



TEK SENG HOLDINGS BERHAD

Registration No. 200201011909 (579572-M)

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE FULLY VIRTUAL EXTRAORDINARY GENERAL MEETING OF TEK SENG HOLDINGS BERHAD (“**TEK SENG**” OR “**THE COMPANY**”) HELD THROUGH LIVE STREAMING AND ONLINE PARTICIPATION AND VOTING USING REMOTE PARTICIPATION AND VOTING FACILITIES VIA THE ONLINE MEETING PLATFORM AT [HTTPS://AGM.DIGERATI.COM.MY/PASB-ONLINE](https://AGM.DIGERATI.COM.MY/PASB-ONLINE) PROVIDED BY DIGERATI TECHNOLOGIES SDN BHD IN MALAYSIA (DOMAIN REGISTRATION NUMBER D1A119533) ON WEDNESDAY, 04 AUGUST 2021 AT 9.00 AM

Key matters discussed at the EGM are summarised as follows:

- 1) **Why did Wangsaga Industries Sdn Bhd (“WISB”) jointly purchase with Tek Seng Properties Development Sdn Bhd (“TPSB”) instead of buying the entire Land since Tek Seng has the cash flow capability?**

Answer: WISB only requires 54.91% of the parcel of industrial land formed by 9 adjoining lots, measuring approximately 853,863 square feet, held under Geran Mukim 996, 997, 998, 988, 989, 991, 992, 993 and 994, Lot Nos. 324, 640, 642, 1504, 1505, 1664, 1667, 1669 and 1702, all within Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang (“**Land**”) with the intention to build a manufacturing plant of approximately 187,000sqft, hostel facility measuring approximately 45,000sqft for its foreign workers which also includes a loading bay, parking area, internal road and sewage treatment plant which would take up only 54.91% of the Land.

WISB does not have any plan on the balance of 45.09% of the Land, hence, the Company do not wish to incur additional cost to acquire the balance of 45.09% of the Land, which may cause a negative carrying in the books and lead to loss of opportunity cost for other business decision.

Upon the request of WISB, TPSB had agreed to become co-purchaser to acquire the Land with the agreed portion.

- 2) **Why did WISB choose the rear portion of the Land?**

Answer: WISB had chosen the rear portion of the Land as it consist of a Warehouse structure (about 41,979 sq ft). With this warehouse, WISB is able to save approximately RM5.0 million in construction cost. In addition, the front portion of the Land is very near to a petrol station which may not be ideal for a manufacturing plant due to safety and environment issue.

3) What is the rationale and benefits of the proposed acquisition?

Answer: The Land is a freehold title and is located within the vicinity of the existing plant which is approximately 3.4km or 5 mins drive away from the existing plant. The Company intends to expand the manufacturing business and construct hostel facility for its foreign workers. The Group is expected to have 30% increase in production and would be able to save up to RM0.6 million per annum for the hostel.

4) What is the utilisation rate for the existing Plant?

Answer: Company had fully occupied the existing Plant in Bukit Minyak.

5) After the Acquisition, Tek Seng's cashflow is sufficient for dividend pay-out?

Answer: Tek Seng's cash flow remains very healthy and it will remain the same after acquisition. The acquisition will not affect the dividend pay-out (if any).

6) Is WISB paying fair price on the rear portion of the Land as the Vendor's valuation is lower compared to Tek Seng?

Answer: According to the Valuer, as long as the access/easement is granted, the value should be maintained as per valuation report (RM55/sq ft). However the difference in figures is approximately RM1.5 million which will be offset by reusing the warehouse structure of a gross area of 41,979 sf.

7) Page 3 to Part A of the Circular, Section 2: It is stated that with the existing Warehouse, WISB is able to save approximately RM5.0 million in construction cost. However, in Page 2 to the Valuation Certificate, it is stated that the said Warehouse was constructed without any approval and has not been issued with a certificate of fitness for occupation and certificate of completion and compliance. My question is that whether WISB will continue to use the Warehouse which is an illegal structure, or to demolish the Warehouse and incur the said RM5.0 million construction cost subsequently?

Answer: WISB intend to incorporate the existing structure of the warehouse into new submission and fit into the construction plan. WISB will apply for approval and certificate of fitness for occupation and certificate of completion and compliance for the usage of the warehouse once the construction is completed. As such, the Company is able to save the construction cost approximately RM5.0 million by reusing the existing structure of the Warehouse.

- 8) **Page 8 to Part A of the Circular, Section 2.3.2 Manner of Payment, subsection (d)(i): The balance of the Purchase Price shall be paid in full by the Purchasers within 3 months from the Unconditional Date or 6 months from the date of SPA, whichever is later. The SPA dated 14 January 2021 became unconditional following the Vendors' shareholders' approval on 31 March 2021. Hence, the balance Purchase Price should have been paid by 13 July 2021 ie. at the end of the 6th month from date of SPA. Why the Company only seeks the shareholders' approval after expiry of the time stipulated? What is the impact of late completion to Tek Seng?**

Answer: Due to the outbreak of disease such as COVID-19, both parties had mutually agreed to extend the completion date of the Sale and Purchase Agreement free of interest to 10 August 2021.

- 9) **Could the Management provide a snapshot of the latest financial strengths of TPSB (joint-purchaser) and GWSB (nominee) as to whether they have the necessary funding to complete the acquisition?**

Answer: The management is unable to provide the snapshot of the latest financial strengths of TPSB (joint-purchaser) and Ganjaran Wawasan Sdn Bhd (nominee) as it is a different entity, and is not under Tek Seng Group.

TPSB to decide if the funding shall be via internally generated fund or bank borrowings. The Management believe that TPSB had done a feasibility study on its own financial planning prior to the purchase.

- 10) **Page 10 to the Independent Advice Letter stated that WISB and TPSB has made an arrangement that no payment shall be required by WISB to TPSB on the buildings constructed on the Land. Hence, this will facilitate the construction of the additional manufacturing plant and hostel facility without incurring additional rental cost. Is this arrangement being undertaken on an arm's length basis and on normal commercial terms?**

Answer: This arrangement is mutually agreed by both parties – WISB and TPSB being the joint owners of the Land, whilst pending for the approval of the local authority for the amalgamation and subdivision of the Land.

The arrangement is reasonable and is not detrimental to Tek Seng, as the arrangement is in the best interest of Tek Seng.

11) Has WISB been allowed to construct hostel for its workers?

Answer: This had been adopted by many manufacturing companies but there is a requirement to apply for a certificate of accommodation that complies with the living standards for foreign workers. The Management would seek the advice of external consultant to ensure the facility is in compliance with the relevant governmental authorities' rules and regulations.

12) What is the estimate construction cost and completion date of the proposed construction?

Answer: This will be carried out stage by stage. Upon the approval of the shareholders at the EGM, the land should take around 6 months to be cleared and the further construction is very much dependent on the approval of external factors i.e. local authorities.

The Company is unable to estimate a total cost for the construction as materials prices have been fluctuating throughout the pandemic. Furthermore, the amalgamation and subdivision of land will take certain time frame as well. The management is looking at a timeframe of 1-2 years provided that the situation does not worsen.

13) What is the source of funding? Will company go for equity fund raising or bank borrowings?

Answer: At the current planning, the investment cost will be fully funded through internal funds. However, the management is also looking at the possibility of securing bank borrowings in view of the current low interest rate. The breakdown of such funding will be determined after taking into consideration Tek Seng Group's gearing level, interest costs and cash reserves.

14) What is TPSB's intended development on the front portion of the Land?

Answer: At this juncture TPSB has yet to determine the use of the 45.09% shares of the Land.

15) Any door gift for those that have participated in the EGM?

Answer: The Company has not given any door gift.