

FAVELLE FAVCO BERHAD (“FAVCO” OR “THE COMPANY”)

PROPOSED ACQUISITION BY FAVCO OF THE ENTIRE EQUITY INTEREST IN SERAM INDUSTRIES SAS FROM MAREC INDUSTRIE SAS FOR AN INITIAL PURCHASE PRICE OF EUROS (“EUR”) 7,500,000 WITH CONDITIONAL DEFERRED CONSIDERATION OF UP TO EUR 2,500,000 IN CASH (“PROPOSED ACQUISITION”)

(Unless otherwise stated, the exchange rate of EUR1.0000 : RM4.7454, being the average middle exchange rate quoted by Bank Negara Malaysia (“BNM”) on 9 January 2026, the latest practicable date prior to this Announcement (“LPD”), has been applied in this Announcement for illustration purposes)

1. INTRODUCTION

The Board of Directors (“**Board**”) of Favco (the “**Purchaser**”) wishes to announce that the Company had on 12 January 2026 entered into a conditional share purchase agreement (“**SPA**”) with Marec Industrie SAS (the “**Seller**”) in relation to the Proposed Acquisition.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Background information of the Proposed Acquisition

The Proposed Acquisition entails the acquisition by Favco of 100% of all classes of shares in Seram Industries SAS (“**Sale Shares**”), representing the entire equity interest in Seram Industries SAS, for an aggregate purchase price that ranges from EUR 7,500,000 to EUR 10,000,000 (equivalent to approximately RM35.59 million to RM47.45 million) (the “**Purchase Consideration**”) to be satisfied wholly in cash as follows:

- (i) an initial amount of EUR 7,500,000 (equivalent to approximately RM35.59 million) will be paid at Closing of the SPA (“**Initial Purchase Price**”) by wire transfer from the Purchaser legal advisor’s CARPA escrow account to the Seller’s legal advisor, subject to the fulfilment of all the closing deliverables conditions as set out in salient terms and conditions of the SPA in **Appendix A** of this Announcement; and
- (ii) a conditional deferred consideration of between EUR 0 and EUR 2,500,000 (equivalent to approximately RM11.86 million) (“**Conditional Deferred Consideration**”), as the case may be, subject to fulfilment of all three (3) conditions as set out in (i) (a), (b) and (c) of the salient terms and conditions of the SPA in **Appendix A** of this Announcement.

2.2 Background information of Seram Industries SAS

Seram Industries SAS (“**SERAM**”), a French simplified stock company (*société par actions simplifiée*) with a share capital of EUR 60,000 (representing 600 ordinary shares with a nominal value of EUR 100 each) and having its registered office at 817, Boulevard Marius Berliet Polygone Nord, 66000 Perpignan, and registered on 13 October 2009 in the Perpignan Trade and Companies Register under number 517 420 477. Currently, SERAM is a wholly-owned subsidiary of MAREC Industrie SAS.

SERAM specializes in the design, manufacturing, installation, training, servicing and maintenance of lifting cranes and electric conveyors for industrial waste management plants. SERAM is known for its patented hydraulic balancing crane system, which reduces energy use and provides energy efficient lifting solutions for the global recycling and industrial waste handling market.

The summary financial information of SERAM based on its latest audited consolidated financial statements for financial year ended 31 December (“**FYE**”) 2024 are as follows:

	Audited FYE 2024	
	EUR million	RM⁽¹⁾ (‘000)
Revenue	18.75	92,339
Profit before tax	2.33	11,486
Taxation	(0.57)	(2,828)
Profit after tax (“ PAT ”)	1.76	8,658
Net Assets	6.13	28,507
Total Equity	6.13	28,507
Total Borrowings	2.54	11,835
Gearing ratio (times)	0.42	0.42

Notes:

⁽¹⁾ Figures converted based on the following exchange rates quoted by BNM:

<u>FYE</u>	<u>Income and expenses using the average middle rate for the FYE</u> <u>EUR/RM</u>	<u>Assets, equities and liabilities using the closing rate for the FYE</u> <u>EUR/RM</u>
31 December 2024	1.0000 : 4.9236	1.0000 : 4.6528

2.3 Background information of MAREC Industrie SAS

Marec Industrie SAS, a French simplified stock company (*société par actions simplifiée*) with a share capital of EUR 300,000, having its registered office at 10 rue de Paris, 66000 Perpignan and registered on 30 September 2013 in the Perpignan Trade and Companies Register under number 797 520 277.

As at the LPD, the directors of MAREC Industrie SAS and their respective shareholdings are as follows:

Name	Nationality	No of shares held in MAREC Industrie SAS	% of equity in MAREC Industrie SAS
Mr. Joaquin Semis	French	250	50%
Madam Andrée Nee Vinas Semis	French	250	50%

2.4 Source of Funds for the Purchase Consideration

In accordance with the terms of the SPA, the Proposed Acquisition entails a cash acquisition by Favco which is expected to be fully funded by Favco’s internally generated funds and free from encumbrances.

2.5 Basis and Justification in Arriving at the Purchase Consideration

The Purchase Consideration was negotiated between Favco and the Seller on a “willing-buyer willing-seller” basis, after taking into consideration, amongst others, SERAM’s historical financial performance, earnings potential of SERAM, the rationale and benefits as set out in Section 3 and prospects as set out in Section 4.

2.6 Liabilities to be assumed

Save for the obligation and liabilities in and arising from SERAM, there are no liabilities including contingent liabilities and/or guarantees to be assumed by Favco arising from the Proposed Acquisition.

3. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION

The Board believes that the Proposed Acquisition is in the best interest of the Favco Group as it complements and enhances the Group’s product portfolio and supports its long-term strategy to expand lifting solutions and automated heavy equipment offerings.

Through the integration of SERAM’s patented hydraulic balancing crane system, automated material handling technologies and engineering expertise, the Proposed Acquisition provides Favco with a strategic entry into opportunities and growth within the industrial waste and recycling equipment sector, while strengthening technical capabilities, operational efficiency, and global competitiveness.

The acquisition is also expected to create cross selling opportunities, generate operational synergies, and broaden the Favco Group’s earnings base and market presence.

4. PROSPECTS OF THE PROPOSED ACQUISITION FOR FAVCO GROUP

(i) Global Waste Management Industry

Demand for automated, energy-efficient, and specialised waste-handling and recycling equipment is expected to increase in line with investments in waste-management infrastructure and sustainability initiatives globally, especially in Asia-Pacific region.

(ii) Malaysian Government Industrial Policy for Manufacturing Sector

The Proposed Acquisition is aligned with Malaysia’s industrial transformation agenda under the Ministry of Investment, Trade and Industry (“**MITI**”) and the New Industrial Master Plan 2030 (“**NIMP 2030**”), which emphasised technology adoption, advanced manufacturing, and sustainable industrial practices. SERAM’s energy-efficient, automated, and recycling focused equipment fits strongly within Malaysia’s industrial-modernisation and circular economy priorities.

5. RISK FACTORS

The risk factors associated with the Proposed Acquisition, which are by no means exhaustive, are set out below:

- (i) **Investment and Integration Risk**
There is no assurance that the anticipated synergies and benefits will be realised. Integration challenges such as cultural differences, system alignment, and operational processes may delay synergy capture. The Favco Group will adopt phased integration and structured planning to mitigate such risks.
- (ii) **Dependence on Key Management Personnel**
SERAM's operations rely on key management personnel, particularly Mr. Joaquim Semis. He will be required to serve SERAM for one (1) year after the completion of the Proposed Acquisition. His impending retirement may adversely affect operations and customer relationships. Favco intends to implement retention measures and succession planning to address this risk.
- (iii) **Market and Demand Risk**
Demand for SERAM's products may be affected by changes in economic conditions, competitive dynamics, or regulatory policies, which could impact SERAM's performance. Market volatility remains very high in light of existing trade tensions caused by the evolving USA tariffs policies. Favco intends to identify opportunities for growth markets in new geographies and new products in order to raise the total addressable market and mitigate any volatility in the global market.
- (iv) **Foreign Exchange Risk**
SERAM's financial results are denominated in EUR and will be translated into Ringgit Malaysia for Favco's consolidated reporting. Fluctuations in foreign exchange rates may affect performance. Appropriate hedging strategies will be considered to manage material exposures.
- (v) **Technology Obsolescence Risk**
Rapid technological advancements may render existing systems or technologies less competitive. Continuous research and development investment will be required to maintain competitiveness.
- (vi) **Risk of Non-Completion**
The Proposed Acquisition is subject to closing deliverables conditions under the SPA. There is a risk of non-completion if such conditions are not satisfied or waived within the stipulated timeline.

The Board has evaluated the foregoing risks and is of the view that they are manageable and that the potential benefits of the Proposed Acquisition outweigh the associated risks.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Acquisition does not have any impact on the share capital and/or substantial shareholders' shareholdings of Favco as the Purchase Consideration will be fully settled in cash.

6.2 Earnings and earnings per share (“EPS”)

For illustrative purposes only, based on the audited consolidated statement of financial statements of Favco as at FYE 2024 and assuming that the Proposed Acquisition had been effected at the beginning of the financial year, the pro forma effects of the Proposed Acquisition on the consolidated earnings and EPS of Favco are set out below:

	Audited FYE 2024	Pro forma After the Proposed Acquisition
	RM'000	RM'000
PAT Attributable to the Company ⁽¹⁾	53,869	53,869
Add: SERAM's Audited PAT FYE 2024	-	8,658
Less: Estimated expenses relating to the Proposed Acquisition	-	1,000
Weighted average number of Favco's ordinary shares (“Favco Shares”) in issue ('000) ⁽¹⁾	234,479	234,479
EPS (sen) ⁽²⁾	22.97	26.24

Notes:

⁽¹⁾ Based on the audited financial statements of Favco and SERAM.

⁽²⁾ Computed based on PAT divided by weighted average number of Favco Shares in issue.

6.3 Net assets (“NA”) per share and gearing

For illustrative purposes only, based on the audited consolidated financial statement of Favco and SERAM as at FYE 2024 and assuming that the Proposed Acquisition had been effected at the end of the financial year, the pro forma effects of the Proposed Acquisition on the consolidated NA, NA per share and gearing of Favco, are set out below:

	Audited as at FYE 2024 RM'000	Pro forma After Proposed Acquisition RM'000
Share capital	198,323	198,323
Reserves	584,203	583,203
NA attributable to owners of the Company	782,526	⁽¹⁾ 781,526
Non-controlling interest	28,166	28,166
Total equity	810,692	809,692
Number of Favco Shares in issue ('000)	236,573	236,573
NA per Favco Share (RM)	3.33	3.32
Total interest-bearing borrowings ⁽²⁾	88,962	100,797
Gearing (times)	0.11	0.12
Cash	161,173	⁽¹⁾⁽²⁾ 129,550
Net Gearing (times)	NA ⁽³⁾	NA ⁽³⁾

Notes:

⁽¹⁾ After deducting the estimated expenses relating to the Proposed Acquisition amounting to approximately RM1.0 million.

⁽²⁾ After deducting the Initial Purchase Price of RM35.59 million.

⁽³⁾ NA : Not applicable as net gearing is negative due to net cash exceeding total borrowings.

7. HIGHEST PERCENTAGE RATIO AND APPROVALS REQUIRED

Based on the latest published audited consolidated financial statements of Favco for FYE2024, the highest percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is approximately 16.07%. Accordingly, the Proposed Acquisition does not require the approval of Favco's shareholders nor any relevant government authorities.

The Proposed Acquisition is also not conditional upon any corporate proposal undertaken or to be undertaken by Favco.

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

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

9. DIRECTORS' STATEMENT

The Board, after taking into consideration all aspects of the Proposed Acquisition, including the rationale for the Proposed Acquisition, the basis and justification in arriving at the Purchase Consideration as well as the prospects of SERAM, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

10. EXPECTED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the SPA for the Proposed Acquisition is expected to be completed by 31 January 2026 (unless extended as per the terms of the SPA).

11. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection at the registered office of Favco at Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement.

This Announcement is dated 12 January 2026.

Salient Terms and Conditions of the Conditional Sale and Purchase Agreement (“SPA”)

- (i) Any payment of the **Conditional Deferred Consideration** is subject to all THREE conditions fully satisfied as follows:-

- (a) **Condition 1: Audited Net Profit After Tax (“NPAT”) Financial Year Ended 31 December (“FYE”) 2025 MULTIPLY BY SIX (6) TIMES EXCEED EUR 7,500,000**

The **NPAT Multiple** which is defined as SERAM’s NPAT based on its audited accounts FYE 2025 (the “**Reference Accounts**”) multiplied by six (6) times forms the basis for calculating the Conditional Deferred Consideration.

Formula: NPAT Multiple = NPAT of the Reference Accounts × 6 times

The Conditional Deferred Consideration is calculated as follows:

- i) If NPAT Multiple less than or equal to EUR 7,500,000: No deferred consideration is payable; and
- ii) If NPAT Multiple exceeds EUR 7,500,000, the Conditional Deferred Consideration (if any) will be amount of NPAT Multiple less EUR 7,500,000. Maximum Conditional Deferred Consideration is capped at EUR 2,500,000.

The following table illustrates example scenarios the Conditional Deferred Consideration:

Audited NPAT FYE 2025	NPAT Multiple (Audited NPAT FYE 2025 × 6)	Conditional Deferred Consideration	Total Purchase Consideration
EUR 1,250,000	EUR 7,500,000	EUR 0	EUR 7,500,000
EUR 1,600,000	EUR 9,600,000	EUR 2,100,000	EUR 9,600,000
EUR 1,700,000	EUR 10,200,000	EUR 2,500,000	EUR 10,000,000 *

* Capped at maximum EUR 2,500,000

- (b) **Condition 2: Minimum Total Equity FYE 2025 Threshold**

Total equity value based on SERAM’s Reference Accounts must be equal to or higher than EUR 6,250,000.

- (c) **Condition 3: Management Remuneration Maintenance**

The gross remuneration of Mr. Joaquim Semis must not be lower than his respective gross remuneration for FYE 2024.

All conditions must be satisfied for the Conditional Deferred Consideration (if any) to be payable, capped at EUR 2,500,000.

(ii) **Closing Deliverables Conditions**

The transaction is expected to be completed on 31 January 2026 (“**Closing Date**”) or on such other date as may be mutually agreed by the Parties, upon all closing deliverables conditions as set out in the SPA are fully satisfied or waived (as applicable) by the Purchaser and/or the Seller. All closing deliverables conditions are simultaneous, interdependent, and non-severable.

(iii) **Representations and Warranties and Indemnification**

Liability for any breaches of the Seller’s representations and warranties is capped at EUR 2,000,000 (“**R&W Cap**”), except for breaches of fundamental warranties (relating to organisation, compliance with laws, and title to shares) which are capped at the Purchase Price (being up to EUR 10,000,000) whilst breach of fraud, is unlimited and not subject to any cap. The R&W Cap is secured by EUR 2,000,000 first tier bank guarantees to be issued in favour of the Purchaser.

The representations and warranties survive for different warranty periods depending on the type of breach.

(iv) **Key Covenants and Undertakings by Seller**

Between signing of the SPA and the Closing Date, the Seller undertakes to cause SERAM to:

- (a) Conduct its business in the ordinary course;
- (b) Preserve its business organisation, assets, and customer and supplier relationships;
- (c) Not make any distributions or payments outside the ordinary course without the Purchaser’s consent;
- (d) Not enter into any material transactions or commitments outside the ordinary course without the Purchaser’s consent;

Post-Closing Date:

- (a) 10-year non-compete covering comprehensive list of countries globally by the Seller and non-solicitation obligations for the Seller;
- (b) Termination of intra-group agreements unless expressly preserved.

(v) **Termination**

The SPA may be terminated in the event of default.

(vi) **Governing Law of SPA**

The SPA is governed by French law.