in 2027. In the short term, the growth of the Malaysian ESI may be affected by the global economic slowdown, heightened inflation rates, and subdued consumer spending. The semiconductor industry, in particular, is expected to experience a decline, especially within consumer-led markets, which is likely to affect the demand for engineering supporting services in Malaysia. However, the increasing demand for engineering support services from other end-user industries, namely the life science and medical technology industry, is likely to offset the decline in the semiconductor industry and support the local 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 in the long-term.

Closer to home, the local ESI is poised 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 anticipated uptick in investments, especially those that focus on enhancing and expanding production capacities, which would translate to increased demand for the M&E solutions in Malaysia. Manufacturers are also adopting the "just-in-time" method for its advantages such as reduced warehousing and inventory costs, greater control over inventory turnover and prevention of overproduction as well as unsold product accumulation.

In the medium to long term (2024-2027), the ESI in Malaysia is likely to experience cyclical growth due to fluctuations in the global economy and a volatile foreign currency exchange that are expected to continue impacting the export demand for the intermediate metal products from the ESI in Malaysia. Despite the possible headwinds, growth of the ESI is expected to be spurred by factors such as technological advancements, strong government support and an ageing population globally. The Malaysian 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. By virtue of being a part in the global supply chain, the ESI in Malaysia may be a viable option for multinational companies to expand to and the semiconductor, telecommunications and technology industries are likely to be key beneficiaries of potential investment diversion.

*(Source: Protégé Associate Sdn Bhd)*

## 4.4 Prospects of the enlarged KSSC Group

The proceeds raised from the Proposed Private Placement as disclosed in Section 2.3.6 of this announcement 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 the 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 precision moulding business which produces higher value metal related products that yield better profit margin. This will in turn provide the Group with a profitable recurring income stream and better earnings visibility over the long term to strengthen the financial position of the Group.

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 further into the manufacturing of high value-added products, which complements the Group's existing products and further differentiates its products from its competitors and provide the Group with a more comprehensive range of products.

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)*

## 5. RISK FACTORS

### 5.1 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. Nonetheless, 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 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) Dependency on the key management personnel of Metalmach Group for its continued success

The continued success of Metalmach is largely attributed to the expertise and continuous efforts of the existing key management personnel which consist of amongst others, the directors of Metalmach, who possess the relevant technical knowledge in the operational processes of Metalmach. Therefore, the loss of any of such personnel could adversely affect the Company's continued ability to manage the operations of Metalmach effectively and competitively.

However, it is a term under the SSA that the Vendor, shall enter into a management services agreement with Metalmach prior to the completion of the SSA. However, there is no assurance that these parties will renew their tenure upon expiry of the said management service agreement.

Notwithstanding the above, KSSC Group will use its best endeavours to reduce dependency on any particular key management personnel by attracting qualified and experienced personnel and addressing succession planning by grooming capable employees to complement the management team of Metalmach.

## 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 | 150,179,255 | 76,644,738 |
| To be issued pursuant to the Proposed Private Placement[(1)] | 45,053,700 | 37,394,571 |
| **Enlarged share capital** | **195,232,955** | **114,039,309** |

| **Maximum scenario** | **No. of shares** | **RM** |
|---|---|---|
| Share capital as at LPD | 150,179,255 | 76,644,738 |
| To be issued pursuant to the exercise of Warrants | 35,620,529 | 19,235,086 |
| | 185,799,784 | 95,879,824 |
| To be issued pursuant to the Proposed Private Placement[(1)] | 55,739,900 | 46,264,117 |
| **Enlarged share capital** | **241,539,684** | **142,143,941** |

**Note:**

(1) Based on the Indicative Issue Price.

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## 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 2022** | **Adjustment for subsequent events** | **After I and Proposed Private Placement** | **After II and Proposed Acquisition** |
| | | **RM'000** | | |
| Share capital | 58,772 | [(1)]76,645 | 114,039 | 114,039 |
| Retained earnings | 38,843 | [(2)]38,643 | 38,643 | [(5)]37,543 |
| **Equity attributable to owners of the Company** | **97,615** | **115,288** | **152,682** | **151,582** |
| Non-controlling interests | 2,936 | 2,936 | 2,936 | 2,936 |
| **Total equity** | **100,551** | **118,224** | **155,618** | **154,518** |
| | | | | |
| No. of shares ('000) | 129,600 | [(1)]150,179 | 195,233 | 195,233 |
| NA per share (RM) | 0.75 | 0.77 | 0.78 | 0.78 |
| Borrowings | 55,371 | [(3)]68,601 | [(4)]58,601 | [(4)]58,601 |
| Gearing ratio (times) | 0.55 | 0.58 | 0.38 | 0.38 |

| Maximum Scenario | Audited as at 31 December 2022 | I<br>Adjustment for subsequent events | II<br>After I and full exercise of Warrants | III<br>After II and Proposed Private Placement | IV<br>After III and Proposed Acquisition |
|---|---|---|---|---|---|
| | | | RM'000 | | |
| Share capital | 58,772 | [1]76,645 | 95,880 | 142,144 | 142,144 |
| Retained earnings | 38,843 | [2]38,643 | 38,643 | 38,643 | [5]37,543 |
| **Equity attributable to owners of the Company** | **97,615** | **115,288** | **134,523** | **180,787** | **179,687** |
| Non-controlling interests | 2,936 | 2,936 | 2,936 | 2,936 | 2,936 |
| **Total equity** | **100,551** | **118,224** | **137,459** | **183,723** | **182,623** |
| No. of shares ('000) | 129,600 | [1]150,179 | 185,800 | 241,540 | 241,540 |
| NA per share (RM) | 0.75 | 0.77 | 0.72 | 0.75 | 0.74 |
| Borrowings | 55,371 | [3]68,601 | 68,601 | [4]48,601 | [4]48,601 |
| Gearing ratio (times) | 0.55 | 0.58 | 0.50 | 0.26 | 0.27 |

**Notes:**

(1) After adjusting for the allotment and issuance of:

a. 7,579,350 Shares at RM0.54 per Share pursuant to the exercise of Warrants after 31 December 2022 up to and including LPD; and

b. 13,000,000 Shares at RM1.06 per Share pursuant to the Private Placement 1.

(2) After deducting the expenses amounted to RM0.10 million in relation to the Acquisition of Land and RM0.10 million in relation to the Private Placement 1.

(3) After adjusting for the borrowings obtained in relation to the Acquisition of Land amounted to RM13.23 million.

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

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

## 6.3 Earnings and earnings per share ("EPS")

The Proposed Acquisition is expected to be earnings accretive and to contribute positively to the long-term future earnings of the KSSC Group. For illustration purposes only, assuming that the Proposed Acquisition had been effected on 1 January 2022 (being the beginning of the latest audited financial statements of KSSC for FYE 2022), the pro forma effects of the Proposed Acquisition on the earnings and EPS of KSSC Group are as follows:

| | | I | II |
|---|---|---|---|
| **Base Scenario** | **Audited FYE 2022** | **[1]Adjustment for subsequent events** | **[7]After I and Proposals** |
| | | **RM'000** | |
| PAT attributable to owners of the Company | 1,481 | 1,481 | 1,481 |
| **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] | - | - | 457 |
| **Less:** | | | |
| Expenses relating to the Acquisition of Land and Private Placement 1[4] | - | (200) | (200) |
| Estimated expenses relating to the Proposals[5] | - | - | (1,100) |
| **Pro forma PAT attributable to the owners of the Company** | **1,481** | **1,281** | **2,075** |
| No. of shares ('000) | 129,600 | [6]150,179 | 195,233 |
| EPS (sen) | 1.1 | 0.9 | 1.06 |

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| Maximum Scenario | Audited as at 31 December 2022 | I<br>(1)Adjustment for subsequent events | II<br>(8)After I and full exercise of Warrants | III<br>After II and Proposals |
|---|---|---|---|---|
| | | RM'000 | | |
| PAT attributable to owners of the Company | 1,481 | 1,481 | 1,481 | 1,481 |
| **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:** | | | | |
| Expenses relating to the Acquisition of Land and Private Placement 1(4) | - | (200) | (200) | (200) |
| Estimated expenses relating to the Proposals(5) | - | - | - | (1,100) |
| **Pro forma PAT attributable to the owners of the Company** | **1,481** | **1,281** | **1,281** | **2,532** |
| No. of shares ('000) | 129,600 | (6)150,179 | 185,800 | 241,540 |
| EPS (sen) | 1.1 | 0.9 | 0.7 | 1.05 |

**Notes:**

(1) The subsequent event comprises the Acquisition of Land and Private Placement 1.

(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 RM0.46 million and RM0.91 million respectively, for the Base and Maximum Scenario.

(4) After deducting the expenses in relation to the Acquisition of Land and Private Placement 1 of RM0.10 million collectively.

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

(6) After adjusting the allotment and issuance of:

a. 7,579,350 Shares at RM0.54 per Share pursuant to the exercise of Warrants after 31 December 2022 up to and including LPD; and

b. 13,000,000 Shares at RM1.06 per Share pursuant to the Private Placement 1.

(7) Assuming that none of Warrants will be exercised and 45,053,700 Placement Shares are issued under the Proposed Private Placement at the Indicative Issue Price.

(8) 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, repayment of bank borrowings 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.

## 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 | 41,580,000 | 27.7 | - | - | 41,580,000 | 21.3 | - | - |
| Frazel Group Sdn Bhd | 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<br>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 | 41,580,000 | 27.7 | - | - | 55,440,000 | 29.8 | - | - |
| Frazel Group Sdn Bhd | 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<br>After I and Proposed Private Placement | | | |
|---|---|---|---|---|
| | <--------Direct--------> | | <-------Indirect-------> | |
| **Substantial shareholders** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Cheong Lai Sin | 55,440,000 | 23.0 | - | - |
| Frazel Group Sdn Bhd | 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 | - | - |

**Note:**

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

## 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;

(ii) shareholders of KSSC at an EGM to be convened for the Proposals as well as the waiver of their pre-emptive rights to the Placement Shares based on Section 85(1) of the Act and Clause 57 of the Constitution; 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 Main Market 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.

## 9. 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.

## 10. ADVISERS

M&A Securities has been appointed as the Adviser for the Proposals and Placement Agent for the Proposed Private Placement.

## 11. DIRECTORS' STATEMENT

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 is in the best interests of the Company.

## 12. ESTIMATED TIMEFRAME FOR COMPLETION

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

## 13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Deed of Revocation and SSA are available for inspection at the registered office of KSSC during office hours from Monday to Friday (except public holidays) at Unit 8-7, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor for a period of not less than 3 months from the date of this announcement.

This announcement is dated 15 January 2024.

## 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 produces 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 proposed subsidiaries of Metalmach as at LPD are set out in Section 5 of **Appendix I**.

Metalmach is supported by comprehensive infrastructure and industrial amenities located at the Oakland Industrial Park in Seremban, Negeri Sembilan with its 50,000 square feet 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 automation 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 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 offer 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 2022, its principal market is in Malaysia which accounted for 60.0% of its total revenue generated.

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

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

## 4. 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** | **-** | **-** |

## 5. Subsidiary and associated company

### (a) Tong Soon Micron Sdn Bhd ("Tong Soon")

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 100,000.00 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 Seimitsu Sdn Bhd ("Senshin")**

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 500,000.00 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) Blu Resources Sdn Bhd ("BRSB")**

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

BRSB is principally involved in architectural and engineering activities and related technical consultancy.

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 50,000.00 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.

Tong Soon, Senshin and BRSB shall collectively be referred to as "**Subsidiaries**".

## 6. Financial information

### 6.1 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 30.0% 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.

## 6.2 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.

## 6.3 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.

## 6.4 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.

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 a 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.