



# EA to diversify business ops, eyes Cepak Air

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PETALING JAYA: EA Holdings Bhd (EAH) is looking to acquire 20% equity interest in Cepak Air Sdn Bhd for RM47.04mil which will allow it to diversify its existing business operations into mechanical and electrical (M&E) engineering and construction project management consultancy businesses.

It told Bursa Malaysia that it would also be able to expand its marketing reach to the other industries that Cepak and its wholly-owned subsidiary WY Consultancy & Development Sdn Bhd are involved in, thereby reducing its reliance on its current mix of customers which are mainly in the services industry.

However it said the board intended to continue with its existing core business and, upon completion of the proposed diversification, be principally involved in the IT industry and the M&E engineering and construction industry.

“The board anticipates that EAH Group’s new business activities in the M&E engineering business and construction project management consultancy business may contribute 25% or more of the net profits and/or result in a diversion of 25% or more of its net assets in the future,” it said in a filing, adding that it would convene an EGM to seek shareholder approval for the move.

EAH said the vendors (Chong Mui Fun, Shankar Muniandy, Yong Chee Hon, Dr Yeoh Seong Mok, Yong Zhen Wei and Yeoh William) had also agreed to a profit guarantee period of not less than RM56mil aggregate profit after tax (PAT) for Cepak Group for the two financial years ending Dec 31, 2015 and 2016.

Cepak Group recorded PAT of RM10.39mil based on its latest audited consolidated financial statements for the 2014 financial year.

EAH said the vendors would also deposit shares equivalent to RM11.2mil, representing 20% of the total profit guarantee based on the issue price of 10 sen per EAH share, into several pledged Central Depository System accounts.

As at the latest practicable date, it said Cepak's order book stood at RM53.89mil which would provide earnings visibility up to July 2017, while Cepak group has also participated in project tenders with a total estimated value of RM99.03mil.

EAH said Cepak was well-positioned in the water industry for its M&E engineering services and had also broadened its market reach by creating synergies with award-winning WY Consultancy, which it acquired in 2014.

"The management of Cepak Group believes that it has the necessary resources to carry out its order book and is well positioned to secure more projects moving forward," it said based on the group's prospects and positive outlook of the construction industry.

EAH said the proposed acquisition would be fully satisfied by the issuance of 470.4 million EAH shares at an issue price of 10 sen per share, which will be implemented after the entitlement date of its proposed bonus issue.

The proposed bonus issue involves up to 267.36 million new ordinary EAH shares of 10 sen each, to be credited as fully-paid up on the basis of one bonus share for every five existing shares on an entitlement date to be determined later.