

KANGER INTERNATIONAL BERHAD ("KANGER" OR THE "COMPANY")

PROPOSED ACQUISITION

1. INTRODUCTION

The Board of Directors of Kanger ("**Board**") wishes to announce that the Company had on 23 November 2023 entered into a shares sale agreement ("**SSA**") with Wong Seen ("**Vendor**") for the acquisition of 980,000 ordinary shares in Sung Master Holdings Sdn Bhd ("**Sung Master**") ("**Sale Share(s)**" or "**Sung Master Share(s)**"), representing the remaining 49.0% equity interest in Sung Master from the Vendor for a purchase consideration of RM72,000,110 to be fully satisfied via cash ("**Purchase Consideration**") ("**Proposed Acquisition**").

Further details on the Proposed Acquisition are set out in the ensuing sections of this announcement.

2. PROPOSED ACQUISITION

On 23 November 2023, the Company had entered into SSA with the Vendor for the Proposed Acquisition. Pursuant to the Proposed Acquisition, Kanger will acquire 980,000 Sale Shares, representing 49.0% equity interest in Sung Master, from the Vendor. The Purchase Consideration will be fully satisfied via cash.

The salient terms of the SSA are set out in **Appendix I** of this announcement.

Subject to the terms and conditions of the SSA, the Sale Shares will be acquired free from all liens, charges and encumbrances and with full legal and beneficial title with all rights, benefits and advantages attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof) and on the basis of the warranties provided by the Vendor.

As at 14 November 2023, being the latest practicable date of this announcement ("**LPD**"), Sung Master is a 51%-owned subsidiary company of Kanger. Upon completion of the Proposed Acquisition, Kanger will hold 100% equity interest in Sung Master and accordingly, Sung Master will become a wholly-owned subsidiary company of Kanger.

For avoidance of doubt, the Vendor is not a person connected to the directors and/ or major shareholders of Kanger, as such the Proposed Acquisition is not a related party transaction.

2.1 Information on Sung Master

Sung Master was incorporated on 16 October 2015 in Malaysia under the Companies Act, 1965 as a private limited company under the present name.

Sung Master commenced its business on 16 October 2015 and is principally involved in the sales and trading of building materials, which include, timber flooring, tiles, bulk cement, concrete, locksets and sanitary ware. At present, Sung Master has its presence mainly in Malaysia only and the revenue generated is predominantly derived from the Malaysia market. The customers of Sung Master comprise of organisations operating in property and construction industries and engineering consultants who are either a main contractor or sub-contractor of a development project.

As at the LPD, Sung Master has an issued share capital of RM2,000,000 comprising 2,000,000 Sung Master Shares.

The details of the directors of Sung Master and their respective direct and indirect shareholdings in Sung Master as at the LPD are as follows:-

Directors	Nationality	<-----Direct----->		<-----Indirect----->	
		No. of Sung Master Shares	%	No. of Sung Master Shares	%
Kuah Choon Ching	Malaysian	-	-	-	-
Wu Wai Kong	Malaysian	-	-	-	-

The details of the shareholders of Sung Master and their respective direct and indirect shareholdings in Sung Master as at the LPD are as follows:-

Shareholders	Country of incorporation/ Nationality	<-----Direct----->		<-----Indirect----->	
		No. of Sung Master Shares	%	No. of Sung Master Shares	%
Wong Seen	Malaysian	980,000	49.0	-	-
Kanger	Malaysia	1,020,000	51.0	-	-

For information purpose, the expected direct and indirect shareholdings in Sung Master upon completion of the Proposed Acquisition are as follows:-

Shareholders	Country of incorporation/ Nationality	<-----Direct----->		<-----Indirect----->	
		No. of Sung Master Shares	%	No. of Sung Master Shares	%
Kanger	Malaysia	2,000,000	100.0	-	-

As at the LPD, Sung Master does not have any subsidiary or associate company.

A summary of the financial information of Sung Master for the past 3 audited financial years up to the 9-month financial period ended ("**FPE**") 31 March 2022 is set out below:-

	<-----Audited----->		
	17-month FPE 30 June 2020 RM'000	12-month FYE 30 June 2021 RM'000	9-month FPE 31 March 2022 RM'000
Revenue	141,842	120,651	23,056
Gross profit/ (loss)	24,667	31,341	4,127
Profit before tax (" PBT ")	16,832	26,230	605
Profit after tax (" PAT ")	12,391	20,016	184
Total equity/ Net assets (" NA ")	11,489	26,505	8,689
Total borrowings	11,829	11,577	-
Dividend declared for the financial year/ period	10,000	5,000	18,000
Total issued shares (units)	2,000,000	2,000,000	2,000,000
Current asset	19,947	58,417	20,997
Current liabilities	12,685	34,443	13,078
Gross profit/ (loss) margin (%)	17.39	25.98	17.90
PBT margin (%)	11.87	21.74	2.62
PAT margin (%)	8.74	16.59	0.80
EPS (RM)	6.20	10.01	0.09
NA per share (RM)	5.74	13.25	4.34
Current ratio (times)	1.57	1.70	1.61
Gearing level (times)	1.03	0.44	-

For the 17-month FPE 30 June 2020 to 9-month FPE 31 March 2022, there was no:-

- i. exceptional or extraordinary item during the financial years under review;
- ii. accounting policy adopted by Sung Master which are peculiar to Sung Master because of the nature of its business or the industry it is involved in; and
- iii. audit qualification of the financial statements of Sung Master for the financial years under review.

12-month FYE 30 June 2021

Sung Master recorded revenue of RM120.65 million for the FYE 30 June 2021 which represents an increase of approximately RM20.53 million or 20.51% as compared to RM100.12 million on an annualised basis for the 17-month FPE 30 June 2020. The increase in revenue was mainly due to the increase in demand from customers during the financial year under review.

Sung Master recorded PBT of RM26.23 million for the FYE 30 June 2021 as compared to PBT of RM11.88 million on an annualised basis for the 17-month FPE 30 June 2020. The PBT recorded was mainly due to higher gross profit recorded during the financial year under review.

9-month FPE 31 March 2022

Sung Master has changed its financial year end from 30 June to 31 March during the financial period under review. Due to the change in the financial year, the comparative figures for the 12-month FYE 30 June 2021 and 9-month FPE 31 March 2022 may not be entirely comparable.

Sung Master recorded revenue of RM23.06 million for the 9-month FPE 31 March 2022 (annualised: RM30.74 million), which represents a decrease of approximately RM89.91 million or 74.52% as compared to RM120.65 million for the FYE 30 June 2021. The decrease in revenue was mainly due to the shortages of raw materials and labour supply and delays in all the projects progress due to various lockdowns and movement restrictions imposed by the Government during the financial period under review.

Sung Master recorded PBT of RM0.61 million for the 17-month FPE 31 March 2022 (annualised: RM0.81 million) as compared to PBT of RM26.23 million for the FYE 30 June 2021. The PBT recorded was mainly due to decrease in sales as well as increase in indirect expenses such as rent, utilities and administrative expenses such as office supplies and salaries during the financial period under review.

2.2 Basis and justification of arriving at the Purchase Consideration

The purchase consideration of RM72,000,110 was arrived at, on a willing-buyer willing-seller basis, after taking into consideration the following:-

- i. the profit guarantee of RM10.00 million provided by the Vendor to Kanger for the twelve-month financial year i.e. FYE 30 September 2024 of Sung Master ("**Profit Guarantee**"). As at the LPD, Kanger holds 51% of the equity interest in Sung Master. Therefore, the Purchase Consideration represents a price-to-earnings multiple ("**PE**") of 14.69 times based on the Profit Guarantee attributable to Kanger.

The Board is of the opinion that the Profit Guarantee is realistic, after taking into consideration the following factors:-

- a. Sung Master's historical financial performance, wherein its PAT had grown from RM12.39 million for the 17-month FPE 30 June 2020 to RM20.13 million for the FYE 30 June 2021 and its track record in securing new contracts; and
- b. future prospects of Sung Master as set out in **Section 5.3** of this announcement;
- ii. the on-going purchase contracts of Sung Master;
- iii. Sung Master has declared dividend in the past (i.e. RM18.00 million during the 12-month FYE 30 June 2021) to its shareholders and after taking into consideration Sung Master's debt free position based on its audited financial statements as at 9-month FPE 31 March 2022;
- iv. the future prospects of Kanger Group as set out in **Section 5.3** of this announcement; and
- v. the rationale and benefits of the Proposed Acquisition as set out in **Section 4.2** of this announcement.

To further justify the Purchase Consideration, peer analysis has been carried out to benchmark the PE multiple implied by the Purchase Consideration against the PE multiple of comparable companies in similar industry and/ or business activities as Sung Master to substantiate the reasonableness of the Purchase Consideration.

The brief description on the earnings multiple method of valuation is set out below for shareholders' information purpose only:-

Valuation multiple	General description
PE	PE multiple is the measure of the market price of a company's shares relative to its annual net income of the company per share. The computation of PE multiple is as follows:-

$$\frac{\text{Price}_{\text{market}}}{\text{EPS}}$$

The earnings multiple method of valuation is considered the most appropriate method of valuation in ascribing the value of Sung Master premised on the grounds that Sung Master's operations is primarily in the sales and trading in building materials related activities and had had been generating profits for the past 3 financial years up to the 9-month FPE 31 March 2022.

The comparable companies were selected mainly with reference to the substantial similarity of the business activities to Sung Master and are currently listed on the stock exchange of Malaysia. However, there are no company listed on Bursa Malaysia Securities Berhad ("**Bursa Securities**") that are identical or similar to Sung Master in terms of composition of business, scale of operations, track record, marketability and liquidity of shares, and risk profile. As such, it should be noted that this comparable valuation statistics is carried out on a best effort basis, purely to provide a benchmark valuation for the Purchase Consideration.

The valuation of Sung Master is calculated as follows:-

PE multiple

	RM
Purchase Consideration (assuming 100.0% equity value of Sung Master as implied by the Purchase Consideration)	146,939,000
Profit guarantee (assuming 100.0% equity value of Kanger as implied by the Profit Guarantee provided by the Vendor for the FYE 30 September 2024)	10,000,000
Total issued shares of Sung Master (number)	2,000,000
Purchase Consideration per Sung Master Share	73.47
EPS (Calculated based on the profit guarantee of RM10.00 million per Sung Master Share)	5
PE (times)	<u>14.69</u>

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The valuation statistics of the comparable companies using PE multiple are set out below:-

Companies	Principal activities	Latest FYE	Last Price ^{*1} RM	Market Capitalisation ^{*1} RM'000	PAT RM'000	EPS RM	PE ^{*2} (times)	Adjusted PE ^{*3} (times)
Crescendo Corporation Berhad	Principally engaged in property development, investment holding, construction, property investment and management, trading and manufacturing of concrete products, trading in building materials and providing educational services	31 January 2023	1.360	380,009	24,525	0.088	15.45	11.59
Seacera Group Berhad	Principally involved in the trading for building materials, tiles, personal protective equipment, food and beverages, mart operations, property development and construction	30 June 2023	0.255	158,572	7,564	0.012	21.25	15.94
OKA Corporation Bhd	Principally involved in the manufacturing and sale of pre-cast concrete products and trading of ready mixed concrete	31 March 2023	0.740	181,593	11,063	0.045	16.44	12.33
							Low	12.33
							High	15.94
							Simple Average	13.29
							Sung Master	14.69

(Source: Bloomberg and the latest audited financial statements of the respective companies as at the LPD)

Notes:-

^{*1} Being the last traded price as at the LPD.

The market capitalisation of the comparable companies was calculated based on the last traded price as at the LPD multiplied with the total number of outstanding shares of the respective comparable companies as at the LPD

^{*2} PE is computed based on last price over EPS

^{*3} The PE multiple has been discounted by 25.0% to adjust for the non-marketability and discount factors of Sung Master Shares as it is not traded on any stock exchange and the size of Sung Master is smaller to that of comparable companies. We have adopted 25.0% as the discount factor to adopt for the PE of comparable companies as the comparable companies are public listed companies on Bursa Securities and have to comply with the public shareholding spread requirement of 25.0%, which is deemed justifiable to adjust for the non-marketability factor to derive the adjusted PE of the comparable companies. Nevertheless, the adjusted PE is purely an illustration for shareholders' information

The earnings multiple is commonly used to estimate the value of the business. It indicates the market value of a company's shares relative to its annual earnings recorded by the company.

Based on the valuation statistics above, the PE multiple of Sung Master implied by the Purchase Consideration of 14.69 times is within the range of the adjusted PE multiple of 12.33 times and 15.94 times accorded to the comparable companies. As such, the value implied by the Purchase Consideration from an earnings standpoint is deemed reasonable to Kanger pursuant to the Proposed Acquisition as well as the potential earnings of Sung Master moving forward.

Pursuant to the above, the Purchase Consideration is deemed reasonable premised on the valuation statistics of the comparable companies as well as taking into consideration the historical financial performance and future prospects of Sung Master and Kanger Group as set out in **Section 4.3** of this announcement.

2.3 Mode of Settlement of the Purchase Consideration

Pursuant to the terms of the SSA, the mode of settlement of the Purchase Consideration, shall be satisfied in the following manner:-

Payment terms	Timing	RM	%
Cash	Payable on or before the date on which the completion of the sale and purchase of the Sale Shares takes place, as notified by Kanger to the Vendor, being a day falling within three (3) months from the date of this Agreement or such other extended date as the Parties may mutually agree in writing (" Completion Date ") (" Tranche 1 ")	67,100,110.00	93.19
	To be released to the Vendor upon completion of the Profit Guarantee, as set out in Appendix I of this announcement (" Tranche 2 ")	4,900,000.00	6.81
Total		72,000,110.00	100.00

2.4 Source of funding

The Purchase Consideration will be satisfied via internally generated funds and/ or bank borrowings, the breakdown of which will be determined at a later date by the Board.

2.5 Liabilities to be assumed by Kanger

Save for the obligation and liabilities in and arising from, pursuant to or in connection with the SSA for the Proposed Acquisition (as stated in Appendix I), there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by Kanger arising from the Proposed Acquisition. For information purposes, the existing liabilities of Sung Master will be settled by Sung Master in its ordinary course of business.

2.6 Additional financial commitment required

Save for the Purchase Consideration, there is no additional financial commitment required by Kanger to put the business of Sung Master on-stream as it is an ongoing business entity with existing operations.

For information purpose, based on the latest audited financial statements of Sung Master for the 9-month FPE 31 March 2022, Sung Master recorded PAT of RM0.18 million and net cash generated from operating activities of RM12.84 million.

2.7 Information on the Vendor

Mr. Wong Seen, a Malaysian aged 66, is a shareholder of Sung Master.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED ACQUISITION

The Proposed Acquisition entails the Proposed Acquisition of the remaining 49% equity interest in Sung Master, which as at the LPD is a 51%-owned subsidiary of Kanger, a company principally engaged in the sales and trading of building materials for instance, timber flooring, tiles, bulk cement, concrete, locksets and sanitary ware, which are similar to the current core business activities of Kanger.

Sung Master has contributed to the Group's revenue for the FYE 31 March 2022. However, for the financial year under review, the Group has only been able to recognise PAT from Sung Master up to the extent of the Group's equity interest in Sung Master, despite the recognition of 100% of Sung Master's revenue. As such, the Proposed Acquisition of additional equity interest in Sung Master is expected to allow the Group to recognise the entire PAT from Sung Master, translating to a more reflective margin result of the Group according to its controlling interest in Sung Master.

The Proposed Acquisition would also increase the earnings of Kanger Group moving forward, premised on the Profit Guarantee provided by the Vendor to Kanger for a period of 2 financial years up to the FYE 30 September 2025, of which the total profit attributable to Kanger is RM6,370,000 pursuant to the Proposed Acquisition as well as the future prospects of Sung Master, as set out in **Section 5.3** of this announcement.

Further, Sung Master is already an ongoing entity generating its own cash flow and profits as well as an existing subsidiary of the Group that does not require additional costs for integration into the Group from an operational or administrative perspective. In addition, the management already has an existing understanding of Sung Master's operations and company culture.

Barring any unforeseen circumstances, the achievement of the Profit Guarantee by Sung Master would improve the consolidated earnings of Kanger Group throughout the period of the Profit Guarantee and based on the above, the Proposed Acquisition is expected to contribute positively to the earnings of Kanger Group.

4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF SUNG MASTER AND KANGER GROUP

4.1 Overview and outlook of the Malaysian economy

The global GDP growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies. Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

Notwithstanding the growth, the economy in 2022 experienced several challenges with escalating inflationary pressures due to high commodity and food prices as well as softened global economic growth and trade. Therefore, the Malaysian government has taken various holistic and comprehensive measures to help the citizens and businesses in dealing with inflationary pressures and higher cost of living.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure initiatives as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 (12MP). However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic products and major commodities.

On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

(Source: Economic & Fiscal Outlook and Federal Government Revenue Estimates 2023, Ministry of Finance Malaysia)

4.2 Overview and outlook of the construction industry in Malaysia

The construction sector contracted by 2.1% in the first half of 2022, mainly due to lower construction activities in civil engineering and residential buildings subsectors. In contrast, non-residential buildings and specialised construction activities subsectors registered a growth during the same period, in line with expansion in business activities, albeit rising prices of construction-related materials. The sector is expected to turn around in the second half with an expansion rate of 6.9%, supported by positive growth in all subsectors. Improvement in private investment and robust domestic economic activities are anticipated to increase demand for more industrial buildings. In addition, the acceleration of major infrastructure projects will continue to drive the sector's performance.

The construction sector is forecast to expand by 4.7% in 2023 following a better performance in all subsectors. Civil engineering subsector is anticipated to rebound buoyed by implementation of new projects such as Mass Rapid Transit Line 3 (MRT3) Circle Line and acceleration of ongoing infrastructure projects which include, Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3). In addition, the approved investment projects in the manufacturing sector are anticipated to come on-stream and subsequently creating a greater demand for industrial buildings. Hence, the non-residential buildings subsector is projected to expand further. Meanwhile, the residential buildings subsector is expected to grow steadily supported by more construction of affordable houses, in line with the strategy under the 12MP. In addition, incentive offered by the Government to encourage home ownership through the i-MILIKI programme is expected to spur demand for residential buildings while addressing the property overhang issue.

(Source: Macroeconomic Outlook, Economic Outlook 2023, Ministry of Finance Malaysia)

4.3 Prospects of Sung Master and Kanger Group

The Group intends to continue to seek business opportunities and investments in its construction services business and potential Proposed Acquisition that are synergistic in expanding the Group's presence in these key areas. With the Proposed Acquisition of 51% equity interest in Sung Master, it has been demonstrated that such synergies can quickly strengthen the Group's competitiveness in the market. Since its incorporation into the Group, Sung Master has been able to provide complementary synergies such as the sharing of the building materials that are supplied by Sung Master and cross sell these building materials to the Group's sub-contractors who are working at its construction sites.

Based on the Group's audited financial statements for the FYE 31 March 2022, the Group's revenue significantly increased to RM222.74 million as compared to RM33.89 million (annualised: RM27.11 million) in the preceding 15-month FPE 31 March 2021. The construction and project management as well as building material trading segments have contributed RM215.50 million revenue in FYE 31 March 2022, which represents approximately 96.75% of the Group's total revenue.

In line with the above, the Board had undertaken the Proposed Acquisition with the intention of enhancing the Group's earnings via additional equity interest in Sung Master. With the Proposed Acquisition, as and when the Board deems fit and appropriate, Kanger Group may explore other projects to supply, which are of larger scale development and construction projects for instance, the construction of residential, non-residential buildings and mixed developments. Premised on the foregoing, the Board expects the Proposed Acquisition of additional equity interest in Kanger may contribute positively to the Group's future profit attributable to shareholders.

The Vendor has also provided a profit guarantee of RM10.00 million for the FYE 30 September 2024 of Sung Master based on 49% equity interest to be acquired.

Premised on the above, the Proposed Acquisition is expected to provide additional income stream to Kanger Group. Barring any unforeseen circumstances, the Board, having considered the economic and industry outlook, is cautiously optimistic of the future prospects of Sung Master and Kanger Group.

(Source: Management of Kanger)

5. RISK FACTORS

Save as disclosed below, the Board does not foresee any material risk pursuant to the Proposed Acquisition and Proposed Private Placement except for the inherent risk factors associated with the construction industry, of which Kanger Group is already involved, and would already be addressed as part of Kanger's ordinary course of business. Additional potential risks that may have an impact on the Group, which may not be exhaustive pertaining to the Proposed Acquisition:-

5.1 Investment risks

It is expected that upon completion of the Proposed Acquisition, the business and operations of Sung Master will contribute positively to the Group's future financial performance and profit attributable to shareholders. However, such benefits to be realised from the Proposed Acquisition are dependent upon the successful integration of Sung Master into Kanger Group. Further, there can be no assurance that the business and operations of Sung Master will continue to generate the expected return on investment, as the success and profitability of its business is exposed to various risk factors.

Nevertheless, moving forward, the Board is confident that it can manage such risk by leveraging on the experience and expertise of the Group's management and Directors.

5.2 Completion risk

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SSA being fulfilled or waived, details of which are set out in **Appendix I** of this announcement. There can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the SSA. In the event that the condition precedents are not met/ waived, the SSA will be terminated and the Proposed Acquisition will not be completed.

Nevertheless, the Board will take reasonable steps to ensure that the conditions precedents are met in a timely manner and that every effort is made to obtain all necessary approvals for the Proposed Acquisition within the stipulated timeframe.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital

The Proposed Acquisition will not have any effect on the issued share capital of the Company as the Proposed Acquisition will be fully satisfied in cash and does not involve any issuance of Kanger Shares.

6.2 NA per Share and gearing level

Purely for illustration purpose, assuming that the Proposed Acquisition had been effected at the end of the FYE 31 March 2022, the pro forma effects of the Proposed Acquisition on the consolidated NA and gearing level of Kanger Group are as follows:-

	Audited as at 31 March 2022 RM'000	I Subsequent adjustments up to the LPD^{*1} RM'000	II After I and the Proposed Acquisition RM'000
Share capital	425,312	427,561	427,561
Reserves	(125,469)	(125,469)	(125,469)
Shareholders' fund/ NA	299,843	302,092	302,092
Non-controlling interest	4,258	4,258	4,258
Total equity	304,101	306,350	306,350
No. of Shares in issue	597,931	649,868	649,868
NA per Share (RM)	0.51	0.46	0.46
Total borrowings (RM'000)	2,558	2,558	2,558
Gearing ratio (times)	0.01	0.01	0.01

Notes:-

^{*1} After adjusting for the following:-

- i. the issuance of 2,380,952 Shares at the issue price of RM0.0630 each pursuant to the exercise of share issuance scheme ("SIS") options, which was listed on 5 May 2022;
- ii. the issuance of 2,752,293 Shares at the issue price of RM0.0545 each pursuant to the exercise of SIS options, which was listed on 20 May 2022;
- iii. the issuance of 8,728,179 Shares at the issue price of RM0.0401 each pursuant to the exercise of SIS options, which was listed on 5 October 2022;
- iv. the issuance of 6,437,768 Shares at the issue price of RM0.0466 each pursuant to the exercise of SIS options, which was listed on 13 October 2022;
- v. the issuance of 2,762,431 Shares at the issue price of RM0.0362 per Share pursuant to the exercise of SIS options, which was listed on 18 October 2022;

- vi. *the issuance of 5,780,347 Shares at the issue price of RM0.0346 per Share pursuant to the exercise of SIS options, which was listed on 17 November 2022;*
- vii. *the issuance of 10,958,904 Shares at the issue price of RM0.0365 per Share pursuant to the exercise of SIS options, which was listed on 5 December 2022;*
- viii. *the issuance of 4,854,368 Shares at the issue price of RM0.0412 per Share pursuant to the exercise of SIS options, which was listed on 19 December 2022;*
- ix. *the issuance of 2,427,184 Shares at the issue price of RM0.0412 per Share pursuant to the exercise of SIS options, which was listed on 28 December 2022; and*
- x. *the issuance of 4,854,368 Shares at the issue price of RM0.0412 per Share pursuant to the exercise of SIS options, which was listed on 6 January 2023*

6.3 Substantial shareholding structure

The Proposed Acquisition will not have any effect on the substantial shareholders' shareholdings as the Proposed Acquisition will be fully satisfied in cash and does not involve any issuance of Kanger Shares.

6.4 Earnings and EPS

The Proposed Acquisition, which is expected to be completed in the fourth quarter of 2023, is not expected to have any material effect on the earnings and EPS of the Group for the FYE 30 September 2023. However, the Group's increased equity interest in Sung Master pursuant to the Proposed Acquisition is expected to contribute positively to the Group's future earnings attributable to shareholders.

For illustration purposes only, assuming that the Proposed Acquisition had been effected on 1 April 2021 (being the beginning of the latest audited FYE 31 March 2022 of Kanger), the pro forma effects of the Proposed Acquisition on the earnings and EPS of Kanger Group are as follows:-

	Audited as at FYE 31 March 2022 RM	I Subsequent adjustments up to the LPD^{*1} RM	II After the Proposed Acquisition RM
PAT/ (LAT) attributable to shareholders ^{*1}	(151,529,421)	(151,529,421)	(151,529,421)
Share of profit from Sung Master based on the Profit Guarantee	-	-	10,000,000
Total PAT/ (LAT)	(151,845,678)	(151,845,678)	(141,529,421)
Total number of Shares in issue (units)	597,931,208	649,868,002	649,868,002
Basic EPS/ (LPS) (sen)	(0.25)	(0.23)	(0.22)

Note:-

^{*1} Based on the latest audited consolidated financial results of Kanger for the FYE 31 March 2022

6.5 Convertible securities

The Company has the following convertible securities:-

- i. 169,951,156 outstanding warrants 2021/2026 in the company ("**Warrant(s) B**"). The Warrants B are constituted by the deed poll dated 16 August 2021 ("**Deed Poll B**") and each Warrant B carries the entitlement to subscribe for 1 new Kanger Share during the 5-year exercise period up to 22 September 2026 at the exercise price of RM0.50 per Warrant B; and

- ii. the Company had established a share issuance scheme ("**SIS Scheme**") and the maximum number of Kanger Shares to be issued pursuant to the exercise of the SIS Scheme shall not in aggregate exceed 30% of the total issued shares during the duration of the SIS Scheme ("**SIS Option(s)**").

As at the LPD, save for the existing Warrants B and SIS Options, the Company does not have any other outstanding convertible securities.

7. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approval of the Company's shareholders given that the highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Securities is approximately 24.01%, calculated based on the Purchase Consideration against the net assets of Kanger Group.

The Proposed Acquisition is not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/ or chief executive of Kanger and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition.

9. DIRECTORS' STATEMENT

The Board, having considered and deliberated on all aspects of the Proposed Acquisition, including but not limited to the terms and conditions of the SSA, the rationale of the Proposed Acquisition, the prospects of Sung Master and Kanger Group as well as the pro forma effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition are in the best interests of Kanger Group.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Acquisition are expected to be completed in the fourth quarter of 2023.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SSA will be made available for inspection at the registered office of Kanger at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan during the normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 23 November 2023.

APPENDIX I - SALIENT TERMS OF THE SSA

1. Sale and Purchase of the Sale Shares

In consideration of the Purchase Consideration, which shall be satisfied by the payment in cash by Kanger in favour of the Vendor pursuant to the terms and conditions of the SSA, the Vendor as legal and beneficial owner shall sell, and Kanger relying on the Vendor's warranties shall purchase the Sale Shares free from any and all encumbrances and with full legal and beneficial title with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the Completion Date upon the terms and subject to the conditions as set out in the SSA.

2. Completion

Completion shall take place on the Completion Date.

Completion of the SSA shall be conditional upon all the Sale Shares collectively being sold to Kanger and that Kanger and the Vendor performs all their respective obligations therein.

At the Completion Date, the Vendor shall deliver or cause to be delivered to Kanger:

- i. the resolution of the board of directors' resolution of Sung Master duly executed by the Vendor approving the transfer and registration of the Sale Shares in favour of Kanger subject only to the transfers having been duly stamped;
- ii. the Stakeholder Documents including the Transfer and notice of adjudication (if not already deposited with the Documentation Stakeholder) and such documents as may be required to give good title to the Sale Shares and to enable Kanger to become the registered holder of the Sale Shares;
- iii. if not already held by Sung Master or Kanger:
 - (a) all the statutory minutes and all other statutory books including, without limitation, the registers of Sung Master, its certificate of incorporation, common seal unless the same are held by the company secretary of Sung Master as at the Completion Date;
 - (b) ledgers, journals, books of account and all other records belonging to Sung Master, including without limitations, cheque books, deposits books, bank statements and other banking records and books;
 - (c) the statement of account for all bank accounts as at the latest practicable date prior to Completion Date;
 - (d) financial, accounting, licenses and business records and all other books documents of Sung Master which are kept and maintained by Sung Master relating to its business, assets, liabilities and affairs;
 - (e) valid licences, approvals, permits, authorisations, access cards and keys, bank account control and passwords; and
 - (f) such other information and records of Sung Master required for its business and operations and the completion of the SSA and other agreements and/ or documents of or relating to Sung Master.

The Vendor hereby agrees and undertakes to forthwith do all acts and things so as to register Kanger as a member of Sung Master in the register of members of Sung Master in respect of the Sale Shares.

APPENDIX I - SALIENT TERMS OF THE SSA

Against the delivery of the documents set out above by the Vendor, Kanger shall on Completion Date pay to the Vendor the Tranche 1 or such part thereof not already paid to the Vendor in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor.

If any party fails to comply with any of its obligations and those obligations are not waived by the other party on Completion Date, then:-

- i. each party must return or cause to be returned to the other party all monies, Purchase Consideration and documents delivered to it or its agent under and pursuant to the SSA;
- ii. the Vendor shall return all parts of the Purchase Consideration paid by Kanger (if any); and
- iii. each Party must do everything reasonably required by the other Party to reverse any action taken pursuant to the SSA.

3. Profit Guarantee

The Vendor hereby agrees, undertakes and guarantees that the PAT of Sung Master (as defined below) for the 12-month financial year ending 30 September 2024 ("**Profit Guarantee Period**") shall be not less than RM10,000,000.00 only in aggregate ("**Profit Guarantee**").

Upon expiry of the Profit Guarantee Period and (i) adoption of the Accounts 2024 (as defined below) by the shareholder of Sung Master and having been lodged with Companies Commission of Malaysia and/ or (ii) the Vendor and Kanger mutually agreeing to the Special Audit Report (as defined below), Kanger shall after the above Accounts 2024 having been lodged with Companies Commission of Malaysia and/ or agreed Special Audit Report (as may be applicable) being made available to Kanger, notify the Vendor in writing ("**Notice**") of the following:

- i. the PAT for the Profit Guarantee Period based on the Accounts 2024 and/ or Special Audit Report (if applicable);
- ii. whether there is a shortfall between the abovesaid PAT for the Profit Guarantee Period and the Profit Guarantee amount of RM10,000,000.00 ("**Shortfall**");
- iii. if there is a Shortfall, the Shortfall amount; and
- iv. the Shortfall amount attributable to Kanger (it being 49% of the Shortfall amount) ("**Shortfall Attributable To Kanger**").

In the event Kanger fails to issue the Notice within thirty (30) days of the above Accounts 2024, and where applicable, the agreed Special Audit Report being made available to Kanger, the Vendor shall be entitled to issue the Notice. Save for clerical mistake or manifest error, the Notice (whether issued by Kanger or Vendor) shall be final, conclusive and binding between the Parties.

In the event there is no PAT or Sung Master has losses after tax for the Profit Guarantee Period based on the Accounts 2024 and agreed Special Audit Report (if any), the Shortfall Attributable To Kanger shall be deemed to be RM4,900,000.00 only.

APPENDIX I - SALIENT TERMS OF THE SSA

In the event the PAT for the Profit Guarantee Period based on the Accounts 2024 and/ or agreed Special Audit Report (if any) is equivalent to or more than the Profit Guarantee amount, the Vendor is deemed to have fully fulfilled its obligations towards the Profit Guarantee under this paragraph 3 of this Appendix I, whereupon Kanger shall within 10 business days from the issue of the Notice pay the Vendor Tranche 2 amount in entirety in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor.

In the event there is a Shortfall and/ or Shortfall Attributable To Kanger, then Kanger shall:

- i. firstly, set off the Shortfall Attributable To Kanger against Tranche 2; and
- ii. thereafter within 10 business days from the issue of the Notice, pay the Vendor the remaining Tranche 2 (after netting off the Shortfall Attributable To Kanger) in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor. PROVIDED THAT the maximum amount and liability of the Vendor towards the Shortfall Attributable To Kanger shall be RM4,900,000.00 only.

For the purposes of this paragraph:

- (a) "**Accounts 2024**" means the audited financial statements of Sung Master for the 12 months financial year ending on 30 September 2024 prepared by the auditors of the Sung Master consented to by Kanger and adopted by the shareholder of Sung Master (it being Kanger) and which has been lodged with Companies Commission of Malaysia and shall include any notes thereon and any reports, statements or documents annexed or attached thereto;
- (b) "**PAT**" means the net profit after taxation of Sung Master attributable to the owners for the Profit Guarantee Period based on the Accounts 2024 and/ or the agreed Special Audit Report(s) (if so required);
- (c) "**Profit Guarantee Period**" means the twelve (12) months financial year commencing on 1 October 2023 and ending 30 September 2024;
- (d) The financial year end of Sung Master may be changed to be consistent with the financial year end of Kanger. In the event the audited financial statements of Sung Master adopted by the shareholders of Sung Master do not fall within the prescribed twelve-month period of the Profit Guarantee Period and/ or does not fall within the definition of Accounts 2024 and/ or the PAT cannot be determined or agreed upon from the Accounts 2024, the Vendor shall cause Sung Master to undertake a special audit by such firm of auditors approved by Kanger (failing concurrence of the firm to be appointed, by the auditors of Kanger), all at the cost of Sung Master, so that it can be determined therefrom the PAT for the Profit Guarantee Period. All such audited financial statements of Sung Master arising from the special audit for the Profit Guarantee Period shall be subject to mutual approval and acceptance by the Vendor and Kanger and thereupon shall be deemed to be the agreed and adopted "**Special Audit Report**" and the net profit after taxation of Sung Master reflected therein for the Profit Guarantee Period shall be the "**PAT**" for the Profit Guarantee Period for the purposes of this paragraph 3; and
- (e) Save for manifest error, all written notices issued by Kanger pursuant to this paragraph 3 shall be binding and conclusive between and among the Parties.

The Vendor's maximum liability to pay the Shortfall under this paragraph 3 shall be up to the aggregate amount of RM4,900,000.00 only.

APPENDIX I - SALIENT TERMS OF THE SSA

4. Breach/ Termination

If Kanger shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA and/ or breaches any of the terms and/ or warranties in the SSA before the Completion Date and if capable of remedy does not remedy the same to the satisfaction of the Vendor within 10 business days from the date of receipt by Kanger of written notice from the Vendor or such breach is not waived by the Vendor at their absolute discretion, then the Vendor shall be entitled to either:

- i. claim for specific performance of the SSA as may be available under law; or
- ii. if prior to Completion Date, terminate the SSA by written notice to Kanger and upon such termination, Kanger shall pay to the Vendor all reasonable costs and expense incurred by the Vendor pursuant to the negotiation and preparation of the SSA and any incidental costs thereto in exchange for which the Vendor shall return all Purchase Consideration (if any) so received free of interest within 14 business days from the receipt by Kanger of the termination notice from the Vendor, after which the parties shall have no other claims whatsoever against each other and the Vendor shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties. The parties hereby authorise and the documentation stakeholder shall be authorised to return the Stakeholder Documents to the Vendor within 14 business days upon receipt of a copy of the said termination notice from any party.

If the Vendor shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA and/ or breaches any of the terms or warranties in the SSA and if capable of remedy does not remedy the same to the satisfaction of Kanger within 10 business days from the date of receipt by the Vendor of written notice from Kanger or such breach is not waived by Kanger at their absolute discretion, then Kanger shall be entitled to either:

- i. claim for specific performance of the SSA as may be available under law; or
- ii. if prior to Completion Date, terminate the SSA by written notice to the Vendor and upon such termination, the Vendor shall pay to Kanger all reasonable costs and expenses incurred by Kanger pursuant to the negotiation and preparation of the SSA as well as conduct of due diligence and fulfilment of conditions precedent and any incidental costs thereto as well as return all Purchase Consideration (if any) so received free of interest within 14 business days from the receipt by the Vendor of the termination notice from Kanger, after which Kanger shall have no other claims whatsoever against the Vendor and the Vendor shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties. The parties hereby authorise and the documentation stakeholder shall be authorised to return the Stakeholder Documents to the Vendor within 14 business days upon receipt of a copy of the said termination notice from any party.

If it is found after the Completion Date that a party shall have breached his/ its obligations under the SSA, the non-defaulting party(s) shall be entitled to claim for specific performance in addition to any other remedies as may be available to the non-defaulting party(s) under law and/ or equity and the defaulting party(s) shall indemnify and hold the non-defaulting party(s) harmless against all costs, charges and expenses incurred or suffered by the non-defaulting party(s) arising from such breach.