

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

Part C of this Circular pertaining to the Proposed Change of Name (as defined in this Circular) is prescribed as an exempt document pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities and does not require the perusal of Bursa Securities prior to its issuance. Accordingly, Bursa Securities has not perused Part C of this Circular pertaining to the Proposed Change of Name (as defined in this Circular).



ANCOM BERHAD

Registration No: 196901000122 (8440-M)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

PROPOSED ACQUISITION BY ANCOM BERHAD ("ANCOM" OR "COMPANY") OF THE ENTIRE BUSINESS AND UNDERTAKING INCLUDING ALL THE ASSETS AND LIABILITIES OF NYLEX (MALAYSIA) BERHAD FOR A CONSIDERATION OF RM179,287,212 TO BE SATISFIED IN THE MANNER AS DESCRIBED IN THIS CIRCULAR ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER FROM KAF INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF ANCOM IN RELATION TO THE PROPOSED ACQUISITION

PART C

PROPOSED CHANGE OF NAME OF THE COMPANY FROM "ANCOM BERHAD" TO "ANCOM NYLEX BERHAD" ("PROPOSED CHANGE OF NAME")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A



Maybank Investment Bank Berhad
(Co. Reg. No. 197301002412)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B



INVESTMENT BANK BERHAD
Registration No. 197401003530 (20657-W)

The Company's Extraordinary General Meeting ("**EGM**") will be conducted entirely through live streaming from the broadcast venue at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 26 October 2021 at 3.30 p.m. or immediately following the conclusion or adjournment of the 52nd Annual General Meeting ("**AGM**") of the Company scheduled to be held at the same venue and on the same day at 2.30 p.m., whichever is later, using remote participation and voting facilities provided by the Company's Share Registrar, Tricor Investor & Issuing House Sdn Bhd ("**TIIH**") via TIIH Online website at <https://tiih.online>. The Notice of EGM together with the Proxy Form, Administrative Guide for Shareholders and this Circular are available for download at the Company's website at <http://www.ancom.com.my/egm.php>.

If you are unable to attend and vote at the Company's EGM, you may appoint a proxy(ies) to do so by completing and depositing the Proxy Form in accordance with the instructions therein at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the EGM. You can also lodge the Proxy Form electronically via TIIH Online website at <https://tiih.online> before the lodgement cut-off time as mentioned below. The lodging of the Proxy Form will not preclude you from participating and voting at the EGM, should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Sunday, 24 October 2021, at 3.30 p.m.

Date and time of the EGM : Tuesday, 26 October 2021 at 3.30 p.m. or immediately following the conclusion or adjournment of the AGM, whichever is later

This Circular is dated 4 October 2021

DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply:

| | |
|-----------------------------------|--|
| Act | : Companies Act 2016 |
| AGM | : Annual General Meeting |
| Ancom or Company | : Ancom Berhad (Registration No. 196901000122 (8440-M)) |
| ALB | Ancom Logistics Berhad (Registration No. 196601000150 (6614-W)), our 33.96%-owned subsidiary listed on ACE Market of Bursa Securities |
| Ancom Group or Group | : Collectively, Ancom and its subsidiaries |
| Ancom Share(s) or Share(s) | : Ordinary share(s) in Ancom |
| Announcement LTD | : 27 April 2021, being the last trading date prior to the date of issuance of the Proposal Letter to the Nylex Board |
| Board | : Board of Directors |
| Bursa Securities | : Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| Cash Consideration | : The portion of the Purchase Consideration payable by our Company to Nylex in cash amounting to RM50,000,000 |
| Cash Distribution | : An amount equivalent to RM35,000,000 in cash to be distributed by Nylex to the Nylex MI pursuant to the Proposed Distribution |
| CCM | : Companies Commission of Malaysia |
| Circular | : This circular to our shareholders dated 4 October 2021 in relation to the Proposed Acquisition |
| Completion Date | : The business day falling after the Unconditional Date as may be agreed upon between the parties upon which the completion of the SBA is to take place or, failing such agreement, such business day falling 30 days after the Unconditional Date |
| Consideration Shares | : 31,129,508 new Ancom Shares to be issued at the Issue Price pursuant to the Proposed Acquisition |
| COVID-19 | : Coronavirus disease 2019 |
| Cut-Off Date | : A period of six (6) months from the date of the SBA, or such later date as the parties may mutually agree upon |
| Dato' Siew | : Dato' Siew Ka Wei, our Executive Chairman |
| Distribution Amount | : An amount equivalent to RM164,287,212, being part of the Purchase Consideration, which is proposed to be distributed to the entitled shareholders of Nylex whose names appear on the Record of Depositors of Nylex on the Entitlement Date pursuant to the Proposed Distribution |
| Edmond Cheah | : Edmond Cheah Swee Leng, our Independent Non-Executive Director |

DEFINITIONS *(Cont'd)*

| | |
|--|---|
| EGM | : Extraordinary general meeting of our Company |
| Entitlement Date | : A date to be determined by the Nylex Board and announced later on which the shareholders of Nylex must be registered in the Record of Depositors of Nylex as at the close of business for the purpose of determining their entitlement under the Proposed Distribution |
| ESOS Options | : Options granted under the existing employees' share option scheme of our Company which took effect on 6 March 2019 |
| EPS | : Earnings per share |
| FYE | : Financial year(s) ended / ending, as the case may be |
| IAL | : Independent advice letter dated 4 October 2021 prepared by the Independent Adviser in relation to the Proposed Acquisition as set out in Part B of this Circular |
| Issue Price | : The issue price of RM1.50 for each Consideration Share which has been agreed upon pursuant to the terms of the SBA |
| Interested Shareholders | : Collectively, Ancom and Rhodemark holding in aggregate, 90,133,977 Nylex Shares, representing approximately 50.27% of the total number of Nylex Shares (excluding treasury shares) in issue as at the LPD |
| km | : Kilometer |
| LBT | : Loss before tax |
| Listing Requirements | : Main Market Listing Requirements of Bursa Securities |
| LPD | : 14 September 2021, being the latest practicable date prior to the date of this Circular |
| KAF IB or Independent Adviser | : KAF Investment Bank Berhad (Registration No. 197401003530 (20657-W)) |
| Maybank IB or Principal Adviser | : Maybank Investment Bank Berhad (Co. Reg. No. 197301002412) |
| MI Distribution Amount | : Subject to the Nylex MI holding 89,153,235 Nylex Shares representing approximately 49.73% of the total number of Nylex Shares (excluding treasury shares) in issue on the Entitlement Date, an amount equivalent to RM81,694,262 which is payable by our Company to Nylex on Completion Date as part of the Purchase Consideration, which shall be distributed by Nylex to the Nylex MI in accordance with Section 2 of Part A of this Circular |
| MT | : Metric tonnes |
| NA | : Net assets |
| NBV | : Net book value |
| Net Amount Payable | : An amount equivalent to RM96,694,262, being the net amount payable by our Company for the Proposed Acquisition following the Set-off Arrangement, comprising the Retained Cash and the MI Distribution Amount |

DEFINITIONS *(Cont'd)*

| | |
|--------------------------------|--|
| NTA | : Net tangible assets |
| Nylex | : Nylex (Malaysia) Berhad (Registration No. 197001000148 (9378-T)) |
| Nylex Board | : Board of Directors of Nylex |
| Nylex Business | : All the business and undertaking of Nylex, whether or not relating to the business of Nylex, including all the assets and liabilities of Nylex as at the Completion Date |
| Nylex Group | : Collectively, Nylex and its subsidiaries |
| Nylex Holdings | : Nylex Holdings Sdn. Bhd. (Registration No. 202101023271 (1423571-D)), our wholly-owned subsidiary and the recipient of Nylex Business pursuant to the SBA |
| Nylex MI | : The entitled shareholders of Nylex (except for the Interested Shareholders) whose name appear on the Record of Depositors of Nylex on the Entitlement Date |
| Nylex Share(s) | : Ordinary share(s) in Nylex |
| PBT | : Profit before tax |
| Proposal Letter | : Proposal letter dated 28 April 2021 from our Company to the Nylex Board in respect of the Proposed Acquisition |
| Proposed Acquisition | : Proposed acquisition by our Company of the Nylex Business from Nylex for the Purchase Consideration to be satisfied in the manner as described in Section 2 of Part A of this Circular |
| Proposed Change of Name | : Proposed change of name of the Company from “Ancom Berhad” to “Ancom Nylex Berhad” |
| Proposed Distribution | : Proposed distribution by Nylex of the Distribution Amount to all the shareholders of Nylex whose names appear on the Record of Depositors of Nylex on the Entitlement Date by way of a capital reduction and repayment exercise pursuant to Section 116 of the Act |
| Purchase Consideration | : The total consideration in respect of the Proposed Acquisition amounting to RM179,287,212 |
| Retained Cash | : A cash amount equivalent to RM15,000,000 which is payable by our Company to Nylex on the Completion Date as part of the Purchase Consideration which amount shall be retained by Nylex and applied in such manner determined by Nylex |
| Ordinary Resolution | : The ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM |
| Rhodemark | : Rhodemark Development Sdn. Bhd. (Registration No. 199901006086 (480986-V)), our wholly-owned subsidiary |
| RPGT | : Real property gains tax |
| RPGTA 1976 | : Real Property Gains Tax Act 1976 |
| SBA | : Conditional sale of business agreement dated 29 July 2021 entered into between our Company, Nylex and Nylex Holdings in respect of the Proposed Acquisition |

DEFINITIONS *(Cont'd)*

| | |
|-----------------------------|--|
| SBA LTD | : 28 July 2021, being the last trading date prior to the signing of the SBA |
| SC | : Securities Commission Malaysia |
| Set-off Amount | : An amount equivalent to RM82,592,950 which shall be distributed by Nylex to the Interested Shareholders pursuant to the Proposed Distribution |
| Set-off Arrangement | : Subject to the Interested Shareholders holding, in aggregate, 90,133,977 Nylex Shares representing approximately 50.27% of the total number of Nylex Shares (excluding treasury shares) in issue on the Entitlement Date, an arrangement where Rhodemark shall (and our Company shall procure Rhodemark to) instruct Nylex to pay Rhodemark's entitlement under the Proposed Distribution to our Company, following which our Company shall apply the Set-off Amount receivable by our Company from Nylex by way of set-off against an equivalent amount payable by our Company to Nylex as part of the Purchase Consideration |
| Special Resolution | : The special resolution pertaining to the Proposed Change of Name to be tabled at the forthcoming EGM |
| Sqm | : Square metres |
| Tan Sri Dato' Dr Lin | : Tan Sri Dato' Dr Lin Hai Moh @ Lin See Yan, our Independent Non-Executive Director |
| Unconditional Date | : The relevant date upon which the SBA becomes unconditional or is deemed to have become unconditional in accordance with the terms and conditions of the SBA |
| VWAMP | : Volume-weighted average market price |
| Warrants B | : Free warrants issued to our shareholders on 10 September 2020 |
| <u>Currencies</u> | |
| RM and sen | : Ringgit Malaysia and sen, respectively |
| USD | : United States Dollar |
| VND | : Vietnam Dong |

Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

All references to "you" or "your" in this Circular are to the shareholders of Ancom. All references to "we", "us", "our" and "ourselves" are in respect of Ancom or Ancom Group, where relevant.

Any reference in this Circular to any enactment, rules or regulations is a reference to that enactment, rules or regulations as for the time being amended or re-enacted.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

DEFINITIONS *(Cont'd)*

Certain amounts and percentage figures included in this Circular have been subject to rounding adjustments. Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our plans and objectives will be achieved.

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PART A

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED
ACQUISITION**



ANCOM BERHAD

Registration No. 196901000122 (8440-M)
(Incorporated in Malaysia)

Registered Office

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

4 October 2021

Board of Directors

| | |
|--|--|
| Dato' Siew Ka Wei | <i>(Executive Chairman)</i> |
| Tan Sri Dato' Dr Lin Hai Moh @ Lin See Yan | <i>(Independent Non-Executive Director)</i> |
| Tan Sri Dato' Seri Abdull Hamid Bin Embong | <i>(Independent Non-Executive Director)</i> |
| Chan Thye Seng | <i>(Non-Independent Non-Executive Director)</i> |
| Edmond Cheah Swee Leng | <i>(Independent Non-Executive Director)</i> |
| Lim Hock Chye | <i>(Independent Non-Executive Director)</i> |
| Datuk Dr Abd Hapiz Bin Abdullah | <i>(Independent Non-Executive Director)</i> |
| Siew Ka Kheong | <i>(Alternate Director to Dato' Siew Ka Wei)</i> |

To: Our shareholders

Dear Sir / Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

Maybank IB had on 28 April 2021, on behalf of our Board, announced that our Company had on even date submitted the Proposal Letter to the Nylex Board to acquire the Nylex Business, upon the terms and conditions as set out in the Proposal Letter.

Subsequently, Maybank IB had on 28 June 2021, on behalf of our Board, announced that our Company had on even date received the duly accepted and executed Proposal Letter from Nylex, indicating Nylex's acceptance of the terms of the offer stated in the Proposal Letter.

Additionally, Maybank IB had on 29 July 2021, on behalf of our Board, announced that our Company and Nylex Holdings had on even date entered into the SBA with Nylex for the Proposed Acquisition.

On 23 September 2021, Maybank IB had, on behalf of our Board, announced that Bursa Securities had via its letter dated 22 September 2021, granted its approval for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the conditions as set out in Section 9(b) of Part A of this Circular.

In view of the interests of our interested director and interested major shareholder as disclosed in Section 12 of Part A of this Circular, the Proposed Acquisition is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, we had on 28 April 2021, appointed KAF IB as the Independent Adviser to advise our non-interested directors and non-interested shareholders in respect of the Proposed Acquisition.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE SET OUT IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR, BEFORE VOTING ON THE ORDINARY RESOLUTION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition of the Nylex Business from Nylex for the Purchase Consideration which was arrived at on the following basis:

| | |
|---|-----------------------------|
| Deemed offer price per Nylex Share | RM1.00 |
| Multiply: Number of Nylex Shares (excluding treasury shares) in issue as at the date of the Proposal Letter | x 179,287,212 |
| Purchase Consideration | <u>RM179,287,212</u> |

Nylex is our existing subsidiary. Our Company, together with our wholly-owned subsidiary, Rhodemark, collectively hold 90,133,977 Nylex Shares, representing approximately 50.27% of the total issued share capital of Nylex (excluding treasury shares) in issue as at the LPD. It is proposed for Nylex to distribute the Distribution Amount to its entitled shareholders and retain RM15,000,000 for its working capital and general corporate purposes (including for the acquisition of new business(es)/asset(s)).

Part of the Distribution Amount will be satisfied via the issuance of the Consideration Shares. As we are the holding company of Nylex and Nylex is not permitted to hold shares in its holding company pursuant to Section 22 of the Act which prohibits a corporation from being a member of its holding company, pursuant to the terms of the SBA, Nylex shall, subject to obtaining all requisite approvals, implement the Proposed Distribution by way of:

- (a) a capital reduction exercise in accordance with Section 116 of the Act involving a reduction of part of the share capital of Nylex, which shall require confirmation by the High Court of Malaya; and
- (b) a capital repayment exercise involving distribution of the Distribution Amount following the completion of the Proposed Acquisition to all the shareholders of Nylex in the manner as set out under item (b) of the paragraph below.

Accordingly, subject to the requisite approvals being obtained, the Purchase Consideration will be satisfied by our Company in the following manner:

- (a) RM15,000,000, being the Retained Cash shall be paid to Nylex on the Completion Date; and
- (b) RM164,287,212, being the Distribution Amount shall be payable to Nylex on the Completion Date and thereafter be distributed by Nylex to its entitled shareholders pursuant to the Proposed Distribution, out of which, subject to the Interested Shareholders holding, in aggregate, 90,133,977 Nylex Shares representing approximately 50.27% of the total number of Nylex Shares (excluding treasury shares) in issue on the Entitlement Date:
 - (A) RM81,694,262, being the MI Distribution Amount shall be distributed by Nylex to the Nylex MI in the following manner:
 - (1) RM35,000,000 shall be paid by our Company to Nylex in cash into Nylex's designated account on the Completion Date and thereafter to be distributed by Nylex to the Nylex MI on the payment date to be announced by the Nylex Board; and
 - (2) RM46,694,262 shall be distributed in the form of Consideration Shares which shall, on the payment date to be announced by the Nylex Board, be issued directly by our Company at the Issue Price to the Nylex MI,

each Nylex MI receiving a cash payment of approximately RM0.3926 and such number of Ancom Shares equivalent to approximately to RM0.5238 in value for every Nylex Share held on the Entitlement Date; and
 - (B) RM82,592,950, being the Set-off Amount shall be distributed by Nylex to the Interested Shareholders pursuant to the Proposed Distribution, which amount shall be applied in accordance with the Set-off Arrangement.

As such, the net amount payable by our Company for the Proposed Acquisition following the Set-off Arrangement will be RM96,694,262, being the sum of the Retained Cash and the MI Distribution Amount.

The manner of settlement of the Purchase Consideration is set out below:

| | <u>RM</u> |
|--|---------------------------|
| Purchase Consideration: | |
| (i) Retained Cash | 15,000,000 |
| (ii) Distribution Amount | 164,287,212 |
| | <u>179,287,212</u> |
| Less: Set-off Amount under the Set-off Arrangement pursuant to the Proposed Distribution | (82,592,950) |
| Net Amount Payable | <u>96,694,262</u> |

| | Gross RM | Amount attributable to each Nylex Share held by the Nylex MI⁽¹⁾ RM |
|--|---------------------|--|
| The Distribution Amount shall be satisfied in the following manner: | | |
| (a) Set-off amount to be distributed by Nylex to the Interested Shareholders | 82,592,950 | Not applicable |
| (b) MI Distribution Amount to be distributed to the Nylex MI via: | | |
| (i) Cash Distribution to be distributed by Nylex; and | 35,000,000 | 0.3926 |
| (ii) Consideration Shares to be issued by our Company | 46,694,262 | 0.5238 |
| Distribution Amount: | 164,287,212 | 0.9163 |

Note:

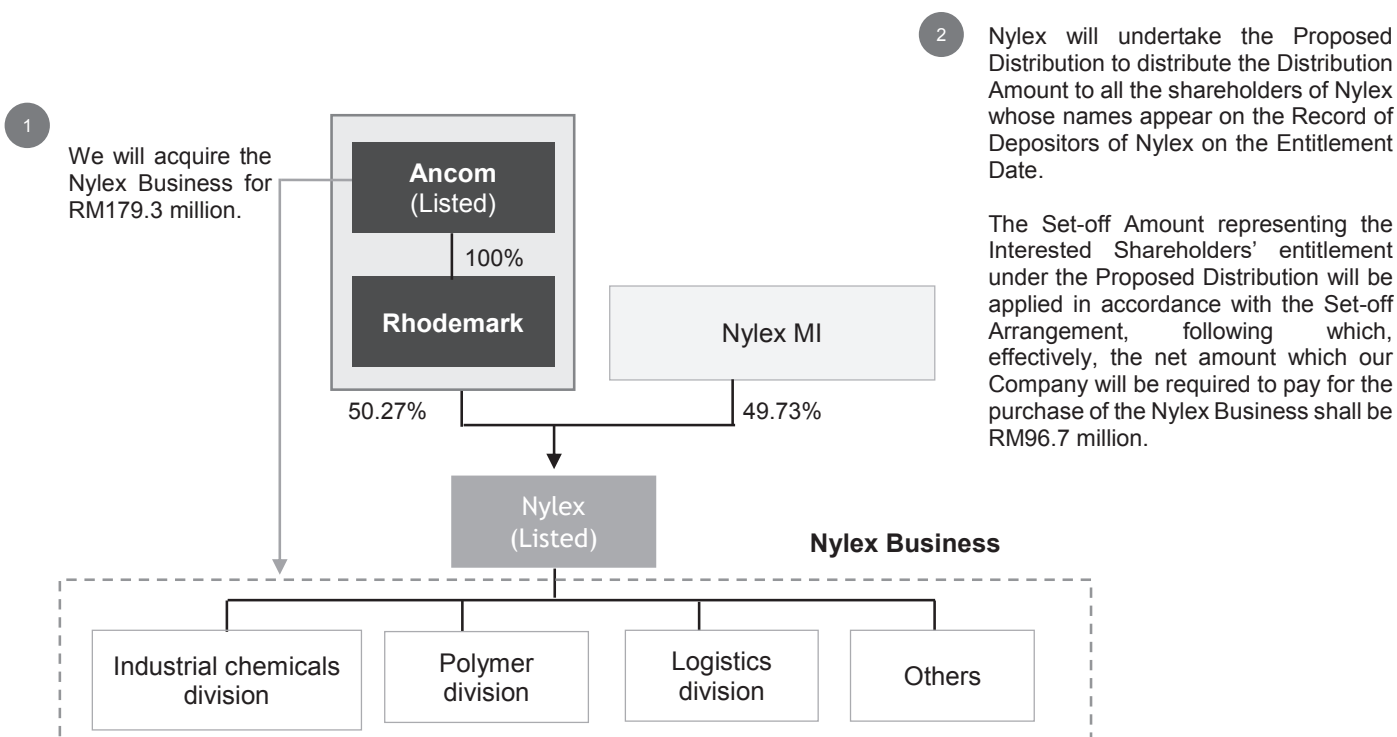
(1) Computed based on the gross amount divided by 89,153,235 Nylex Shares held by the Nylex MI

For the avoidance of doubt, the Nylex Business to be acquired by our Company comprises of all the business and undertaking of Nylex, whether or not relating to its business, including all the assets and liabilities of Nylex within and outside of Malaysia as at the Completion Date. This includes Nylex's interest in all its subsidiaries and associated companies, as a going concern on an 'as-is where-is' basis. In respect of the shares held by Nylex in its subsidiaries and associated companies, such shares will be transferred to Nylex Holdings free from all encumbrances.

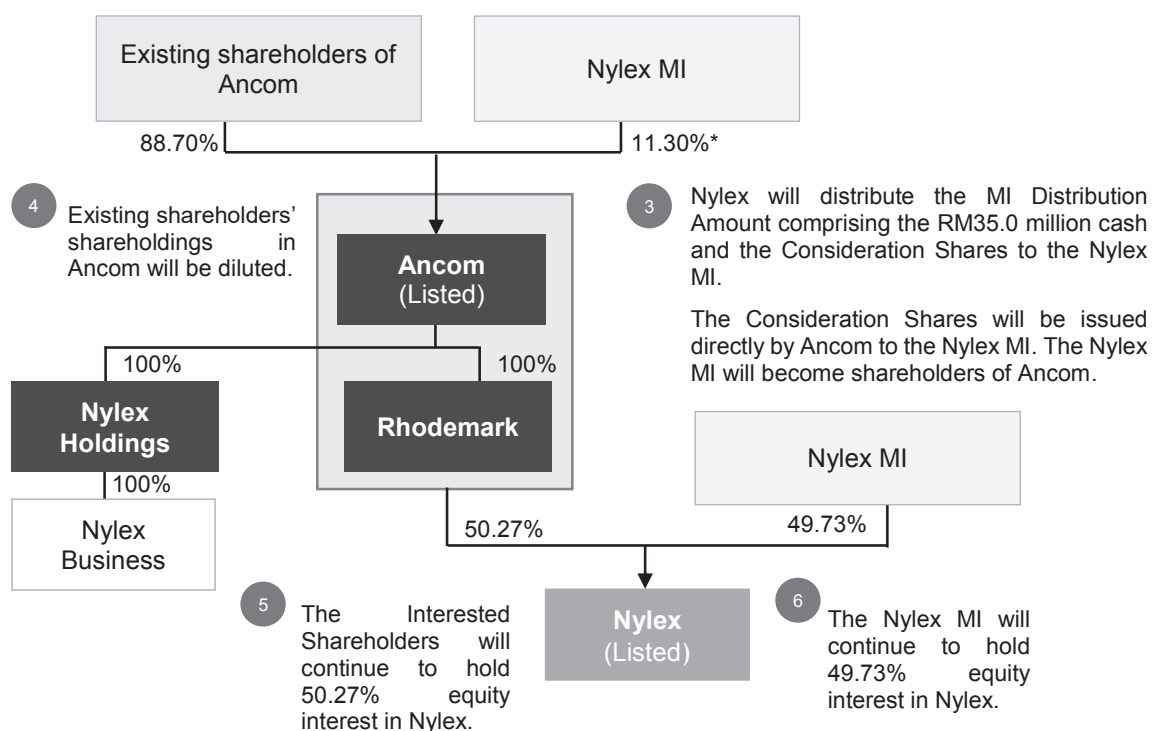
Pursuant to the terms of the SBA, Nylex Holdings has been nominated to be the recipient for the Nylex Business.

A summary of the Proposed Acquisition via diagrammatic structure is set out below:

Before the Proposed Acquisition



After the Proposed Acquisition



Note:

* *For illustrative purposes only, the shareholding of the Nylex MI in our Company after the Proposed Acquisition is computed based on 31,129,508 Consideration Shares divided by the enlarged number of Ancom Shares of 275,371,791 (excluding treasury shares) after taking into account our issued share capital as at the LPD and the issuance of the Consideration Shares.*

For avoidance of doubt, the implementation of the Proposed Acquisition will not give rise to any mandatory take-over offer obligation under the Malaysian Code on Take-Overs and Mergers, 2016 and the Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC. Nylex will remain as our subsidiary and the Nylex MI will continue to hold 49.73% equity interest in Nylex after the completion of the Proposed Acquisition and Proposed Distribution.

After the completion of the Proposed Acquisition and the Proposed Distribution, Nylex may be classified as:

- (a) a 'Cash Company' pursuant to Paragraph 8.03(1) of the Listing Requirements as its assets will on a consolidated basis consist of 70.0% or more of cash or short term investments, or a combination of both; and/or
- (b) an 'Affected Listed Issuer' pursuant to Paragraph 8.03A(2) of the Listing Requirements as it will not have an adequate level of operations to warrant continued listing on Bursa Securities.

Accordingly, Nylex will be required to regularise its condition by submitting a proposal to the SC for its approval to acquire a new core business within twelve (12) months from the date of being classified as a "Cash Company" and/or "Affected Listed Issuer" pursuant to Paragraphs 8.03(1) and 8.03A(2) of the Listing Requirements respectively. The Retained Cash is meant to facilitate Nylex's acquisition of a new core business that will allow Nylex to maintain its listing status on the Main Market of Bursa Securities after the completion of the Proposed Acquisition and the Proposed Distribution.

2.1 Salient terms of the SBA

Please refer to **Appendix II** of this Circular for the salient terms of the SBA.

2.2 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at after taking into consideration, among others, the following:

- (a) deemed offer price per Nylex Share of RM1.00 which was determined after taking into consideration the historical market prices of Nylex Shares as traded on Bursa Securities.

For illustrative purposes only, the deemed offer price per Nylex Share represents the following premium over the last transacted price and VWAMP of Nylex Shares up to and including the Announcement LTD:

| | Price | Premium | |
|--|--------------|----------------|------------|
| | (RM) | (RM) | (%) |
| Last transacted price of Nylex Shares as at the Announcement LTD | 0.9050 | 0.0950 | 10.5 |

Up to and including the Announcement LTD as follows:

| | | | |
|-------------------------------|--------|--------|------|
| 5-day VWAMP of Nylex Shares | 0.8608 | 0.1392 | 16.2 |
| 1-month VWAMP of Nylex Shares | 0.8329 | 0.1671 | 20.1 |

| | Price | Premium | |
|-------------------------------|--------|---------|------|
| | (RM) | (RM) | (%) |
| 3-month VWAMP of Nylex Shares | 0.7845 | 0.2155 | 27.5 |
| 6-month VWAMP of Nylex Shares | 0.7268 | 0.2732 | 37.6 |
| 1-year VWAMP of Nylex Shares | 0.7604 | 0.2396 | 31.5 |

(Source: Bloomberg)

- (b) audited consolidated NA attributable to owners of Nylex as at 31 May 2020 of approximately RM297.8 million or RM1.70 per Nylex Share. The deemed offer price per Nylex Share of RM1.00 represents a discount of RM0.70 or 41.2% to the audited consolidated NA per Nylex Share; and
- (c) audited consolidated NTA attributable to owners of Nylex as at 31 May 2020 of approximately RM212.2 million or RM1.21 per Nylex Share, computed based on the audited consolidated NA attributable to owners of Nylex as at 31 May 2020 of approximately RM297.8 million excluding goodwill of RM85.6 million. The deemed offer price per Nylex Share of RM1.00 represents a discount of RM0.21 or 17.4% to the audited consolidated NTA per Nylex Share.

Our Board is of the view that 1-month VWAMP of Nylex Shares up to and including the Announcement LTD ("**1-month VWAMP of Nylex Shares**") was more reflective of the market price of Nylex Shares at that time and the premium of approximately 20.1% to the 1-month VWAMP of Nylex Shares is reasonable and deemed attractive:

- (a) for the Nylex Board to accept the Proposal Letter subject to, among others, the approval of the Nylex MI and relevant regulatory authorities, where required; and
- (b) for the Nylex MI to consider the Proposed Acquisition as it allows the Nylex MI to unlock their investment in Nylex at a premium to the historical market prices of Nylex Shares, in exchange for a direct equity exposure in Ancom and cash payment of RM0.3926 per Nylex Share pursuant to the Cash Distribution.

For information purposes only,

- (a) the deemed offer price per Nylex Share of RM1.00 represents the following premium over the last transacted price and VWAMP of Nylex Shares up to and including the SBA LTD:

| | Price | Premium | |
|---|--------|---------|-------|
| | (RM) | (RM) | (%) |
| Last transacted price of Nylex Shares as at the SBA LTD | 0.8400 | 0.1600 | 19.0% |

Up to and including the SBA LTD as follows:

| | | | |
|-------------------------------|--------|--------|-------|
| 5-day VWAMP of Nylex Shares | 0.8400 | 0.1600 | 19.0% |
| 1-month VWAMP of Nylex Shares | 0.8467 | 0.1533 | 18.1% |
| 3-month VWAMP of Nylex Shares | 0.8682 | 0.1318 | 15.2% |
| 6-month VWAMP of Nylex Shares | 0.8282 | 0.1718 | 20.7% |
| 1-year VWAMP of Nylex Shares | 0.7771 | 0.2229 | 28.7% |

(Source: Bloomberg)

- (b) the deemed offer price per Nylex Share of RM1.00 represents a discount of RM0.75 or 42.9% to the audited consolidated NA attributable to owners of Nylex as at 31 May 2021 of RM1.75 per Nylex Share.

2.3 Basis of arriving at the Issue Price

The Issue Price was determined after taking into consideration, among others, the following:

- (a) 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of Ancom Shares up to and including the Announcement LTD of RM1.6184, RM1.4936, RM1.3530, RM1.1946 and RM0.9666; and
- (b) audited consolidated NA attributable to owners of our Company as at 31 May 2020 of RM311.7 million or RM1.40 per Ancom Share.

The Issue Price represents the following premium/(discount) over the last transacted price and VWAMP of Ancom Shares up to and including the Announcement LTD:

| | Price (RM) | Premium/ (Discount) (RM) | (%) |
|--|---------------|-----------------------------|--------|
| Last transacted price of Ancom Shares as at the Announcement LTD | 1.6800 | (0.1800) | (10.7) |
| Up to and including the Announcement LTD as follows: | | | |
| 5-day VWAMP of Ancom Shares | 1.6184 | (0.1184) | (7.3) |
| 1-month VWAMP of Ancom Shares | 1.4936 | 0.0064 | 0.4 |
| 3-month VWAMP of Ancom Shares | 1.3530 | 0.1470 | 10.9 |
| 6-month VWAMP of Ancom Shares | 1.1946 | 0.3054 | 25.6 |
| 1-year VWAMP of Ancom Shares | 0.9666 | 0.5334 | 55.2 |

(Source: Bloomberg)

Although the Issue Price is at a discount to the last transacted price and 5-day VWAMP of Ancom Shares up to and including the Announcement LTD ("**Last Transacted Price and 5-day VWAMP of Ancom Shares**") as illustrated above, our Board took into consideration the following justifications in arriving at the Issue Price:

- (a) the 1-month VWAMP of Ancom Shares up to and including the Announcement LTD of RM1.4936 was more reflective of the market price of Ancom Shares at that time and is close to the Issue Price of RM1.50;
- (b) the Issue Price represents a premium ranging from approximately 10.9% to 55.2% to the 3-month, 6-month and 1-year VWAMP of Ancom Shares up to and including the Announcement LTD;
- (c) the Issue Price is within the range of the highest price of Ancom Share of RM1.72 and lowest price of Ancom Shares of RM0.745 for the past six (6) month up to and including the Announcement LTD; and
- (d) the discount ranging from approximately 7.3% to 10.7% to the Last Transacted Price and 5-day VWAMP of Ancom Shares is reasonable to achieve an alignment of interest between Nylex and our Group so that the Proposed Acquisition will be carried through successfully with the support of both our and Nylex's shareholders.

For information purposes only,

- (a) the Issue Price represents the following premium/(discount) over the last transacted price and VWAMP of Ancom Shares up to and including the SBA LTD:

| | Price | Premium | |
|---|--------------|----------------|------------|
| | (RM) | (RM) | (%) |
| Last transacted price of Ancom Shares as at the SBA LTD | 1.4800 | 0.0200 | 1.4% |
| Up to and including the SBA LTD as follows: | | | |
| 5-day VWAMP of Ancom Shares | 1.4818 | 0.0182 | 1.2% |
| 1-month VWAMP of Ancom Shares | 1.4946 | 0.0054 | 0.4% |
| 3-month VWAMP of Ancom Shares | 1.5842 | (0.0842) | (5.3%) |
| 6-month VWAMP of Ancom Shares | 1.4414 | 0.0586 | 4.1% |
| 1-year VWAMP of Ancom Shares | 1.1570 | 0.3430 | 29.6% |

(Source: Bloomberg)

- (b) the Issue Price represents a marginal premium of RM0.01 or 0.7% to the audited consolidated NA attributable to owners of our Company as at 31 May 2021 of RM1.49 per Ancom Share.

2.4 Listing and quotation of the Consideration Shares

The approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities has been obtained on 22 September 2021, subject to the conditions as set out in Section 9 of Part A of this Circular.

2.5 Ranking of the Consideration Shares

The Consideration Shares will be issued and credited as fully paid-up and will, upon allotment and issuance, rank equally in all respects with each other and with the then existing Ancom Shares save and except that the Consideration Shares will not be entitled to any dividend, right, allotment and/or other distribution that may be declared, made or paid to our shareholders for which the entitlement date is prior to the date of allotment of the Consideration Shares.

2.6 Liabilities to be assumed

All liabilities comprised in the Nylex Business, including (but not limited to) all debts, liabilities, duties and obligations of Nylex as at the Completion Date will be transferred to and assumed by our Company and/or Nylex Holdings, as the transferee. No guarantees are to be given by our Company and/or Nylex Holdings to Nylex pursuant to the Proposed Acquisition. However, our Company and/or Nylex Holdings shall assume:

- (a) liabilities under any corporate guarantees given by Nylex for the benefit of Nylex's subsidiaries and/or its associated companies;
- (b) guarantees issued by Nylex to third parties in its ordinary course of business; and

- (c) other liabilities not specifically described earlier, including any claim, demand, right of set-off or legal proceedings by any person against Nylex and any amount due to trade or other creditors by Nylex.

The abovementioned liabilities will upon transfer be settled as and when due in the ordinary course of business.

2.7 Additional financial commitment

Upon completion of the Proposed Acquisition, there is no additional financial commitment to be incurred by us as the Nylex Business is already in operations and is generating revenue.

2.8 Source of funding

The Net Amount Payable will be funded via the payment of the Cash Consideration of RM50,000,000 and the issuance of 31,129,508 Consideration Shares. The Cash Consideration will be funded entirely via bank borrowing.

2.9 Information on Nylex

Please refer to **Appendix I** of this Circular for information on Nylex.

3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

We are involved in a diversified range of businesses with the following operating segments:

| Operating segment | Principal activities |
|--------------------------|---|
| Agricultural chemicals | Manufacture, formulation and sale of agricultural chemicals focusing on crop protection and timber preservatives |
| Industrial chemicals | Manufacture, trading and sale of industrial chemical products (currently undertaken by the Nylex Group) |
| Polymers | Manufacture, trading and sale of polymer products (currently undertaken by the Nylex Group) |
| Chemical logistics | Ship-owning, ship-operating, land transportation, container haulage, bulk cargo handling, chemicals warehousing and related services (currently undertaken by the Nylex Group and ALB's group of companies) |
| Media | Provision of out-of-home and digital advertising media space |
| Others | Investment holding, education, information technology, manufacturing, sales of electrical component products and property development |

Approximately 67.7% of our Group's revenue for the FYE 31 May 2021 was contributed by the industrial chemicals division which is undertaken solely by the Nylex Group.

As Nylex is only a 50.27%-owned subsidiary of our Company, the Proposed Acquisition will enable our Company to obtain full control of all of Nylex's assets and businesses in industrial chemicals, polymer and chemical logistics divisions such that it will provide greater flexibility for our Company to plan and decide on the business strategy of these businesses after the completion of the Proposed Acquisition. The Proposed Acquisition is also in line with our intention to establish a fully integrated chemical group where:

- (a) we own and control the manufacturing, distribution and logistics facilities (such as storage tank farms, fleet of road tankers and chemical tanker); and
- (b) fully capable to source, manufacture, store and deliver a wide range of products to our local customers and for exports.

Accordingly, despite the Nylex Group registering net losses for the FYE 31 May 2019 and FYE 31 May 2020 due to external factors as further explained in **Appendix I** of this Circular, our Board is confident that the Proposed Acquisition will bring benefits and values to our enlarged Group's growth prospects in the long term.

Post completion of the Proposed Acquisition, we will continue to hold 50.27% equity interest in Nylex. The continued listing of Nylex on the Main Market of Bursa Securities is dependent on Nylex's ability to formulate and submit a regularisation plan pursuant to Paragraphs 8.03(5) and 8.03A(3) of the Listing Requirements. With the continued listing of Nylex, it will provide an opportunity for us to participate in the business and prospects of the Nylex Group after Nylex has acquired a new core business. Our Group's operations may be further diversified arising from the acquisition of the new core business by Nylex.

The Net Amount Payable will be satisfied via a combination of the Cash Consideration and issuance of the Consideration Shares. The partial settlement via the Consideration Shares is the most appropriate means to partly settle the Net Amount Payable as it will enable our Company to conserve cash and minimise our funding requirements, and at the same time, allowing the Nylex MI to stay invested in the Nylex Business via their equity participation in Ancom.

Following several negotiations with Nylex, our Company agreed to bear all RPGT payable (if any) pursuant to the disposal of real property in connection with the SBA after taking into consideration the following:

- (a) the transaction was being initiated and proposed by our Company to gain full control of the Nylex Business. In the absence of our offer to acquire the Nylex Business (which includes the real properties), there would be no requirement on the part of Nylex to incur the RPGT;
- (b) the Purchase Consideration represents a discount of RM118.5 million and RM133.9 million to the audited consolidated NA attributable to owners of Nylex as at 31 May 2020 and 31 May 2021 respectively, whereas the estimated RPGT in respect of the Proposed Acquisition (if any) is estimated to be approximately RM4.0 million, subject to assessment by the Inland Revenue Board of Malaysia; and
- (c) as Nylex may be classified as a "Cash Company" pursuant to Paragraphs 8.03(1) of the Listing Requirements after the completion of the Proposed Acquisition and the Proposed Distribution, at least 90% of its cash and short-dated securities (after deducting the estimated expenses and the cash amount to be distributed under the Proposed Distribution) must be placed in an account opened with a financial institution licensed by Bank Negara Malaysia and operated by a custodian. Accordingly, Nylex will only be able to use approximately RM1.3 million out of the Retained Cash for its day-to-day operational expenses and does not have excess funds to settle any RPGT liability.

4. INDUSTRY OVERVIEW

4.1 Overview and outlook of the global economy

The global economy continued to improve in the second quarter (“2Q”) of 2021. However, growth was uneven across advanced economies (“AE”) and emerging market economies (“EM”). In most AEs, faster growth was broad-based across both manufacturing and services sectors, as higher vaccination rates help to facilitate the easing of containment measures. In contrast, many EMs continued to be disrupted by containment measures to curb the ongoing COVID-19 pandemic risks, which adversely impacted and further dampened the economic activity despite improving external demand conditions for the emerging market economies. With the exception of People’s Republic of China (“PRC”), the improvement in year-on-year growth during the quarter was also partially attributable to the low base effects from the lockdowns imposed worldwide during the corresponding period in the preceding year.

For China, its growth normalised to 7.9% for 2Q of 2021 (first quarter (“1Q”) 2021: 18.3%) as it experienced sustained strength in exports and a steady recovery in domestic demand, which was supported by expansionary financing.

On the other hand, the United States (“US”) economy accelerated, expanding by 12.2% during the 2Q of 2021 (1Q 2021: 0.5%). Private consumption was the main driver for the economy, supported by fiscal support and the steady improvement in labour market conditions. The further relaxation of containment measures also contributed to the recovery. The euro area also turned around and recorded a growth of 13.7% (1Q 2021: -1.3%), driven by improvements in both domestic and external activity. The pickup in the vaccine rollout within the euro area economies allowed for the relaxation of containment measures, which benefitted especially the domestic-oriented services. Growth was also supported by continued strength in manufacturing and trade activity.

In the July World Economic Outlook issued by the International Monetary Fund (“IMF”), the IMF kept its projection of global growth in 2021 unchanged, compared to the April World Economic Outlook, at 6.0%. While the overall global growth outlook remained unchanged, there were offsetting revisions between AEs, which were revised upwards, and EMs which were revised downwards. This reflects pandemic developments especially with regards to vaccination rates and differences in the extent of policy support and availability of policy space between the two economies. With higher vaccination rates, AEs are expected to be able to manage resurgences in COVID-19 infections with relatively lighter containment measures. This, along with improvement in domestic demand, will support the recovery momentum for AEs in the second half of 2021. For EMs, the risk of disruptions in domestic activity due to containment measures amidst COVID-19 resurgences is higher, due to the slower rate of vaccination. In addition, there is less policy space in EMs, which will limit the degree of accommodation from policy to offset any shocks due to a resurgence of COVID-19 pandemic.

The balance of risk remains tilted to the downside, with COVID-19 pandemic related risks remaining the key source of downside risk. The key risk concerns the spread of new variants of concern that could lead to the resumption of containment measures to preserve healthcare capacity, amid lower effectiveness of vaccines against newer variants. Nevertheless, upside risks to growth could come from faster-than expected vaccination progress in EMs and further fiscal stimulus, particularly in AEs.

(Source: Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia)

4.2 Overview and outlook of the Malaysian economy

The Malaysian economy turned around and expanded by 16.1% in the 2Q of 2021 (1Q 2021: -0.5%), supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the 2Q of 2020. Economic activity picked up at the start of the 2Q but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (“**FMCO**”). For the 2Q as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.

On the sectoral front, double-digit growth was recorded across most economic sectors in the 2Q of 2021. The services sector expanded by 13.4% (1Q 2020: -2.3%). Growth was supported by a nascent recovery in consumer-related activities in April and May 2021. This was, however, partially reversed by the re-imposition of restrictions on non-essential retail activities, dine-ins and inter-district and inter-state travel. Meanwhile, the information and communication subsector continued to benefit from rising demand for e-commerce and e-payment activity, as well as remote working and learning arrangements. Additionally, strong double-digit growth was recorded in the finance and insurance subsector, attributed to higher fee income, sustained loan and deposit growth, and higher net insurance premiums less claims.

With the earlier relaxation of containment measures, overall labour market conditions are projected to recover at a faster pace, with increased hiring and improvement in income growth. This contributes to a sooner-than-expected recovery in consumer confidence. When restrictions are eased, the effects from improved labour market conditions and sentiments will generate stronger-than-expected demand conditions.

Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the 2Q of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia’s exports, particularly for electrical and electronics (“**E&E**”) products, continued to remain robust.

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide containment measures, which would weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will continue to be supported by policy measures, which will provide cash flow support, particularly for affected households and businesses. Going forward, the economic recovery will be underpinned by higher external demand and gradual improvement in domestic demand. The rapid progress of the nationwide vaccination programme will allow economic sectors to be gradually reopened and provide some lift to household and business sentiments.

(Source: Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia)

4.3 Overview and outlook of the manufacturing and agricultural sectors

Growth in the manufacturing sector expanded by 26.6% (1Q 21: 6.6%). On a seasonally adjusted, quarter-on-quarter basis however, manufacturing growth declined by 1.5%. This was a result of the imposition of MCO 3.0 which impacted demand domestically for products in the consumer- and construction-related clusters. Demand conditions for export-oriented industry remained resilient amid the continued global tech upcycle and recovery in global growth. Manufacturing growth was further impacted by Phase 1 of the FMCO, which limited operations to only essential sectors and those in the global value chain.

Manufactured exports increased by 43.6% (1Q 2021: 22.7%), supported mainly by non-E&E products exports 55.5%, 1Q 2021: 19.0%). This was driven by strong demand for petroleum and chemical products, manufactures of metal and machinery, and equipment and parts. Commodities exports registered a strong rebound (46.3%, 1Q 2021: -6.5%) due mainly to improvement in CPO, LNG and crude petroleum exports.

The agriculture sector, however, contracted further by 1.5% in 2Q of 2021 (1Q 2021: 0.2%). This was mainly attributed to a larger decline in oil palm output as harvesting activity was affected by continued labour shortages. While the forestry and logging subsector also declined, agricultural activity was partially supported by a rebound in the rubber and fisheries sub-sectors. Additionally, the livestock and other agriculture sub-sectors continued to register positive growth amid a turnaround in domestic demand.

(Source: Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia)

4.4 Overview and outlook of the automotive sector

PVC leathercloth is Nylex's main product under the Polymer Division which is often used for automotive interiors.

The global automotive industry was estimated to suffer a revenue loss of USD60 billion in 2021 due to shortages of semiconductor chips as the impact from the chip shortages was first felt by the automotive industry. This issue has also highlighted the high degree of geographical concentration of chip manufacturing, raising national security concerns for some major economies. Automotive players faced longer lead-times when demand recovered sharply, as chip manufacturers were unable to reprioritise chip supplies back to the automotive industry, especially for those that have cancelled chip orders earlier. This has led some automotive players to suspend production or leave out certain non-essential features due to inability to source vital components. Moving into 2021 however, the automotive industry experienced a faster-than-expected recovery in demand following the lifting of containment measures by various governments globally.

Nevertheless, Malaysia's automotive sector has been relatively less affected. Compared to the automotive industry in the US and Germany, Malaysia's production has improved since end-2020. This is partly attributed to a lower chip intensity for motor vehicles produced in Malaysia, compared to the AEs, particularly in the production of mass-market and national makes. The improvement in motor vehicle production also coincides with the sales and service tax exemptions on purchases of passenger cars, as consumers leveraging on the tax savings increased their demand for vehicles.

(Source: Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia)

4.5 Overview and outlook of the oil prices

Brent crude oil prices rose to an average of USD69 per barrel during the 2Q of 2021 (1Q 2021 average: USD61 per barrel). Despite the resurgence in COVID-19 cases in some regions, the rally in oil prices was underpinned by improving global economic growth, rising vaccination rates and progressive easing of mobility restrictions measures, particularly in the advanced economies. Oil prices were also supported by tight global oil supply conditions amid the ongoing OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) production cuts and a modest increase in shale oil production from the US.

Based on the Commodity Market Developments and Forecasts issued by IMF in April 2021, oil prices increased by 39 percent between August 2020 and February 2021 on positive vaccine news and the rapid economic recovery in Asia. A resurgence of COVID-19 cases and difficulties in vaccine rollout at the beginning of the year weakened the oil demand outlook and led the OPEC+ coalition to review more prudently the relaxation of the 7 million barrels a day production curbs announced in April 2020.

Although oil prices persistently above USD60 a barrel may induce a substantial production recovery of higher-cost producers in non-OPEC+ countries, including of US shale oil, most of them seem focused on balance sheet repair. Risks to oil prices are slightly tilted to the upside as upside risks from large cuts in oil and gas upstream investments exceed downside risks from a setback in global oil demand recovery.

(Source: Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia; Commodity Market Developments and Forecasts – April 2021, IMF)

4.6 Overview and outlook of the chemical and chemical products sectors

The chemicals and chemical products industry produces outputs that are used as raw materials in the manufacturing of E&E products, plastic products, agricultural goods, and construction materials. The industry is a key contributor towards Malaysia's GDP, and represents a sizeable segment of the country's manufacturing landscape. According to the Chemical Industries Council of Malaysia, the industry contributed approximately RM33.8 billion to the national GDP in 2019, primarily as a result of its strong linkages to other major manufacturing industries. However, the recent global recession and the government of Malaysia's response to the COVID-19 pandemic has adversely impacted the industry; primarily due to the movement control order ("MCO"), which has imposed restrictions on manufacturers, thereby hindering them from operating at full capacity. In 2020, imports of chemicals and chemical products were reduced by 10 per cent to RM73.5 billion as compared to 2019, while the total exports also declined by 11.8 per cent to RM50.7 billion.

The chemicals and chemical products industry still has significant room for growth, development, and improvement given the events of 2020. Future and strategic planning focusing on agility, resilience, and sustainability will allow industry players to maximise returns on investment, even in the face of future shocks. In particular, inculcating the spirit of innovation among industry players will be key to enhancing the industry's economic value. Allied Market Research's report published in May 2020, "The Specialty Chemicals Report Outlook 2027", reports that the global specialty chemicals market value stood at USD711 billion in 2019, and is projected to reach USD953.9 billion by 2027, growing at a CAGR of five per cent from 2020 to 2027, mainly driven by pharmaceutical ingredients, agrochemicals, and end-user industries such as food additives, cosmetic chemicals, as well as pulp and paper.

Moving forward, Malaysia is looking to venture into new sub-segments within the speciality chemicals segment. Industry players have begun exploring the possibility to produce speciality chemical products directly from crude oil by using Crude Oil-To Chemicals (COTC) technology. Non-fuel products such as catalysts, aromatics, white spirits (naphtha), wax, and white oil offer a huge market potential to be explored. These products can be used as additives for various industries such as food and beverages, construction and automotive.

(Source: Malaysia Investment Performance Report 2020, Malaysian Investment Development Authority)

5. PROSPECTS OF THE NYLEX BUSINESS AND OUR FUTURE PLANS

The Nylex Group's business operations were adversely affected by several factors during the FYE 31 May 2020. The key adverse factors were related to the weakening of the global economy due to the China-USA trade war as well as the lock-down of economies due to the COVID-19 pandemic which severely restricted business activities in early 2020. In addition, the glut in oil supply resulting from the Saudi Arabia-Russia price war further weakened oil and commodities prices and margins. Affected by the above factors, for the FYE 31 May 2020, the Nylex Group recorded significantly lower revenue compared to the preceding financial year.

However, the Nylex Group's revenue for the FYE 31 May 2021 has improved by 1.4% to RM1,151.7 million (FYE 31 December 2020: RM1,136.3 million), mainly driven by the industrial chemicals division as the average selling prices of its products have increased in line with global crude oil prices. The polymer division of the Nylex Group has also grown due to higher sales volume and improved margins for certain products.

Additionally, Nylex's wholly-owned subsidiary, Fermpro Sdn. Bhd. has obtained the approval of Malaysian Investment Development Authority to increase its ethanol production capacity from 5 million litres to a total of 10.0 million litres per year. Ethanol is used mainly in the manufacture of sanitisers and disinfectants. Fermpro Sdn. Bhd. has contracted to construct a new manufacturing plant, which is expected to contribute positively to the Nylex Group's earnings for the FYE 31 May 2023 onwards. The estimated total project cost for the new manufacturing plant is approximately RM21.5 million. The said project cost will be funded by existing bank borrowing and internally generated funds from the Nylex Business after the completion of the Proposed Acquisition.

In view of the above, despite the challenging environment for the Nylex Group due to several unfavourable near term economic challenges, our Board is taking a long-term view on the business prospects of the Nylex Group and is of the view that the Proposed Acquisition will allow our Group to realise the full benefits from any improvement/recovery of the Nylex Business post completion of the Proposed Acquisition.

As Nylex is our existing subsidiary, we are familiar with the Nylex Business and hence do not have any intention to introduce or effect major changes to the existing Nylex Business, except where necessary to integrate and/or reorganise and/or rationalise the business activities and/or direction of the Nylex Business. However, notwithstanding that the global economy remains uncertain, we do not foresee the need to undertake any rationalisation plan in the immediate future. We will from time to time continuously carry out a review on the strategy and future business direction of the Nylex Business in order to remain competitive and improve future growth.

6. RISKS IN RELATION TO THE PROPOSED ACQUISITION

In view that Nylex is our existing subsidiary, the Proposed Acquisition is not expected to give rise to new risks which we are not already exposed to which could materially affect, directly or indirectly, the business, operating results and financial condition of our Group.

However, the Proposed Acquisition is subject to the following:

(i) Non-completion risk

The completion of the Proposed Acquisition is conditional upon various conditions precedent being fulfilled as set out in Section 3 of **Appendix II** of this Circular. Such conditions precedent include approvals and conditions which are beyond our control, such as the approval of Nylex's shareholders and the confirmation of the High Court of Malaya in respect of the Proposed Distribution. Accordingly, there can be no assurance that the Proposed Acquisition will be completed as contemplated. If any of the conditions precedent under the SBA is not fulfilled or waived and/or extension of the timeframe to fulfil the conditions precedent are not mutually agreed upon between our Company and Nylex, the Proposed Acquisition will not be completed.

However, our Board will use reasonable endeavours to ensure that the conditions precedent that are within our Company's control are fulfilled by the stipulated timeframe to ensure the successful completion of the Proposed Acquisition.

(ii) Acquisition risk

The Proposed Acquisition is expected to contribute positively to the future earnings and EPS of our Group upon the completion of the Proposed Acquisition. However, there can be no assurance that the anticipated benefits of the Proposed Acquisition will be realised or the additional profit contribution from the full control of the business operations currently under Nylex will be sufficient to offset the associated acquisition costs incurred. Nevertheless, our Board has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisition.

In mitigating such risks, our Group will constantly monitor the progress and performance of the Nylex Business and to leverage on its management expertise and experience to properly manage the operations of the Nylex Business.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Share capital

The pro forma effect of the Proposed Acquisition on the issued share capital of our Company is as follows:

| | No. of Ancom Shares | Share capital (RM) |
|---|--------------------------------|-------------------------------|
| As at the LPD ⁽¹⁾ | 256,117,342 | 257,839,775 |
| To be issued pursuant to the Proposed Acquisition | 31,129,508 | ⁽²⁾ 46,694,262 |
| After the Proposed Acquisition | 287,246,850 | 304,534,037 |

Notes:

(1) Including 11,875,059 treasury shares held by our Company.

(2) For purposes of computing the fair value of the Consideration Shares, we have used the Issue Price.

7.2 Substantial shareholders' shareholdings

For illustrative purposes only, the pro forma effects of the Proposed Acquisition on the shareholdings of our substantial shareholders are as follows:

| Name | As at the LPD | | | After the Proposed Acquisition ⁽¹⁾ | | |
|--------------------------------|---|------------------|---|---|------------------|---|
| | Direct | | Indirect | Direct | | Indirect |
| | No. of Ancom Shares (⁽¹⁾ '000) | % ⁽²⁾ | No. of Ancom Shares (⁽¹⁾ '000) | No. of Ancom Shares (⁽¹⁾ '000) | % ⁽³⁾ | No. of Ancom Shares (⁽¹⁾ '000) |
| Dato' Siew | 30,382 | 12.44 | (4)22,556 | 31,792 | 11.55 | (4)24,742 |
| Chan Thye Seng | - | - | (5)47,077 | - | - | (5)49,509 |
| Pacific & Orient Berhad | 35,066 | 14.36 | (6)11,648 | 35,066 | 12.73 | (6)14,080 |
| Siew Ka Kheong | 460 | 0.19 | (7)16,417 | 483 | 0.18 | (7)18,387 |
| Siew Nim Chee & Sons Sdn. Bhd. | 15,992 | 6.55 | - | 17,962 | 6.52 | - |

Notes:

- (1) After taking into consideration the Consideration Shares to be issued to our substantial shareholders who are also part of the Nylex MI, computed based on the number of Nylex Shares held by our substantial shareholders, direct and indirect, as at the LPD, as follows:

| | Consideration Shares to be received | |
|--------------------------------|-------------------------------------|------------------------|
| | Direct | Indirect |
| | (⁽¹⁾ '000) | (⁽¹⁾ '000) |
| Dato' Siew | 1,410 | 2,186 |
| Chan Thye Seng | - | 2,432 |
| Pacific & Orient Berhad | - | 2,432 |
| Siew Ka Kheong | 23 | 1,970 |
| Siew Nim Chee & Sons Sdn. Bhd. | 1,970 | - |

- (2) Computed based on the number of 244,242,283 Ancom Shares (after excluding 11,875,059 Ancom Shares held as treasury shares) in issue as at the LPD.
- (3) Computed based on the enlarged number of 275,371,791 Ancom Shares (after excluding 11,875,059 Ancom Shares held as treasury shares) after the issuance of 31,129,508 Consideration Shares.

- (4) *Deemed interested by virtue of his direct and indirect interests held through Silver Dollar Sdn. Bhd., Siew Nim Chee & Sons Sdn. Bhd., Datin Young Ka Mun, Quek Lay Kheng and Siew Ka Kheong.*
- (5) *Deemed interested by virtue of his direct and indirect interests held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn. Bhd. and Tan Soo Leng.*
- (6) *Deemed interested by virtue of its direct interests in Pacific & Orient Insurance Co. Berhad, a wholly-owned subsidiary of Pacific & Orient Berhad.*
- (7) *Deemed interested by virtue of his direct and indirect interests held through Siew Nim Chee & Sons Sdn. Bhd. and Quek Lay Kheng.*

7.3 NA, NA per Ancom Share and gearing

For illustrative purposes only, based on the audited consolidated statements of financial position of our Group as at 31 May 2021 and assuming that the Proposed Acquisition had been effected on that date, the pro forma effects of the Proposed Acquisition on the NA, NA per Ancom Share and gearing of our Group are as follows:

| | Audited as at 31 May 2021 (RM'000) | Subsequent adjustments after 31 May 2021 up to and including the LPD ⁽¹⁾ (RM'000) | After the Proposed Acquisition (RM'000) |
|---|--|--|---|
| Share capital | 256,043 | 257,840 | ⁽²⁾ 304,534 |
| Reserves | 112,404 | 111,851 | ⁽³⁾ ⁽⁴⁾ 97,148 |
| Treasury shares | (6,248) | (6,248) | (6,248) |
| Equity attributable to owners of our Company | 362,199 | 363,443 | 395,434 |
| No. of Ancom Shares in issue ('000) ⁽⁵⁾ | 242,616 | 244,242 | 275,372 |
| NA per Ancom Share (RM) ⁽⁶⁾ | 1.49 | 1.49 | 1.44 |
| Total borrowings | 300,796 | 300,796 | ⁽⁸⁾ 350,796 |
| Gearing (times) ⁽⁷⁾ | 0.83 | 0.83 | ⁽⁸⁾ 0.89 |

Notes:

- (1) After adjusting for the exercise of 1,625,870 ESOS Options by the eligible employees.
- (2) For purposes of computing the fair value of the Consideration Shares, we have used the Issue Price.
- (3) After taking into account the estimated expenses relating to the Proposed Acquisition of approximately RM4.0 million comprising the following:

| | RM'000 |
|---|--------------|
| Professional fees | 2,800 |
| Estimated fees payable to regulatory authorities and stamp duty | 1,000 |
| Other incidental expenses such as printing, advertising and estimated costs for the forthcoming EGM | 200 |
| | 4,000 |

- (4) After adjusting for the difference between the adjusted book value of our Company's non-controlling interest in Nylex of approximately RM86.0 million as at 31 May 2021 (after taking into account the consolidation elimination adjustments on transactions entered into between our Group and Nylex Group) and the total fair value of the Net Amount Payable of approximately RM96.7 million. The difference will be directly recognised in the equity attributable to owners of our Company.
- (5) Excluding treasury shares held by our Company.
- (6) Computed based on equity attributable to owners of our Company over number of Ancom Shares in issue.
- (7) Computed based on total borrowings divided by equity attributable to owners of our Company.
- (8) The entire Cash Consideration of RM50.0 million is funded through new bank borrowing.

7.4 Earnings per Ancom Share

For illustrative purposes only, based on the latest audited consolidated financial statements of our Company for the FYE 31 May 2021 and assuming that the Proposed Acquisition had been effected on 1 June 2020, being the beginning of the FYE 31 May 2021, the pro forma effect of the Proposed Acquisition on the consolidated earnings of our Group and earnings per Ancom Share are as follows:

| | Audited for FYE 31 May 2021 | After the Proposed Acquisition |
|---|--|---|
| Net profit attributable to owners of our Company (RM'000) | 23,753 | ⁽¹⁾ 26,163 |
| Weighted average number of Ancom Shares in issue ('000) | 238,352 | ⁽²⁾ 269,482 |
| Net profit per Ancom Share (sen) ⁽³⁾ | 9.97 | 9.71 |

Notes:

- (1) *After taking into consideration the following:*
- (a) *the share of the remaining 49.73% net profit of the Nylex Group of RM9.4 million for the FYE 31 May 2021;*
 - (b) *the estimated expenses relating to the Proposed Acquisition of approximately RM4.0 million; and*
 - (c) *the finance cost of RM3.0 million arising from the Proposed Acquisition to finance the entire Cash Consideration of RM50.0 million at an estimated interest rate of 6.0% per annum.*
- (2) *Including the 31,129,508 Consideration Shares.*
- (3) *Computed based on net profit attributable to owners of our Company divided by weighted average number of Ancom Shares in issue.*

7.5 Convertible securities

Save for the following, our Company does not have any other convertible securities in issue as at the LPD:

- (1) 59,878,790 Warrants B; and
- (2) 16,694,042 outstanding ESOS Options.

In accordance with the provisions of the deed poll constituting the Warrants B and the By-Laws for our Company's employees' share option scheme, the Proposed Acquisition will not give rise to an adjustment to the exercise price and/or the number of Warrants B and ESOS Options.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the Ancom Shares as traded on Bursa Securities for the past 12 months are as follows:

| | Highest (RM) | Lowest (RM) |
|--|-----------------|----------------|
| 2020 | | |
| September | 1.010 | 0.765 |
| October | 0.855 | 0.740 |
| November | 0.850 | 0.745 |
| December | 1.020 | 0.780 |
| 2021 | | |
| January | 1.200 | 0.920 |
| February | 1.330 | 1.020 |
| March | 1.570 | 1.230 |
| April | 1.840 | 1.340 |
| May | 1.710 | 1.350 |
| June | 1.720 | 1.450 |
| July | 1.580 | 1.430 |
| August | 1.480 | 1.400 |
| Last transacted market price of Ancom Shares as at the LTD | 1.680 | |
| Last transacted market price of Ancom Shares as at the LPD | 1.540 | |

(Source: Bloomberg)

9. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following being obtained:

- (a) approval of our non-interested shareholders at the forthcoming EGM;
- (b) approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities, which has been obtained via its letter dated 22 September 2021 subject to, among others, the following conditions:
 - (i) Ancom and Maybank IB must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Acquisition;
 - (ii) Ancom and Maybank IB to inform Bursa Securities upon the completion of the Proposed Acquisition;
 - (iii) Ancom to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed Acquisition; and
 - (iv) Ancom and Maybank IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed;

- (c) approval of the shareholders of Nylex at an extraordinary general meeting to be convened for the Proposed Acquisition and the Proposed Distribution;
- (d) grant of an order of the High Court of Malaya pursuant to Section 116 of the Act to Nylex;
- (e) approval/consent from financiers/creditors of our Company, Rhodemark and/or the Nylex Group for the acquisition or disposal (as the case may be) of the Nylex Business upon the terms and subject to the conditions of the SBA, where required;
- (f) approval/consent from the financiers/creditors of Nylex for the Proposed Distribution, where required; and
- (g) approvals, waivers or consents of any other relevant authorities or parties, if required.

10. PERCENTAGE RATIO

Based on the latest available audited consolidated financial statements of our Company as at the date of the Proposal Letter, the highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 57.5%, being the Purchase Consideration compared with the audited consolidated NA attributable to owners of our Company as at 31 May 2020.

11. INTER-CONDITIONALITY

The Proposed Acquisition is conditional upon the proposed disposal of the Nylex Business and Proposed Distribution to be undertaken by Nylex. The Proposed Acquisition is not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by our Company.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

Dato' Siew is our Executive Chairman and major shareholder. Dato' Siew is also the Group Managing Director and major shareholder of Nylex. Other than via Ancom and Rhodemark, Dato' Siew and persons connected with him collectively hold approximately 5.74% in Nylex. Siew Ka Kheong is the alternate director to Dato' Siew. He is also the brother of Dato' Siew. Dato' Siew and Siew Ka Kheong are therefore deemed interested in the Proposed Acquisition.

Dato' Siew has abstained and will continue to abstain from all deliberations and voting in respect of the Proposed Acquisition at our relevant Board meetings pertaining to the Proposed Acquisition. Accordingly, his alternate director, Siew Ka Kheong has also abstained at our relevant Board meetings pertaining to the Proposed Acquisition. Both Dato' Siew and Siew Ka Kheong will abstain from voting in respect of their direct and/or indirect interests in our Company on the Ordinary Resolution and also ensure that all persons connected with them will abstain from voting in respect of their direct and/or indirect interests in our Company, if any, on the Ordinary Resolution.

Tan Sri Dato' Dr Lin and Edmond Cheah are Independent Non-Executive Directors of our Company and Nylex. They have voluntarily abstained from all deliberations and voting at our relevant Board meetings pertaining to the Proposed Acquisition.

Chan Thye Seng is our Non-Independent Non-Executive Director and major shareholder. He is also a shareholder of Nylex by virtue of his indirect interest in Nylex via Pacific & Orient Insurance Co. Berhad. In view that Chan Thye Seng and persons connected with him have no other interested relationships in the Proposed Acquisition except for having shareholding of approximately 3.88% in Nylex (being less than 10% shareholding in Nylex), which falls under Paragraph 10.08(11)(l) of the Listing Requirements, Chan Thye Seng shall not be regarded as an interested party in the Proposed Acquisition. Accordingly, he and persons connected with him may vote in respect of their direct and/or indirect interests in our Company, if any, on the Ordinary Resolution. Notwithstanding the above, he has voluntarily abstained from all deliberations and voting at our relevant Board meetings pertaining to the Proposed Acquisition.

The direct and indirect interests of Dato' Siew, Siew Ka Kheong, Tan Sri Dato' Dr Lin, Edmond Cheah and Chan Thye Seng in our Company and Nylex as at the LPD are as follows:

Our Company

| | Direct | | Indirect | |
|----------------------|---------------------|-------|-----------------------|-------|
| | No. of Ancom Shares | % | No. of Ancom Shares | % |
| | ('000) | | ('000) | |
| Dato' Siew | 30,382 | 12.44 | ⁽¹⁾ 22,556 | 9.24 |
| Siew Ka Kheong | 460 | 0.19 | ⁽²⁾ 16,417 | 6.72 |
| Tan Sri Dato' Dr Lin | - | - | - | - |
| Edmond Cheah | - | - | - | - |
| Chan Thye Seng | - | - | ⁽³⁾ 47,077 | 19.27 |

Notes:

- (1) Deemed interested by virtue of his direct and indirect interests held through Silver Dollar Sdn. Bhd., Siew Nim Chee & Sons Sdn. Bhd., Datin Young Ka Mun, Quek Lay Kheng and Siew Ka Kheong.
- (2) Deemed interested by virtue of his direct and indirect interests held through Siew Nim Chee & Sons Sdn. Bhd. and Quek Lay Kheng.
- (3) Deemed interested by virtue of his direct and indirect interests held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn. Bhd. and Tan Soo Leng.

Nylex

| | Direct | | Indirect | |
|----------------------|----------------------|------|-----------------------|-------|
| | No. of Nylex Shares | % | No. of Nylex Shares | % |
| | ('000) | | ('000) | |
| Dato' Siew | ⁽¹⁾ 4,037 | 2.25 | ⁽²⁾ 96,394 | 53.77 |
| Siew Ka Kheong | 64 | 0.04 | ⁽³⁾ 5,641 | 3.15 |
| Tan Sri Dato' Dr Lin | - | - | - | - |
| Edmond Cheah | - | - | - | - |
| Chan Thye Seng | - | - | ⁽⁴⁾ 6,965 | 3.88 |

Notes:

- (1) Based on Nylex's Register of Substantial Shareholders as at the LPD.
- (2) Deemed interested through his direct and indirect interest in Ancom, Rhodemark, Siew Nim Chee & Sons Sdn. Bhd., Silver Dollars Sdn. Bhd., Datin Young Ka Mun and Siew Ka Kheong.

- (3) *Deemed interested by virtue of his direct and indirect interests held through Siew Nim Chee & Sons Sdn. Bhd.*
- (4) *Deemed interested by virtue of his indirect interest held through Pacific & Orient Insurance Co. Berhad.*

13. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS

Save for the Proposed Acquisition and/or the transactions under the shareholders' mandate for recurrent related party transactions approved at our 51st annual general meeting held on 21 October 2020, our Company has not entered into any transaction with Dato' Siew and/or persons connected with him for the past 12 months preceding the date of this Circular.

14. STATEMENT BY THE AUDIT COMMITTEE

Our Audit Committee, after having considered all aspects of the Proposed Acquisition, including the rationale and effects of the Proposed Acquisition, basis and justification for the Purchase Consideration and basis of arriving at the Issue Price, is of the view that the Proposed Acquisition is:

- (i) in the best interest of our Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of our Company.

Our Audit Committee has also sought and considered the views of the Independent Adviser in forming its opinion of the Proposed Acquisition and has concurred with the views of the Independent Adviser.

15. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, save for Dato' Siew (as well as his alternate director, Siew Ka Kheong), Tan Sri Dato' Dr Lin, Edmond Cheah and Chan Thye Seng who have abstained from deliberating and voting in respect of the Proposed Acquisition, after having considered and deliberated on all aspects of the Proposed Acquisition, including the rationale and effects of the Proposed Acquisition, basis and justification for the Purchase Consideration, basis of arriving at the Issue Price and the views of the Independent Adviser, is of the view that the Proposed Acquisition is in the best interest of our Company.

Accordingly, our Board, save for Dato' Siew (as well as his alternate director, Siew Ka Kheong), Tan Sri Dato' Dr Lin, Edmond Cheah and Chan Thye Seng who have abstained from deliberating and voting in respect of the Proposed Acquisition, recommends that you vote in favour of the Ordinary Resolution to be tabled at the forthcoming EGM.

16. CORPORATE EXERCISES/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition as well as the proposals as disclosed below, as at the LPD, there are no other corporate exercises/scheme that have been announced by our Company but pending completion as at the LPD:

- (i) Proposed Change of Name as set out in Part C of this Circular;
- (ii) the underlying proposals of the heads of agreement dated 16 July 2020 entered into between Ancom, ALB, S7 Holdings Sdn. Bhd., Merrington Assets Limited, MY E.G. Capital Sdn. Bhd. and Avocat Sdn. Bhd. for acquisition of new business by ALB and disposal of ALB's existing core business to Nylex, as part of ALB's group restructuring exercise. As at the LPD, the parties have not finalised the terms of the definitive agreement; and
- (iii) proposed acquisition by ALB of 76.37% equity interest in S5 Holdings Inc. from S7 Holdings Sdn. Bhd. pursuant to an offer to purchase agreement dated 1 September 2020 entered into between ALB and S7 Holdings Sdn. Bhd. As at the LPD, the parties have not finalised the terms of the definitive agreement.

17. TENTATIVE TIMETABLE

Barring any unforeseen circumstances and subject to obtaining the necessary approvals and/or consents from the relevant authorities and/or parties as set out in Section 9 of Part A of this Circular, the Proposed Acquisition expected to be completed by the first quarter of 2022.

The tentative timetable in relation to the implementation of the Proposed Acquisition is as follows:

| Date | Events |
|---------------------|--|
| 26 October 2021 | EGM for the Proposed Acquisition |
| Early January 2022 | <ul style="list-style-type: none">Fulfilment of conditions precedent of the SBACompletion of the Proposed Acquisition |
| Early February 2022 | Issuance of the Consideration Shares to the Nylex MI pursuant to the Proposed Distribution to be undertaken by Nylex |

18. EGM

The EGM, the Notice of which is enclosed in this Circular and available for download at our Company's website at <http://www.ancom.com.my/egm.php>, will be held entirely through live streaming from the Broadcast Venue at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 26 October 2021, 3.30 p.m. or immediately following the conclusion or adjournment of the 52nd AGM of our Company scheduled to be held at the same venue and on the same day at 2.30 p.m., whichever is later, using remote participation and voting facilities provided by the Share Registrar of our Company, Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online website at <https://tiih.online>, for the purpose of considering and, if thought fit, passing the Ordinary Resolution.

If you are unable to attend and vote at the EGM, you may appoint a proxy(ies) to do so by completing and depositing the Proxy Form in accordance with the instructions therein at the office of the Share Registrar of our Company at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the EGM. You can also lodge the Proxy Form electronically via TIH Online website at <https://tiah.online>. The last day and time for lodging the Proxy Form is Sunday, 24 October 2021, at 3.30 p.m..

The lodging of the Proxy Form will not preclude you from participating, speaking and voting at the EGM should you subsequently decide to do so. If you do, your proxy shall be precluded from participating in the EGM.

You are advised to refer to the Administrative Guide for Shareholders which is available at our Company's website at <https://www.ancom.com.my/egm.php> on the registration and voting process for the EGM.

19. FURTHER INFORMATION

Please refer to the enclosed appendices of this Circular for further information.

Yours faithfully
For and on behalf of the Board
ANCOM BERHAD

Datuk Dr Abd Hapiz Bin Abdullah
Independent Non-Executive Director

PART B

**IAL TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO
THE PROPOSED ACQUISITION**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meanings as the words and expressions defined in the “Definitions” Section and Part A of the Circular, except where the context otherwise requires or where otherwise defined in the IAL. All references to “you” are references to the non-interested shareholders of Ancom, whilst references to “we”, “us” or “our” are references to KAF IB, being the Independent Adviser for the Proposed Acquisition.

Set out hereunder is an executive summary which serves to highlight some of the salient points arising from KAF IB’s independent evaluation of the Proposed Acquisition. Shareholders are advised to read and understand the contents of the IAL and the entire Part A of the Circular, including the appendices thereof, for more comprehensive information, evaluation and recommendation on the Proposed Acquisition before voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

1. INTRODUCTION

On behalf of the Board, Maybank IB had on 28 April 2021, 28 June 2021 and 29 July 2021 announced the submission and acceptance of the Proposal Letter as well as the execution of the SBA in relation to the Proposed Acquisition. The Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interest of the interested shareholders/directors of Ancom in the Proposed Acquisition as set out in Section 12, Part A of the Circular.

2. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following:-

| Section in the IAL | Area of evaluation | Comments |
|--------------------|--|---|
| Section 5.1 | Rationale for the Proposed Acquisition | <p>The Proposed Acquisition serves to:-</p> <ul style="list-style-type: none">(i) enable Ancom to obtain full control over Nylex Business:-<ul style="list-style-type: none">▪ thereby allowing the Company to consolidate the entire financial performance associated with the Nylex Business, which has contributed substantially to the Ancom Group historically; and▪ including its overall operations and future business direction, which is “.....<i>in line with our intention to establish a fully integrated chemical group</i>.....”.(ii) allow the continuation participation of Ancom in the future growth of Nylex.(iii) conserve cash and minimise funding requirements through the issuance of Consideration Shares, and at the same time, allowing the Nylex MI to stay invested in the Nylex Business via their equity participation in Ancom. <p>Premised on the above, we are of the opinion that the rationale for the Proposed Acquisition is considered reasonable.</p> |

EXECUTIVE SUMMARY (CONT'D)

| Section in the IAL | Area of evaluation | Comments |
|--------------------|---|--|
| Section 5.2 | Basis and justification of the Purchase Consideration | <p>We note that the purchase consideration of RM179.29 million was arrived at after taking into consideration, among others, the following:-</p> <ul style="list-style-type: none"> (i) although the deemed Offer Price (as defined herein) represents a premium over the last transacted price and a range of VWAMPs of Nylex Shares up to and including Announcement LTD, the assessment on NA per Nylex Share would be the more appropriate determinant in considering the fairness of the deemed Offer Price as the Proposed Acquisition serves to acquire all the assets and liabilities of Nylex. In terms of NA per Nylex Share, the deemed Offer Price represents a discount of RM0.70 or 41.18% to the audited consolidated NA as at 31 May 2020 of RM1.70 per Nylex Share; and (ii) the deemed Offer Price represents an implied PBR (as defined herein) of 0.59 times, which is within the range of PBR of the Comparable Companies (as defined herein) of between 0.56 times and 3.24 times as well as lower than the average PBR of the Comparable Companies of 1.77 times. <p>Premised on the above, we are of the view that the Purchase Consideration is fair.</p> |
| Section 5.3 | Basis of arriving at the Issue Price | <p>We are of the opinion that the Issue Price for the Consideration Shares of RM1.50 per Consideration Share is fair as:-</p> <ul style="list-style-type: none"> (i) the Issue Price is within the range of the highest price and lowest price of Ancom Shares for the past one (1) year up to and including the Announcement LTD; (ii) the Issue Price is at a discount to the closing market price of Ancom Shares as at the Announcement LTD and the 5-day VWAMP of up to and including the Announcement LTD; (iii) the Issue Price represents a premium of RM0.10 or 7.14% and RM0.01 or 0.67% to the audited consolidated NA as at 31 May 2020 and 31 May 2021 of RM1.40 and RM1.49 per Ancom Share respectively; and (iv) the Issue Price represents an implied PBR of 1.07 times, which is within the range of PBR of the Comparable Companies of between 0.56 times and 3.24 times. <p>Premised on the above, we are of the opinion that the Issue Price is fair.</p> |

EXECUTIVE SUMMARY (CONT'D)

| Section in the IAL | Area of evaluation | Comments |
|--------------------|---|---|
| Section 5.4 | Salient terms of the SBA | The terms of the SBA are mutually agreed upon between the parties concerned pursuant to the Proposed Acquisition and we are of the view that they are reasonable. |
| Section 5.5 | Industry outlook and prospects | <p>We note that the global economy continued to recover in the second quarter of 2021. Nevertheless, the concerns over the COVID-19 pandemic remained a key downside risk. Fortunately, there are some upside risks to growth, such as faster-than-expected vaccination progress and more forthcoming fiscal stimulus. The Malaysian economy registered a decline of 2.0% on a quarter-on-quarter seasonally-adjusted basis. Nevertheless, the pace of recovery will be uneven across economic sectors and the ongoing uncertainties in developments related to the COVID-19 pandemic remained a key downside risk.</p> <p>As for the Ancom Group, the future prospects of Nylex Business would appear to be encouraging and the Proposed Acquisition is anticipated to improve the financial performance of Ancom Group in the long term.</p> |
| Section 5.6 | Financial effects of the Proposed Acquisition | <p>The Proposed Acquisition:-</p> <ul style="list-style-type: none"> (i) will result in an increase in the issued share capital of the Company; (ii) will result in a dilution on the shareholdings of the existing shareholders of Ancom; (iii) will marginally improve the Ancom Group's NA but decrease the NA per Ancom Share on a pro forma basis based on the audited consolidated financial statements of Ancom for the FYE 31 May 2021; (iv) will increase the profit per Ancom Share on a pro forma basis based on the audited consolidated financial statements of Ancom for the FYE 31 May 2021. The Proposed Acquisition is expected to contribute positively to the future earnings of Ancom Group; and (v) will not give rise to any adjustment to the exercise price and/or the number of the outstanding Warrants B and ESOS Options. <p>Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are not detrimental to the interest of the non-interested shareholders of Ancom.</p> |
| Section 5.7 | Risk factors associated with the Proposed Acquisition | The non-interested shareholders of Ancom are advised to give due and careful regard to the risk factors as mentioned in Section 6, Part A of the Circular and are reminded that although measures may be taken by the Board to attempt to limit the risks stipulated above, no assurance can be given that such risk factors will not crystallise. |

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and our evaluation is set out in Section 5 of the IAL. Non-interested shareholders of Ancom are advised to consider the merits and demerits of the Proposed Acquisition carefully based on all relevant and pertinent factors including those set out in the IAL and the Circular as well as other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Acquisition.

Premised on our overall evaluation and assessment of the Proposed Acquisition based on information available to us up to the LPD, we are of the opinion that, taken as a whole, the Proposed Acquisition is **fair and reasonable** and is **not detrimental** to the non-interested shareholders of Ancom.

Accordingly, we recommend the non-interested shareholders of Ancom to **vote in favour** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

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Registered Office:
14th Floor, Chulan Tower
No. 3, Jalan Conlay
50450 Kuala Lumpur

4 October 2021

To: The Non-Interested Shareholders of Ancom Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF ANCOM BERHAD IN RELATION TO THE PROPOSED ACQUISITION

1. INTRODUCTION

- 1.1 This IAL is prepared for inclusion in the circular to shareholders of Ancom dated 4 October 2021 in relation to the Proposed Acquisition. All definitions used in this IAL shall have the same meanings as the words and expressions defined in the “Definitions” Section and Part A of the Circular, except where the context otherwise requires or where otherwise defined herein. All references to “you” are references to the non-interested shareholders of Ancom, whilst references to “we”, “us” or “our” are references to KAF IB, being the Independent Adviser for the Proposed Acquisition.
- 1.2 On behalf of the Board, Maybank IB had on 28 April 2021, 28 June 2021 and 29 July 2021 announced the submission and acceptance of the Proposal Letter as well as the execution of the SBA in relation to the Proposed Acquisition.
- 1.3 In view of the interest of the interested directors/shareholders of Ancom in the Proposed Acquisition as specified in Section 3 of this IAL, the Proposed Acquisition is deemed to be a related party transaction. Accordingly, pursuant to Paragraph 10.08 of the Listing Requirements, the Board had, on 28 April 2021, appointed KAF IB as the Independent Adviser to advise the non-interested shareholders of Ancom in respect of the Proposed Acquisition.
- 1.4 The purpose of this IAL is to provide the non-interested shareholders of Ancom with an independent evaluation on the fairness and reasonableness of the terms of the Proposed Acquisition as well as whether the Proposed Acquisition is detrimental to the non-interested shareholders of Ancom together with our recommendation on the voting of the resolution pertaining to the Proposed Acquisition, subject to the limitations of our role and evaluation as specified herein.
- 1.5 This IAL is prepared solely for the use of the non-interested shareholders of Ancom for the purpose of considering the Proposed Acquisition, and should not be used or relied upon by any other party for any other purposes whatsoever.

NON-INTERESTED SHAREHOLDERS OF ANCOM ARE ADVISED TO READ AND FULLY UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH LETTERS BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITION

The full details of the Proposed Acquisition are set out in Section 2, Part A of the Circular and should be read and fully understood in their entirety by the non-interested shareholders of Ancom.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED WITH THEM

We note from Section 12, Part A of the Circular that save as disclosed below, none of the directors, major shareholders, chief executive and/or persons connected with them have any interest, direct and/or indirect, in the Proposed Acquisition.

Dato' Siew is the Executive Chairman and a major shareholder of Ancom. Dato' Siew is also the Group Managing Director and major shareholder of Nylex. Other than via Ancom and Rhodemark, Dato' Siew and persons connected with him collectively hold approximately 5.74% in Nylex. Siew Ka Kheong, is the alternate director to Dato' Siew. He is also the brother of Dato' Siew. Dato' Siew and Siew Ka Kheong are therefore deemed interested in the Proposed Acquisition.

Dato' Siew has abstained and will continue to abstain from all deliberations and voting in respect of the Proposed Acquisition at the relevant Board meetings pertaining to the Proposed Acquisition. Accordingly, his alternate director, Siew Ka Kheong has also abstained at the relevant Board's meeting pertaining to the Proposed Acquisition. Both Dato' Siew and Siew Ka Kheong will abstain from voting in respect of their direct and/or indirect interests in Ancom on the Ordinary Resolution and also ensure that all persons connected with them will abstain from voting in respect of their direct and/or indirect interests in Ancom, if any, on the Ordinary Resolution.

Tan Sri Dato' Dr Lin and Edmond Cheah are the Independent Non-Executive Directors of both Ancom and Nylex. They have voluntarily abstained from all deliberations and voting at the relevant Board meetings pertaining to the Proposed Acquisition.

Chan Thye Seng is the Non-Independent Non-Executive Director and major shareholder of Ancom. He is also a shareholder of Nylex by virtue of his indirect interest in Nylex via Pacific & Orient Insurance Co. Berhad. In view that Chan Thye Seng and persons connected with him have no other interested relationships in the Proposed Acquisition except for having shareholding of approximately 3.88% in Nylex (being less than 10% shareholding in Nylex), which falls under Paragraph 10.08(11)(l) of the Listing Requirements, Chan Thye Seng shall not be regarded as an interested party in the Proposed Acquisition. Accordingly, he and persons connected with him may vote in respect of their direct and/or indirect interests in Ancom, if any, on the Ordinary Resolution. Notwithstanding the above, he has voluntarily abstained from all deliberations and voting at the relevant Board meetings pertaining to the Proposed Acquisition.

The direct and indirect interests of Dato' Siew, Siew Ka Kheong, Tan Sri Dato' Dr Lin, Edmond Cheah and Chan Thye Seng in Ancom and Nylex as at the LPD are as follows:-

| <u>Ancom</u> | Direct | | Indirect | |
|----------------------|-------------------------------|-------|-------------------------------|-------|
| | No. of Ancom Shares (‘000) | % | No. of Ancom Shares (‘000) | % |
| Dato' Siew | 30,382 | 12.44 | ⁽¹⁾ 22,556 | 9.24 |
| Siew Ka Kheong | 460 | 0.19 | ⁽²⁾ 16,417 | 6.72 |
| Tan Sri Dato' Dr Lin | - | - | - | - |
| Edmond Cheah | - | - | - | - |
| Chan Thye Seng | - | - | ⁽³⁾ 47,077 | 19.27 |

Notes:-

- (1) Deemed interested by virtue of his direct and indirect interests held through Silver Dollar Sdn. Bhd., Siew Nim Chee & Sons Sdn. Bhd., Datin Young Ka Mun, Quek Lay Kheng and Siew Ka Kheong.
- (2) Deemed interested by virtue of his direct and indirect interests held through Siew Nim Chee & Sons Sdn. Bhd. and Quek Lay Kheng.
- (3) Deemed interested by virtue of his direct and indirect interests held through Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn. Bhd. and Tan Soo Leng.

| <u>Nylex</u> | Direct | | Indirect | |
|----------------------|-------------------------------|------|-------------------------------|-------|
| | No. of Nylex Shares (‘000) | % | No. of Nylex Shares (‘000) | % |
| Dato’ Siew | ⁽¹⁾ 4,037 | 2.25 | ⁽²⁾ 96,394 | 53.77 |
| Siew Ka Kheong | 64 | 0.04 | ⁽³⁾ 5,641 | 3.15 |
| Tan Sri Dato’ Dr Lin | - | - | - | - |
| Edmond Cheah | - | - | - | - |
| Chan Thye Seng | - | - | ⁽⁴⁾ 6,965 | 3.88 |

Notes:-

- (1) Based on Nylex’s Register of Substantial Shareholders as at the LPD.
- (2) Deemed interested through his direct and indirect interest in Ancom, Rhodemark, Siew Nim Chee & Sons Sdn. Bhd., Silver Dollars Sdn Bhd, Datin Young Ka Mun and Siew Ka Kheong.
- (3) Deemed interested by virtue of his direct and indirect interests held through Siew Nim Chee & Sons Sdn. Bhd.
- (4) Deemed interested by virtue of his indirect interest held through Pacific & Orient Insurance Co. Berhad.

Save for the Proposed Acquisition and/or the transactions under the shareholders’ mandate for recurrent related party transactions approved at Ancom’s 51st annual general meeting held on 21 October 2020, the Company has not entered into any transaction with Dato’ Siew and/or persons connected with him for the past twelve (12) months preceding the date of this IAL.

4. SCOPE AND LIMITATIONS OF OUR EVALUATION AND DECLARATION FROM KAF IB

4.1 KAF IB has not been involved in any negotiation on the terms and conditions of the Proposed Acquisition nor has it participated in the Board’s deliberation on the Proposed Acquisition. KAF IB’s scope as the Independent Adviser is limited to express an independent opinion on the fairness and reasonableness of the Proposed Acquisition based on and in reliance upon information, documents and representations/confirmations provided or made available to us (the accuracy of which the Board or other advisers of Ancom are solely responsible), including but not limited to the following:-

- (i) the Circular and the accompanying appendices in relation to the Proposed Acquisition;
- (ii) information contained in the announcement dated 28 April 2021 in relation to the Proposed Acquisition;
- (iii) the Proposal Letter and the SBA;
- (iv) information provided by the Group, as well as representations/confirmations obtained in or derived from discussions with the management of the Group;
- (v) the annual reports of Ancom for the FYE 31 May 2020 (“**Annual Report 2020**”) and FYE 31 May 2021; and
- (vi) publicly available information.

We have also obtained written confirmation from the Board that the Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in the IAL (save and except for analyses made and opinions expressed by KAF IB) and confirm that after making all reasonable enquiries, to the best of their knowledge and belief, there are no facts the omission of which would make any statement herein misleading. The Board has also provided written confirmation that all facts and information in respect of the Ancom Group and Nylex Group which are relevant to KAF IB’s evaluation of the Proposed Acquisition have been disclosed to KAF IB, and that there are no facts or information the omission of which would make any written information supplied to us misleading in any respect. With due consideration to the foregoing and after making all reasonable enquiries and to the best of our knowledge and belief, we are satisfied that all information, documents and representations/confirmations necessary for our evaluation of the Proposed Acquisition have been

disclosed to us and that such information is reasonable, accurate, complete and there is no omission of any material facts, which would make any information provided to us incomplete, misleading or inaccurate.

We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. After making all reasonable check and corroborating such information with independent sources, where possible, to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission. Notwithstanding that, KAF IB shall not be under any responsibility or liability for any misstatement of fact or from any omissions therein.

In our evaluation of the Proposed Acquisition, we have taken into consideration pertinent matters which are made known to us and which we believe are of general importance to an assessment of the financial implications of the Proposed Acquisition and would be of significant relevance and general concern to the non-interested shareholders of Ancom as a whole in arriving at our advice.

The scope of KAF IB's responsibility with regard to our evaluation and opinion contained herein is confined to the Proposed Acquisition. Where our comments or points of consideration are included on certain pertinent matters which may be qualitative or commercial in nature, these are incidental to our overall financial evaluation and concern matters which we may deem material for disclosure and/or which may have possible financial implications on the Group.

KAF IB's opinion contained in this IAL is provided to the non-interested shareholders of Ancom at large and not to any shareholder individually. Hence, we have not given regard to the specific investment or financial objectives, financial situation and/or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or specific group of shareholders who require specific advice within the context of their individual objectives, financial situation and particular needs should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers at their own costs.

- 4.2 We confirm that there is no conflict of interest situation or potential conflict of interest situation arising from us carrying out the role of Independent Adviser to advise the non-interested shareholders of Ancom in respect of the Proposed Acquisition and that there were no professional relationships between KAF IB and Ancom in the past two (2) years prior to the date of this IAL.
- 4.3 KAF IB is an investment bank in Malaysia with a strong reputation in the dealing of money market instruments and trading of debt securities. KAF IB is also involved in providing capital market advisory services such as fund raising via the issuance of private debt securities, equity and equity-linked securities.

The credentials and experience of KAF IB as an Independent Adviser, where we have been appointed in the past two (2) years prior to the date of the SBA, include, amongst others, the following:-

- (i) proposed issuance of 256,000,000 new ordinary shares in PUC Berhad ("**PUC Shares**") at the issue price of RM0.125 per PUC Share for the settlement of RM32.0 million owing to Cheong Chia Chou, Tan Pee Tee and Cheow Sook Mei;
- (ii) proposed exemption under Paragraph 4.08(1)(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisition ("**Rules**") to Maxim Holdings Sdn Bhd ("**Maxim**") and persons acting in concert with it, from the obligation to undertake a mandatory take-over offer to acquire the remaining ordinary shares of Tadmax Resources Berhad ("**Tadmax**") not already owned by them after the proposed acquisition of Majestic Maxim Sdn Bhd by Tadmax from Maxim;
- (iii) proposed exemption to Urusharta Jamaah Sdn Bhd under Paragraph 4.08(1)(c) of the Rules from the obligation to undertake a mandatory take-over offer on all remaining ordinary shares in TH Heavy Engineering Berhad ("**THHE**") not already held by it upon the issuance of new ordinary shares in THHE pursuant to the mandatory conversion of the outstanding Islamic irredeemable convertible preference shares held by it;
- (iv) proposed acquisition by PUC Berhad of 12,336,288 ordinary shares in Pictureworks Holdings Sdn. Bhd ("**PWHSB**") representing 67.00% equity interest in PWHSB for a total purchase consideration of RM142.04 million;

- (v) proposed disposal of the entire equity interests in PMB Central Sdn. Bhd., PMB Northern Sdn. Bhd., PMB Eastern Sdn. Bhd. and PMB Aluminium Sabah Sdn. Bhd. to PMB (Klang) Sdn. Bhd. by the PMB Technology Berhad's group of companies;
- (vi) proposed selective capital reduction and repayment exercise of Mintye Berhad pursuant to Section 116 of the Act; and
- (vii) unconditional mandatory take-over offer by MIE Industrial Sdn Bhd ("MIE") to acquire all the remaining ordinary shares in Seremban Engineering Berhad not already held by MIE at a cash consideration of RM0.50 per offer share.

Based on our credentials and experience above, we have the necessary resources and staff with the relevant skills, knowledge and experience to carry out our role and responsibilities as the Independent Adviser to advise the non-interested shareholders of Ancom in respect of the Proposed Acquisition as set out in Section 5 of this IAL.

5. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have considered the following factors:-

- (i) rationale for the Proposed Acquisition;
- (ii) basis and justification of the Purchase Consideration;
- (iii) basis of arriving at the Issue Price;
- (iv) salient terms of the SBA;
- (v) industry outlook and prospects;
- (vi) financial effects of the Proposed Acquisition; and
- (vii) risk factors associated with the Proposed Acquisition.

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5.1 Rationale for the Proposed Acquisition

We take note of the following as extracted from Section 3, Part A of the Circular:-

“We are involved in a diversified range of businesses with the following operating segments:

| <i>Operating segment</i> | <i>Principal activities</i> |
|-----------------------------------|--|
| (i) <i>Agricultural chemicals</i> | <i>Manufacture, formulation and sale of agricultural chemicals focusing on crop protection and timber preservatives</i> |
| (ii) <i>Industrial chemicals</i> | <i>Manufacture, trading and sale of industrial chemical products (currently undertaken by the Nylex Group)</i> |
| (iii) <i>Polymers</i> | <i>Manufacture, trading and sale of polymer products (currently undertaken by the Nylex Group)</i> |
| (iv) <i>Chemical logistics</i> | <i>Ship-owning, ship-operating, land transportation, container haulage, bulk cargo handling, chemicals warehousing and related services (currently undertaken by the Nylex Group and ALB’s group of companies)</i> |
| (v) <i>Media</i> | <i>Provision of out-of-home and digital advertising media space</i> |
| (vi) <i>Others</i> | <i>Investment holding, education, information technology, manufacturing, sales of electrical component products and property development</i> |

Approximately 67.8% of our Group’s revenue for the FYE 31 May 2021 was contributed by the industrial chemicals division which is undertaken solely by the Nylex Group.

As Nylex is only a 50.27%-owned subsidiary of our Company, the Proposed Acquisition will enable our Company to obtain full control of all of Nylex’s assets and businesses in industrial chemicals, polymer and chemical logistics divisions such that it will provide greater flexibility for our Company to plan and decide on the business strategy of these businesses after the completion of the Proposed Acquisition. The Proposed Acquisition is also in line with our intention to establish a fully integrated chemical group where;

- (a) we own and control the manufacturing, distribution and logistics facilities (such as storage tank farms, fleet of road tankers and chemical tanker); and*
- (b) fully capable to source, manufacture, store and deliver a wide range of products to our local customers and for exports.*

Accordingly, despite the Nylex Group registering net losses for the FYE 31 May 2019 and FYE 31 May 2020 due to external factors as further explained in Appendix I of this Circular, our Board is confident that the Proposed Acquisition will bring benefits and values to our enlarged Group’s growth prospects in the long term.

Post completion of the Proposed Acquisition, we will continue to hold 50.27% equity interest in Nylex. The continued listing of Nylex on the Main Market of Bursa Securities is dependent on Nylex’s ability to formulate and submit a regularisation plan pursuant to Paragraphs 8.03(5) and 8.03A(3) of the Listing Requirements. With the continued listing of Nylex, it will provide an opportunity for us to participate in the business and prospects of the Nylex Group after Nylex has acquired a new core business. Our Group’s operations may be further diversified arising from the acquisition of the new core business by Nylex.

The Net Amount Payable will be satisfied via a combination of the Cash Consideration and issuance of the Consideration Shares. The partial settlement via the Consideration Shares is the most appropriate means to partly settle the Net Amount Payable as it will enable our Company to conserve cash and minimise our funding requirements, and at the same time, allowing the Nylex MI to stay invested in the Nylex Business via their equity participation in Ancom.

Following several negotiations with Nylex, we agreed to bear all RPGT payable (if any) pursuant to the disposal of real property in connection with the SBA after taking into consideration the following:

- (a) *the transaction was being initiated and proposed by our Company to gain full control of the Nylex Business. In the absence of our offer to acquire the Nylex Business (which includes the real properties), there would be no requirement on the part of Nylex to incur the RPGT;*
- (b) *the Purchase Consideration represents a discount of RM118.5 million and RM133.9 million to the audited consolidated NA attributable to owners of Nylex as at 31 May 2020 and 31 May 2021 respectively, whereas the estimated RPGT in respect of the Proposed Acquisition (if any) is estimated to be approximately RM4.0 million, subject to assessment by the Inland Revenue Board of Malaysia; and*
- (c) *as Nylex may be classified as a “Cash Company” pursuant to Paragraphs 8.03(1) of the Listing Requirements after the completion of the Proposed Acquisition and the Proposed Distribution, at least 90% of its cash and short-dated securities (after deducting the estimated expenses and the cash amount to be distributed under the Proposed Distribution) must be placed in an account opened with a financial institution licensed by Bank Negara Malaysia and operated by a custodian. Accordingly, Nylex will only be able to use approximately RM1.3 million out of the Retained Cash for its day-to-day operational expenses and does not have excess funds to settle any RPGT liability.”*

Our observations are as follows:-

(i) Obtain full control over Nylex Business

We note that the Proposed Acquisition serves to enable Ancom to obtain full control over Nylex Business:-

- (a) thereby allowing the Company to consolidate the entire financial performance associated with the Nylex Business, which has contributed substantially to the Ancom Group historically. As given in the stated rationale, “.....approximately 67.8% of our Group’s revenue for the FYE 31 May 2021 was contributed by its industrial chemicals division which is undertaken solely by the Nylex Group.”. Noticeably, the Nylex Group has generally been profitable, where it has recorded PBT for the past 10 financial years, ranging from a low of RM4.64 million in FYE 31 May 2019 to a high of RM36.15 million in FYE 31 May 2017, save for FYE 31 May 2020 where it registered an LBT of RM18.94 million due mainly to the recognition of an impairment of goodwill in Nylex’s wholly-owned subsidiary in Singapore. Subsequent to the losses incurred in FYE 31 May 2020, the Nylex Group recorded an audited PBT of RM26.39 million for the FYE 31 May 2021; and
- (b) including its overall operations and future business direction, which is “.....in line with our intention to establish a fully integrated chemical group.....”. This will allow Ancom to streamline the operating function of the enlarged Group upon completion of the Proposed Acquisition through minimising duplication of functions and pooling of staff resources (such as having centralised accounting, marketing and human resource functions/staffs that are currently maintained and operated separately by both groups), which may eventually lead to greater efficiency and cost savings, and at the same time, providing “..... greater flexibility for our Company to plan and decide on the business strategy of these businesses”, thereby enabling the enlarged Group to offer a more comprehensive solution/package to its customers at a lower lead time, which may generate more businesses to the enlarged Group. In essence, such synergistic benefits may eventually promote greater revenue growth and profitability to the enlarged Ancom Group.

(ii) Continue to control Nylex

In addition to having full control over Nylex Business, Ancom will continue to participate in the business and prospects of the Nylex Group after the Proposed Acquisition given its controlling interest of 50.27% in Nylex.

Although the “..... continued listing of Nylex on the Main Market of Bursa Securities is dependent on Nylex’s ability to formulate and submit a regularisation plan pursuant to Paragraph 8.03(5) and 8.03A(3) of the Listing Requirements”, the intention for Nylex to maintain its listing status upon completion of the Proposed Acquisition is apparent as given in the announcement of Nylex dated 28 June 2021, where the Board of Directors of Nylex will endeavour to take the necessary steps to identify new businesses and/or assets to be acquired by Nylex with the aim of regularising its condition and to maintain its listing status on the Main Market of Bursa Securities. In this regard, we concurred that the continued listing of Nylex “..... will provide an opportunity for us to participate in the business and prospects of the Nylex Group after Nylex has acquired a new core business.”. Further, “the Ancom Group’s operations may be further diversified arising from the acquisition of the new core business by Nylex.”. In short, through continuing control of Nylex, Ancom stands to benefit from the future business performance of Nylex, in terms of dividends/distributions, and possible future business collaboration with Nylex after it has acquired a new core business.

(iii) Issuance of Consideration Shares

The partial settlement of the Net Amount Payable through the issuance of Consideration Shares serves to:-

- (a) conserve cash resources for its working capital requirements, where the Ancom Group would be able to retain its cash balances of RM105.80 million as at 31 May 2021, which may otherwise be partly utilised should the entire Net Amount Payable be satisfied fully in cash;
- (b) minimise funding requirements without further burdening the gearing position of the Ancom Group. As illustrated in Section 7.3, Part A of the Circular, the pro forma total borrowings of the Ancom Group would increase by 16.62% to RM350.80 million upon completion of the Proposed Acquisition with a gearing ratio of 0.89 times; and
- (c) enable “..... the Nylex MI to stay invested in the Nylex Business via their equity participation in Ancom.”.

Premised on the above, we are of the opinion that the rationale for the Proposed Acquisition is considered reasonable.

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5.2 Basis and Justification of the Purchase Consideration

We take note of the following as extracted from Section 2.2, Part A of the Circular:-

“The Purchase Consideration was arrived at after taking into consideration, among others, the following:-

- (a) *deemed offer price per Nylex Share of RM1.00 which was determined after taking into consideration the historical market prices of Nylex Shares as traded on Bursa Securities.*

For illustrative purposes only, the deemed offer price per Nylex Share represents the following premium over the last transacted price and VWAMP of Nylex Shares up to and including the Announcement LTD:

| | <u>Price</u> | <u>Premium</u> | |
|---|--------------|----------------|------------|
| | <u>(RM)</u> | <u>(RM)</u> | <u>(%)</u> |
| <i>Last transacted price of Nylex Shares as at the Announcement LTD</i> | 0.9050 | 0.0950 | 10.5 |
| <i>Up to and including the Announcement LTD as follows:</i> | | | |
| <i>5-day VWAMP of the Nylex Shares</i> | 0.8608 | 0.1392 | 16.2 |
| <i>1-month VWAMP of the Nylex Shares</i> | 0.8329 | 0.1671 | 20.1 |
| <i>3-month VWAMP of the Nylex Shares</i> | 0.7845 | 0.2155 | 27.5 |
| <i>6-month VWAMP of the Nylex Shares</i> | 0.7268 | 0.2732 | 37.6 |
| <i>1-year VWAMP of the Nylex Shares</i> | 0.7604 | 0.2396 | 31.5 |

(Source: Bloomberg)

- (b) *audited consolidated NA attributable to owners of Nylex as at 31 May 2020 of approximately RM297.8 million or RM1.70 per Nylex Share. The deemed offer price per Nylex Share of RM1.00 represents a discount of RM0.70 or 41.2% to the audited consolidated NA per Nylex Share; and*
- (c) *audited consolidated NTA attributable to owners of Nylex as at 31 May 2020 of approximately RM212.2 million or RM1.21 per Nylex Share, computed based on the audited consolidated NA attributable to owners of Nylex as at 31 May 2020 of approximately RM297.8 million, excluding goodwill of RM85.6 million. The deemed offer price per Nylex Share of RM1.00 represents a discount of RM0.21 or 17.4% to the consolidated NTA per Nylex Share.*

Our Board is of the view that 1-month VWAMP of Nylex Shares up to and including the Announcement LTD (“1-month VWAMP of Nylex Shares”) was more reflective of the market price of Nylex Shares at that time and the premium of approximately 20.1% to the 1-month VWAMP of Nylex Shares is reasonable and deemed attractive:

- (a) *for the Nylex Board to accept the Proposal Letter subject to, among others, the approval of the Nylex MI and relevant regulatory authorities, where required; and*
- (b) *for the Nylex MI to consider the Proposed Acquisition favourably as it allows the Nylex MI to unlock their investment in Nylex at a premium to the historical market prices of Nylex Shares, in exchange for a direct equity exposure in Ancom and cash payment of RM0.3926 per Nylex Share pursuant to the Cash Distribution.”*

In assessing the fairness of the Purchase Consideration, we have considered the aforesaid basis and our observations are as follows:-

5.2.1 VWAMP and NA

The Purchase Consideration, on a per share basis, represents a deemed offer price per Nylex Share of RM1.00 (“**Offer Price**”). Although the deemed Offer Price represents a premium of 10.5% to the closing market price of Nylex Shares as at the Announcement LTD and a premium ranging from 16.2% to 37.6% over the 5-day, 1 month, 3-month, 6-month and 1-year VWAMP of Nylex Shares up to and including the Announcement LTD, the assessment on NA per Nylex Share would be the more appropriate determinant in considering the fairness of the deemed Offer Price as the Proposed Acquisition serves to acquire all the assets and liabilities of Nylex.

In terms of NA per Nylex Share, the deemed Offer Price represents a discount of RM0.70 or 41.18% to the audited consolidated NA per Nylex Share as at 31 May 2020 of RM1.70.

5.2.2 Analysis of Comparable Companies

In addition, we have also compared the implied price-to-book multiple (“**PBR**”) of the Offer Price with the PBR of certain companies selected as elaborated below as a cross check against the Offer Price. For the avoidance of doubt, other relative valuation methods such as price-to-earnings multiple and enterprise value have not been considered as both Ancom and Nylex have incurred losses based on their respective audited consolidated financial statements for the FYE 31 May 2020 as at the Announcement LTD.

We have selected the following comparable companies based on the following criteria:-

- (i) currently listed on Bursa Securities; and
- (ii) at least 90% of their revenues were derived from the chemical industry based on their latest audited consolidated financial statements available as at the Announcement LTD,

with an aim of obtaining an overall view of the market expectations in relation to the valuation on Nylex and Ancom (“**Comparable Companies**”).

However, we wish to highlight that the Comparable Companies may not be exactly similar or directly comparable to Nylex or Ancom in terms of composition of business, scale of operations, track record, shareholders’ profile, future prospects, business risk and marketability of shares. The list of the Comparable Companies observed is reasonable, but by no means exhaustive.

The Comparable Companies of which we have selected and their principal activities as at the Announcement LTD are as follows:-

| Comparable Companies | Principal activities |
|---|--|
| Hextar Global Berhad (“ Hextar ”) | Hextar is an investment holding company with subsidiaries principally involved in the trading and distribution of agrochemicals, manufacturing and trading of consumer products and agro-based technology. The company's consumer product segment is also involved in the manufacture and distribution of healthcare disposable products, such as wet wipes, tissue and cotton based-based products. |
| Hexza Corporation Berhad (“ Hexza ”) | Hexza and its subsidiaries are involved in the production and sale of ethanol for industrial and potable purposes and the manufacture and sale of formaldehyde based liquid adhesive resins to wood related industries in Sarawak. |
| Imaspro Corporation Berhad (“ Imaspro ”) | Imaspro and its subsidiaries manufactures and markets a comprehensive range of quality and cost-effective agrochemicals, public health and environmental science products to cater for both the crop and non-crop protection requirements of its customers. |

| Comparable Companies | Principal activities |
|--|--|
| Lotte Chemical Titan Berhad (“ Lotte ”) | Lotte is an investment holding company. Through its subsidiaries, the company is involved in the manufacture and sale of petrochemical products and polyolefin resins as well as trading of goods and provision of management service. |
| Luxchem Corporation Berhad (“ Luxchem ”) | Luxchem is an investment holding company. The company, through its subsidiaries, is principally involved in the manufacture and trading of unsaturated polyester resin products, latex chemical dispersions, latex processing chemicals and specialty chemicals. |
| Petronas Chemicals Group Berhad (“ Pchem ”) | Pchem is an investment holding company. The company, through its subsidiaries, produces a diversified range of petrochemical and chemical products. |
| Samchem Holdings Berhad (“ Samchem ”) | Samchem is an investment holding company. Through its subsidiaries, the company is in the business of distribution of chemicals and blending of customised products. |

The historical PBR of the Comparable Companies and Nylex as at the Announcement LTD are set out as below:-

| Comparable Companies | Share Price as at Announcement LTD (RM) | NA per share (RM) | ⁽¹⁾ PBR (times) |
|-----------------------------|--|--------------------------|-----------------------------------|
| Hextar | 1.680 | 0.23 | * 7.44 |
| Hexza | 1.240 | 1.22 | 1.02 |
| Imaspro | 2.060 | 1.59 | 1.30 |
| Lotte | 2.910 | 5.19 | 0.56 |
| Luxchem | 0.905 | 0.38 | 2.41 |
| Pchem | 7.850 | 3.81 | 2.06 |
| Samchem | 1.870 | 0.58 | 3.24 |
| High | | | 3.24 |
| Low | | | 0.56 |
| Average | | | 1.77 |
| Nylex | ⁽²⁾ 1.000 | 1.70 | ⁽³⁾ 0.59 |

(Source: Bloomberg, latest available audited consolidated financial statements of the Comparable Companies as at the Announcement LTD and Annual Report 2020)

Notes:-

* Excluded as an outlier, which is determined based on extreme deviation from the average.

(1) Calculated based on the share prices of the Comparable Companies as at the Announcement LTD divided by their respective NA based on their latest available audited consolidated financial statements as at the Announcement LTD.

(2) Being the deemed Offer Price.

(3) Calculated based on the deemed Offer Price divided by the NA per Nylex Share.

In relation to the above, we note that the deemed Offer Price represents an implied PBR of 0.59 times, which compares favourably to the range of PBR of the Comparable Companies, where it is within the range of implied PBR of the Comparable Companies of between 0.56 times and 3.24 times as well as lower than the average PBR of the Comparable Companies of 1.77 times.

In conclusion, premised on the foregoing assessments, we are of the opinion that the Purchase Consideration is fair.

5.3 Basis of arriving at the Issue Price

As noted from Section 2.3, Part A of the Circular that “The Issue Price was determined after taking into consideration, among others, the following:

- (a) 5-day, 3-month, 6-month and 1-year VWAMP of Ancom Shares up to and including the Announcement LTD of RM1.6184, RM1.4936, RM1.3530, RM1.1946 and RM0.9666; and
- (b) audited consolidated NA attributable to owners of our Company as at 31 May 2020 of RM311.7 million or RM1.40 per Ancom Share.

The Issue Price represents the following premium/(discount) over the last transacted price and VWAMP of Ancom Shares up to and including the Announcement LTD:

| | <u>Price</u> | <u>Premium/ (Discount)</u> | |
|--|--------------|--------------------------------|------------|
| | <u>(RM)</u> | <u>(RM)</u> | <u>(%)</u> |
| Last transacted price of Ancom Shares as at the Announcement LTD | 1.6800 | (0.1800) | (10.7) |
| Up to and including the Announcement LTD as follows: | | | |
| 5-day VWAMP of the Ancom Shares | 1.6184 | (0.1184) | (7.3) |
| 1-month VWAMP of the Ancom Shares | 1.4936 | 0.0064 | 0.4 |
| 3-month VWAMP of the Ancom Shares | 1.3530 | 0.1470 | 10.9 |
| 6-month VWAMP of the Ancom Shares | 1.1946 | 0.3054 | 25.6 |
| 1-year VWAMP of the Ancom Shares | 0.9666 | 0.5334 | 55.2 |

(Source: Bloomberg)

Although the Issue Price is at a discount to the last transacted price and 5-day VWAMP of Ancom Shares up to and including the Announcement LTD (“**Last Transacted Price and 5-day VWAMP of Ancom Shares**”) as illustrated above, our Board took into consideration the following justifications in arriving at the Issue Price:

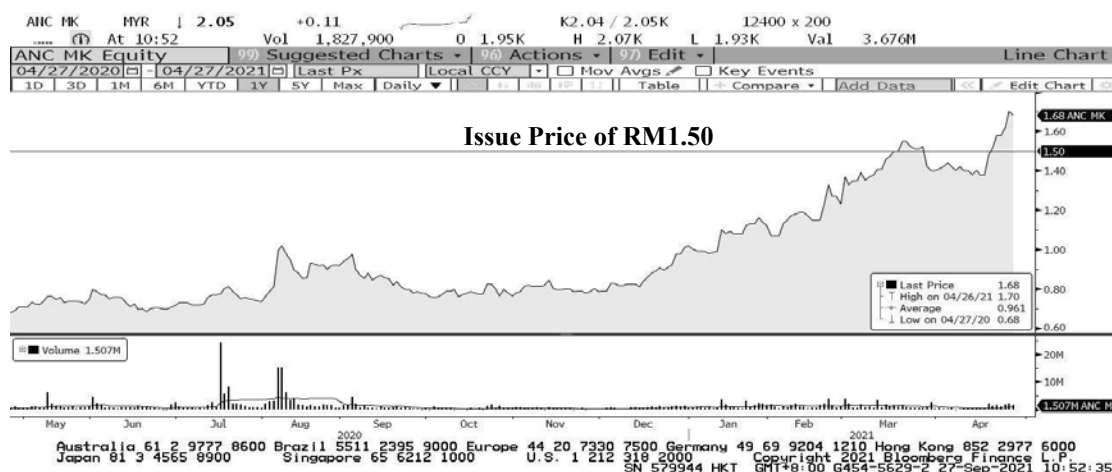
- (a) the 1-month VWAMP of Ancom Shares up to and including the Announcement LTD of RM1.4936 was more reflective of the market price of Ancom Shares at that time and is close to the Issue Price of RM1.50;
- (b) the Issue Price represents a premium of ranging from approximately 10.9% to 55.2% to the 3-month, 6-month and 1-year VWAMP of Ancom Shares up to and including the Announcement LTD;
- (c) the Issue Price is within the range of the highest price of Ancom Share of RM1.72 and lowest price of Ancom Shares of RM0.745 for the past six (6) month up to and including the Announcement LTD; and
- (d) the discount ranging from approximately 7.3% to 10.7% to the Last Transacted Price and 5-day VWAMP of Ancom Shares is reasonable to achieve an alignment of interest between Nylex and our Group, so that the Proposed Acquisition will be carried through successfully with the support of both our and Nylex’s shareholders.”

In assessing the fairness of the Issue Price, we have considered the aforesaid basis and our observations are as follows:-

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5.3.1 Historical market price of Ancom Shares

For illustration, we set out below a chart showing the movement of the closing prices of Ancom Shares for the past twelve (12) months up to and including the Announcement LTD:-



(Source: Bloomberg)

Based on the above, the Issue Price is within the range of the highest price of Ancom Shares of RM1.70 and lowest price of Ancom Share of RM0.68 for the past one (1) year up to and including the Announcement LTD.

5.3.2 VWAMP of Ancom Shares

We note that the Issue Price represents:-

- (i) a discount of 10.7% to the closing market price of Ancom Shares as at the Announcement LTD;
- (ii) a discount of 7.3% to the 5-day VWAMP of Ancom Shares up to and including the Announcement LTD; and
- (iii) a premium ranging from 0.4% to 55.2% over the 1-month, 3-month, 6-month and 1-year VWAMP of Ancom Shares up to and including the Announcement LTD.

We are of the view that the foresaid discounts to the Issue Price are considered fair on the premise that the market prices of Ancom Shares have generally been traded below the Issue Price during the past one (1) year up to the Announcement LTD, except for a period of slightly over a month leading to the Announcement LTD. As evident from the above, the Issue Price is well above the ranges of VWAMPs of Ancom Shares for the 1-month, 3-month, 6-month and 1-year periods up to and including the Announcement LTD.

5.3.3 NA of Ancom Shares

| | NA per Ancom Share | * Premium | |
|--|--------------------|-----------|------|
| | | RM | % |
| Based on the audited financial statements of Ancom for the FYE 31 May 2020 | 1.40 | 0.10 | 7.14 |
| Based on the audited financial statements of Ancom for the FYE 31 May 2021 | 1.49 | 0.01 | 0.67 |

Note *: Being the premium of the Issue Price to the NA per Ancom Share.

The Issue Price represents a premium of:-

- (i) RM0.10 or 7.14% to the audited consolidated NA as at 31 May 2020 of RM1.40 per Ancom Share; and
- (ii) RM0.01 or 0.67% to the audited consolidated NA as at 31 May 2021 of RM1.49 per Ancom Share.

5.3.4 Analysis of Comparable Companies

The historical PBR of the Comparable Companies and Ancom as at the Announcement LTD are set out as below:-

| Comparable Companies | Share Price as at the Announcement LTD (RM) | NA per share (RM) | ⁽¹⁾ PBR (times) |
|----------------------|---|-------------------|----------------------------|
| Hextar | 1.680 | 0.23 | * 7.44 |
| Hexza | 1.240 | 1.22 | 1.02 |
| Imaspro | 2.060 | 1.59 | 1.30 |
| Lotte | 2.910 | 5.19 | 0.56 |
| Luxchem | 0.905 | 0.38 | 2.41 |
| Pchem | 7.850 | 3.81 | 2.06 |
| SAB | 3.770 | 4.34 | 0.87 |
| Samchem | 1.870 | 0.58 | 3.24 |
| High | | | 3.24 |
| Low | | | 0.56 |
| Ancom | ⁽²⁾ 1.500 | 1.40 | ⁽³⁾ 1.07 |

(Source: Bloomberg, latest available audited consolidated financial statements of the Comparable Companies as at the Announcement LTD and Annual Report 2020)

Notes:-

* Excluded as an outlier, which is determined based on extreme deviation from the average.

(1) Calculated based on the share prices of the Comparable Companies as at the Announcement LTD divided by their respective NA based on their latest available audited consolidated financial statements as at the Announcement LTD.

(2) Being the Issue Price.

(3) Calculated based on the Issue Price divided by the NA per Ancom Share.

In relation to the above, we note that the Issue Price represents an implied PBR of 1.07 times, which compares favourably to the range of PBR of the Comparable Companies, where it is within the range of implied PBR of the Comparable Companies of between 0.56 times and 3.24 times.

In conclusion, premised on the foregoing assessments, we are of the opinion that the Issue Price is fair.

5.4 Salient terms of the SBA

Our commentaries on the salient terms of the SBA, which are extracted from Appendix II of the Circular, are as follows:-

| Salient terms of the SBA | KAF IB's comments |
|---|--|
| <p><u>Sales and purchase of Nylex Business</u></p> <p>1. Nylex agrees to sell and Ancom agrees to purchase together with all rights now and hereafter attaching thereto as at the Completion Date all of the Nylex Business, as a going concern on an 'as-is where-is' basis for the Purchase Consideration, subject to the terms and conditions of the SBA.</p> <p>2. Ancom nominates Nylex Holdings, and Nylex Holdings accepts such nomination and Nylex agrees to such nomination, of Nylex Holdings to be the recipient of transfer of the Nylex Business. Accordingly, the parties agree that the Nylex Business shall be transferred by Nylex to Nylex Holdings in accordance with the SBA.</p> | <p>These terms are reasonable as they serve to formalise the Proposed Acquisition between Ancom and Nylex.</p> |

| Salient terms of the SBA | KAF IB's comments |
|--|--|
| <p><u>Purchase Consideration</u></p> <p>1. <i>The Purchase Consideration payable by Ancom for the purchase of the Nylex Business is RM179,287,212, which amount shall be satisfied in accordance with item.2 below.</i></p> <p>2. <i>The Purchase Consideration shall be satisfied by Ancom and such amount shall be applied by Nylex, in the following manner:</i></p> <p>(a) <i>RM15,000,000 shall be paid by Ancom into Nylex's designated account on the Completion Date and retained by Nylex post-completion of the SBA and applied in such manner determined by Nylex; and</i></p> <p>(b) <i>RM164,287,212 shall be payable to Nylex and thereafter distributed by Nylex to its shareholders pursuant to the Proposed Distribution, out of which, subject to the Interested Shareholders holding, in aggregate, 90,133,977 Nylex Shares representing approximately 50.27% of the total number of Nylex Shares (excluding treasury shares) on the Entitlement Date:</i></p> <p>(i) <i>RM81,694,262 shall be distributed to all the Nylex MI in accordance with item 3 below; and</i></p> <p>(ii) <i>RM82,592,950 shall be distributed to the Interested Shareholders and, to the extent that any such portion is distributable to Rhodemark, Rhodemark shall (and Ancom shall procure Rhodemark to) instruct Nylex to pay Rhodemark's entitlement under the Proposed Distribution to Ancom, following which Ancom shall apply the entire amount receivable by Ancom from Nylex in respect of the Proposed Distribution equivalent to approximately 50.27% of the Distribution Amount, to be set-off in accordance with the Set-off Arrangement. Following the Set-off Arrangement, effectively, the net amount payable for the purchase of the Nylex Business payable by Ancom shall be RM96,694,262 (being the sum of the Retained Cash and the MI Distribution Amount).</i></p> <p>3. <i>The MI Distribution Amount shall be distributed via the Proposed Distribution to the Nylex MI in the following manner:</i></p> <p>(a) <i>RM35,000,000 shall be paid by Ancom to Nylex in cash into Nylex's designated account on the Completion Date, and distributed by Nylex to the Nylex MI on the payment date to be announced by the Nylex Board; and</i></p> <p>(b) <i>RM46,694,262 shall be paid/distributed in the form of Consideration Shares which shall, on the payment date to be announced by the Nylex Board, be issued by Ancom at the Issue Price to the Nylex MI,</i></p> <p><i>each Nylex MI receiving a cash payment of approximately RM0.3926 and such number of Ancom Shares equivalent to approximately RM0.5238 in value for every Nylex Share held on the Entitlement Date.</i></p> | <p>Please refer to Section 5.2 of this IAL for our commentaries on the fairness of the Purchase Consideration.</p> <p>These are procedural terms for the settlement of the Purchase Consideration, which were mutually agreed upon between Ancom and Nylex and are reasonable.</p> <p>These are procedural and reasonable terms for the settlement of the MI Distribution Amount, which were mutually agreed upon between Ancom and Nylex.</p> <p>Please refer to Section 5.3 of this IAL for our commentaries on the fairness of the Issue Price.</p> |

| Salient terms of the SBA | KAF IB's comments |
|--|---|
| <p><u>Conditions Precedent</u></p> <p>1. <i>The obligation of the parties that are set out in the SBA are conditional upon the following conditions precedent being (a) satisfied/fulfilled/obtained or (b) waived by mutual agreement of the parties, by the Cut-Off Date:</i></p> <ul style="list-style-type: none"> (a) <i>Ancom obtaining the approval of its shareholders at an EGM to be convened for the acquisition of the Nylex Business upon the terms and conditions of the SBA.</i> (b) <i>Ancom obtaining the approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities.</i> (c) <i>Ancom obtaining the approval or consent of the financiers/creditors of Ancom and/or Rhodemark for the acquisition of the Nylex Business upon the terms and subject to the conditions of the SBA, where required.</i> (d) <i>Ancom obtaining the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking or guarantee with or involving Ancom and/or Rhodemark, where required, in each case to the extent that at the Completion Date the same remain to be completed or performed or remain in force.</i> (e) <i>Nylex obtaining the approval of its shareholders at an extraordinary general meeting to be convened for the disposal of the Nylex Business upon the terms and conditions of the SBA.</i> (f) <i>Nylex obtaining the approval or consent of the financiers/creditors of Nylex Group for the disposal of the Nylex Business upon the terms and conditions of the SBA, where required.</i> (g) <i>Nylex obtaining the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking or guarantee with or involving Nylex Group, where required, in each case to the extent that at the Completion Date the same remain to be completed or performed or remain in force.</i> (h) <i>Nylex obtaining the approval of its shareholders at an extraordinary general meeting to be convened for the Proposed Distribution.</i> (i) <i>Nylex obtaining the grant of an order of the High Court of Malaya pursuant to Section 116 of the Act.</i> (j) <i>Nylex obtaining the approval or consent of the financiers/creditors of Nylex for the Proposed Distribution, where required.</i> (k) <i>Nylex obtaining the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking or guarantee with or involving Nylex, where required, in each case to the extent that at the completion of the Proposed Distribution the same remain to be completed or performed or remain in force, where required.</i> | <p>These are common and reasonable terms as Ancom shall ensure that all relevant approvals are obtained to facilitate the implementation of the Proposed Acquisition.</p> <p>These are common and reasonable terms as Nylex shall ensure that all relevant approvals are obtained to facilitate the implementation of the Proposed Acquisition.</p> |

| Salient terms of the SBA | KAF IB's comments |
|--|---|
| <p>(1) <i>Any other approvals, waivers or consents of any authorities or parties as may be required by law or regulation or deemed necessary by the parties.</i></p> <p>2. <i>If any of the conditions precedent is not obtained/fulfilled or waived by the Cut-Off Date, Nylex or Ancom may, at its sole discretion, terminate the SBA by notice in writing, whereupon, the parties shall not have any further rights under the SBA except in respect of:</i></p> <p>(a) <i>any obligation under the SBA which is expressed to apply after the termination of the SBA; and</i></p> <p>(b) <i>any rights or obligations which have accrued in respect of any breach of any of the provisions of the SBA to the parties prior to such termination.</i></p> <p>3. <i>The SBA shall become unconditional on the date when all the conditions precedent have been obtained/fulfilled or waived.</i></p> | <p>This is a common and reasonable term as it serves to ensure that all relevant approvals are obtained to facilitate the implementation of the Proposed Acquisition.</p> <p>This is a common and reasonable term which serves to safeguard the interests of Ancom and Nylex in the event of non-fulfilment of conditions precedent, in which case the SBA may be terminated.</p> <p>This is a procedural term to facilitate the SBA and is reasonable.</p> |
| <p><u>Proposed Distribution</u></p> <p>1. <i>As Ancom is the holding company of Nylex and Nylex is not permitted to hold any Ancom Shares pursuant to Section 22 of the Act, which prohibits a corporation from being a member of its holding company, Nylex shall, subject to all requisite approvals, implement the Proposed Distribution comprising the following:</i></p> <p>(a) <i>A capital reduction exercise in accordance with Section 116 of the Act, involving a reduction of part of the share capital of Nylex, which shall require confirmation by the High Court of Malaya; and</i></p> <p>(b) <i>A capital repayment exercise involving the distribution of the Gross Distribution Amount following the completion of the SBA to all the shareholders of Nylex in accordance with clause Purchase Consideration, 2(b) above .</i></p> | <p>This term serves to facilitate the implementation of the Proposed Acquisition in an orderly manner without contravening the Act and hence, is reasonable.</p> |
| <p><u>Real property gains tax ("RPGT") liabilities</u></p> <p><i>Ancom agrees to bear all RPGT payable (if any) under any of the provisions of the Real Property Gains Tax Act 1976 ("RPGTA 1976") on the disposal of any of the assets or the Nylex's properties pursuant to the SBA and promptly pay to the relevant authorities any retention sum payable pursuant to the provisions of Section 21B of the RPGTA 1976 and shall indemnify and keep indemnified and harmless Nylex at all times against all claims, actions, proceedings, liabilities, demands, costs, expenses, damages, fines and penalties levied on, incurred or sustained by Nylex arising out of or in connection with RPGT payable under any of the provisions of the RPGTA 1976 in connection with the disposal of the assets and Nylex's properties pursuant to the SBA, including any claims by the Director-General of Inland Revenue arising from any default in payment of RPGT.</i></p> | <p>This term is not reasonable as generally, it is the obligation of the vendor, i.e. Nylex, to settle the associated RPGT for the Proposed Acquisition. However, after due consideration on the following, Ancom, as the purchaser, has agreed to absorb all the RPGT associated with the Proposed Acquisition:-</p> <ul style="list-style-type: none"> the Purchase Consideration represents a discount of RM118.5 |

| Salient terms of the SBA | KAF IB's comments |
|---|--|
| | <p>million to the audited consolidated NA attributable to owners of Nylex as at 31 May 2020 (the latest available audited financial statements of Nylex prior to the signing of SBA); and</p> <p>against</p> <ul style="list-style-type: none"> the RPGT associated with the Proposed Acquisition as estimated by the management of Ancom of up to approximately RM4.0 million. <p>Premised on the foregoing, on a collective basis, we are of the view that this term is reasonable.</p> |
| <p><u>Assumption by Ancom of liabilities on and from completion</u></p> <ol style="list-style-type: none"> <i>Ancom agrees that subject to the limitations set out in items 2 and 3 below, it shall indemnify and keep indemnified and harmless Nylex at all times against all claims, actions, proceedings, liabilities, demands, costs, expenses, damages, fines and penalties levied on, incurred or sustained by Nylex arising out of or in connection with the liabilities (which are to be transferred to and assumed by Ancom in accordance with the clause "Information on Nylex Business", 1(n) below) as at and from completion of the SBA. For the avoidance of doubt, nothing contained in this clause shall discharge or prejudice the rights of Ancom under the warranties made by Nylex in the SBA and any claim Ancom may have against Nylex for breach of the warranties made by Nylex in the SBA.</i> <i>Ancom shall not be required to indemnify Nylex under item 1 above unless a written notice for claims of any indemnities is served by Nylex to Ancom within a period of 12 months from the Completion Date.</i> <i>The aggregate amount of indemnity by Ancom under item 1 above shall in no event exceed 5% of the Purchase Consideration. For the avoidance of doubt, the limitation on the indemnity shall not derogate from Ancom's obligation to assume all liabilities as at the Completion Date pursuant to the clause "Information on Nylex Business", 1(n) below and this limitation shall only apply to the extent such claims, actions, proceedings, liabilities, demands, costs, expenses, damages, fines and penalties levied on, incurred or sustained by Nylex arising out of or in connection with the liabilities are in excess of the liabilities assumed by Ancom or Nylex Holdings (as the case may be) as at the Completion Date which quantum shall be as set out in the completion balance sheet prepared by Nylex.</i> <i>Nylex agrees that it shall indemnify and keep indemnified and harmless Ancom at all times against all claims, actions,</i> | <p>These are reasonable terms as the Proposed Acquisition entails the acquisition of all assets and liabilities of the Nylex Group and hence, upon completion, the settlement of such liabilities shall be rest upon Ancom and accordingly Ancom shall indemnify Nylex pursuant to the SBA.</p> |

| Salient terms of the SBA | KAF IB's comments |
|---|--|
| <p><i>proceedings, liabilities, demands, costs, expenses, damages, fines and penalties relating to taxation payable by Nylex in respect of the conduct of the Nylex Business prior to the completion of the SBA as at and from completion of the SBA.</i></p> | |
| <p><u>Covenants pending completion</u></p> <ol style="list-style-type: none"> 1. <i>In the period between the date of SBA and completion of the SBA, Nylex shall procure that (i) the Nylex Business will be carried on as a going concern in the ordinary course, save as agreed in writing by Ancom; and (ii) all reasonable steps shall be taken to preserve the assets and, in particular all insurance policies normally kept in force will be maintained.</i> 2. <i>Without prejudice to item 1 above, Nylex shall not and, where applicable, shall use its best endeavours to procure Nylex Group not to, without the prior written consent of Ancom (such consent not to be unreasonably withheld):</i> <ol style="list-style-type: none"> (a) <i>enter into any agreement or incur any commitment involving any capital expenditure in excess of RM9,000,000, being an amount equivalent to 3.0% of the NA of the Nylex Group in aggregate based on the latest consolidated financial statements of Nylex, otherwise than in the ordinary course of Nylex Business;</i> (b) <i>enter into or amend any contract or incur any commitment which is not capable of being terminated without compensation at any time with 3 months' notice or less or which is not in the ordinary course of business or which involves or may involve total annual expenditure in excess of an amount of RM6,000,000;</i> (c) <i>enter into any transaction of a financial nature including incurring any borrowings or indebtedness, granting of any guarantee, indemnity, performance bond, lien, pledge, charge (including fixed and floating charge), mortgage or other security, otherwise than in the ordinary course of business;</i> (d) <i>save and except for transfers of employees between the Nylex Group, employ any new senior employees or amend or vary any terms and conditions or terminating from employment of any existing senior employees;</i> (e) <i>create or permit to be created any encumbrance over any asset of Nylex Group otherwise than in the ordinary course of business;</i> (f) <i>recommend, declare, make and/or pay any dividends (whether in cash or in kind) nor propose or make any other distribution of capital by Nylex other than dividends declared prior to the date of the Proposal Letter;</i> (g) <i>carry out any buyback or resale of Nylex Shares;</i> (h) <i>making any change in the share capital structure of Nylex or its subsidiaries;</i> (i) <i>conduct any form of capital raising exercise (either in the form of debt or equity) or capital reduction exercise or increase, reduce or otherwise alter the authorised or issued</i> | <p>These terms are reasonable as they serve to protect the interest of Ancom with the aim of ensuring that the Nylex Business will be preserved and carried out in an orderly manner pending completion of the Proposed Acquisition.</p> |

| Salient terms of the SBA | KAF IB's comments |
|--|-------------------|
| <p><i>capital of any company within the Nylex Group, including the granting of any option or right over any share in the capital of any company within the Nylex Group, other than in connection with the Proposed Distribution;</i></p> <p>(j) <i>issue any shares, warrants, options or securities which are convertible or exchangeable into shares of any company within the Nylex Group;</i></p> <p>(k) <i>undertake any other proposal that will result in issuance of new Nylex Shares;</i></p> <p>(l) <i>acquire or agree to acquire any share(s) or other interest in any body corporate or participate in or withdraw from any partnership or joint venture arrangement or participate in a reconstruction or restructuring scheme, otherwise than in the ordinary course of Nylex Business;</i></p> <p>(m) <i>dispose, redeem or cancel shares or otherwise vary its interest in any subsidiary of Nylex, save and except for the disposal of any dormant company within the Nylex Group having a net tangible asset value of less than RM3,000,000;</i></p> <p>(n) <i>wind-up or dissolve any company within the Nylex Group; consolidate or amalgamate any company within the Nylex Group with any other company, association, partnership or legal entity; amend the constitution of Nylex (except in connection with the Proposed Distribution) or its subsidiaries; or materially change Nylex's or its subsidiaries' accounting or reporting practices save and except to comply with the International Financial Reporting Standards, save and except for the winding-up of any dormant company within Nylex Group having a net tangible asset value of less than RM3,000,000;</i></p> <p>(o) <i>save and except for the proposed disposal of terminal assets for a cash consideration of USD6,250,000 (approximately RM25,700,000) owned by Perusahaan Kimia Gemilang (Vietnam) Company Ltd. pursuant to a sale and purchase agreement dated 24 May 2021 entered into between Perusahaan Kimia Gemilang (Vietnam) Company Ltd. and TOP Solvent (Vietnam) Limited Liability Company, disposing or transferring any of the material businesses or assets of Nylex outside the ordinary course of business, and for this purpose, any disposal or transfer for a purchase consideration collectively in excess of RM3,000,000 shall be deemed to be material;</i></p> <p>(p) <i>acquire any material business or assets outside the ordinary course of business, and for this purpose, any acquisition for a purchase consideration in excess of RM3,000,000 shall be deemed to be material;</i></p> <p>(q) <i>make any material changes in the terms and conditions of any of the material contracts entered into by the Nylex Group, save and except for the purposes of compliance with applicable laws, regulations or guidelines;</i></p> | |

| Salient terms of the SBA | KAF IB's comments |
|--|---|
| <p>(r) <i>make any change in the nature, scope or organisation of the Nylex Business nor dispose of the whole of its undertaking or property or a substantial part thereof;</i></p> <p>(s) <i>acquire or dispose of or grant any option or right of pre-emption in respect of any material asset or any interest in the Nylex Business;</i></p> <p>(t) <i>enter into any contract or arrangement with director or major shareholder of Nylex or any person connected (as defined in Section 197 of the Act) with such person having a consideration or value of an amount in excess of RM3,000,000; or</i></p> <p>(u) <i>dispose of the properties or grant any lease or third party right in respect of the properties, otherwise than in the ordinary course of business.</i></p> | |
| <p><u>Termination of SBA</u></p> <p>1. <i>Each party shall be entitled to issue a notice of termination to the other party, if at any time the other party commits any continuing or material breach of any of its obligations under the SBA which is incapable of remedy or if capable of remedy, is not remedied within 14 days of it being given notice so to do or inter alia, a winding-up or insolvency events occurs or the other party breaches any of its representations or warranties under the SBA.</i></p> <p>2. <i>If the SBA is terminated by Ancom pursuant to item 1 above and Ancom elects not to pursue the remedy of specific performance, Nylex shall, within 14 days after its receipt of the notice of termination, be obliged to (i) return to Ancom all documents, if any, delivered to them by or on behalf of Ancom; (ii) refund and repay to Ancom any and all other moneys received by or on behalf of Nylex, together with any interest accrued thereon (if any); and (iii) return and surrender for cancellation any Consideration Shares received by it or received on behalf of it towards account of the Purchase Consideration or held by or on behalf of Nylex pursuant to the terms of the SBA. In exchange for the performance by Nylex of such obligations, Ancom and/or Nylex Holdings shall, within 14 days after the receipt of the notice of termination by Nylex, be obliged to return to Nylex, all documents, if any, delivered to them by or on behalf Nylex and re-transfer, re-assign and/or re-deliver the Nylex Business together with all revenue, profits and other moneys attributable to the Nylex Business after completion to Nylex (if applicable).</i></p> <p>3. <i>If the SBA is terminated by Nylex pursuant to item 1 above and Nylex elects not to pursue the remedy of specific performance, Ancom and/or Nylex Holdings shall, within 14 days after its receipt of the notice of termination, return to Nylex all documents, if any, delivered to them by or on behalf of Nylex and re-transfer, re-assign and/or re-deliver the Nylex Business together with all avenue, profits and other moneys attributable to the Nylex Business after the completion to Nylex (if applicable). In exchange for the performance by Ancom of such obligations, Nylex shall within 14 days after the receipt of the notice of termination by Ancom and/or Nylex Holdings, (i) return to Ancom all documents, if any, delivered to Nylex by or on behalf of Ancom; (ii) refund and repay to Ancom any and all moneys received by or on behalf of</i></p> | <p>These are reasonable terms which serve to safeguard the interest of Ancom and Nylex in the event of default by either party.</p> |

| Salient terms of the SBA | KAF IB's comments |
|---|---|
| <p><i>Nylex free of any interest accrued thereon; and (iii) return and surrender for cancellation any Consideration Shares received by it or deemed received by it or received on behalf of it towards account of the Purchase Consideration or held by or on behalf of Nylex pursuant to the terms of the SBA.</i></p> | |
| <p><u>Change of name of Nylex</u></p> <p><i>Nylex undertakes that it shall following completion of the SBA and within 60 days after obtaining the approval of its shareholders for its acquisition of a new core business in accordance with Paragraph 8.03(5) of the Listing Requirements, at its own costs and expenses, do all acts and things necessary to effect the change of its company name to a company name which does not include the word 'Nylex' or any name similar to such names which form part of the Nylex's intellectual property.</i></p> | <p>This is a reasonable term as it serves to ensure the exclusive use of the brand name "Nylex" associated with the Nylex Business by the Ancom Group following the completion of the Proposed Acquisition.</p> |
| <p><u>Information on Nylex Business</u></p> <p>1. <i>Nylex Holdings must accept the transfer or assumption of the assets and liabilities, including the following:</i></p> <ul style="list-style-type: none"> <i>(a) the shares of each of the companies directly held by Nylex, with the intent and agreement that at completion of the SBA, the registered and/or beneficial ownership of those numbers of shares (and their representative equity interests) in the companies directly held by Nylex shall be transferred to Nylex Holdings;</i> <i>(b) the rights, obligations and benefits of the agreement in respect of the Nylex Business, subject to the conditions and in accordance with the terms thereof;</i> <i>(c) the sum of the cash balances (including, but not limited to cash in hand and credited to any account with a bank, including fixed deposits) of Nylex as at the Completion Date;</i> <i>(d) the raw material and supplies, the work-in-progress and the finished goods, owned or agreed to be bought by Nylex in connection with the Nylex Business as at the Completion Date wherever held;</i> <i>(e) the real properties registered in the name of and/or beneficially owned by Nylex;</i> <i>(f) the goodwill of the Nylex Business and includes the exclusive right for Ancom to represent itself as carrying on the Nylex Business as Nylex's successor;</i> <i>(g) the motor vehicles owned by Nylex and used or intended to be used in connection with the Nylex Business as at the Completion Date;</i> <i>(h) the loose items of office and store equipment, furniture and furnishings owned by Nylex used or intended to be used in connection with the Nylex Business, at the Completion Date;</i> <i>(i) the plant and machinery and other equipment owned by Nylex, and used or intended to be used in connection with the Nylex Business, at the Completion Date, if any;</i> | <p>These terms are reasonable which set out the details of Nylex Business acquired by Ancom pursuant to the Proposed Acquisition.</p> |

| Salient terms of the SBA | KAF IB's comments |
|--|---|
| <p>(j) <i>the intellectual property owned by Nylex and all other intellectual property which at or immediately before the Completion Date is used or enjoyed or capable of being used or enjoyed in connection with the Nylex Business;</i></p> <p>(k) <i>the book and other debts (including any accrued interest) receivable by or owing to Nylex in connection with the Nylex Business accrued or receivable as at the Completion Date (“Receivables”) and the benefit of all securities therefor and all guarantees, indemnities and rights in respect of the same;</i></p> <p>(l) <i>the benefit (so far as the same can lawfully be assigned or transferred to Ancom) of all rights and claims of Nylex arising before the Completion Date out of or in connection with the Nylex Business in so far as they relate to any of the assets and liabilities, but excluding the Receivables;</i></p> <p>(m) <i>all other property, rights, permits, licences and assets used, enjoyed or exercised or intended to be used, enjoyed or exercised in connection with the Nylex Business;</i></p> <p>(n) <i>the assumption of all debts, liabilities, duties and obligations of Nylex in respect of the carrying on of the Nylex Business or in respect of the assets or otherwise, of every description, whether deriving from contract, common law, statute or otherwise, whether in Malaysia or elsewhere and whether present or future, actual or contingent, ascertained or unascertained or disputed and whether owed or incurred severally or jointly and as principal or surety or otherwise howsoever, which for the avoidance of doubt shall include all outstanding debts and any claim, demand, right of set-off or legal proceeding by any person against Nylex, to be transferred to and/or assumed by Ancom; and</i></p> <p>(o) <i>the benefit and assumption of all inter-company payables and other non-trade payables relating to the Nylex Business.</i></p> <p>2. <i>The following assets shall not form part of the sale and purchase and transfer of the Nylex Business contemplated and shall remain the property of Nylex after completion of the SBA:</i></p> <p>(a) <i>Nylex Shares held by the Nylex in treasury (if any);</i></p> <p>(b) <i>the common seal, statutory records and corporate records of Nylex required by law to be retained by Nylex;</i></p> <p>(c) <i>all rights of Nylex under the SBA (including all rights in respect of the Purchase Consideration to be paid by Ancom); and</i></p> <p>(d) <i>the interest-bearing bank account to be opened and maintained by Nylex and designated by Nylex for the purpose of receiving payment of the Cash Consideration and the balance thereof.</i></p> | <p>These terms are reasonable which set out the assets of Nylex which do not form part of the Proposed Acquisition.</p> |

Premised on the above, we are of the view that the salient terms and conditions of the SBA are considered reasonable.

5.5 Industry outlook and prospects

In evaluating the prospects of the Group moving forward, we have considered the overview and outlook of the global economy, the overview and outlook of Malaysian economy, overview and outlook of the manufacturing division, overview and outlook of the oil prices and the prospects of the Nylex Business and Ancom's future plan. Our commentaries are as follows:-

5.5.1 Overview and outlook of the global economy

"The global economy continued to improve in the second quarter ("2Q") of 2021. However, growth was uneven across advanced economies ("AE") and emerging market economies ("EM"). In most AEs, faster growth was broad-based across both manufacturing and services sectors, as higher vaccination rates help to facilitate the easing of containment measures. In contrast, many EMs continued to be disrupted by containment measures to curb the ongoing COVID-19 pandemic risks, which adversely impacted and further dampened the economic activity despite improving external demand conditions for the emerging market economies. With the exception of People's Republic of China ("PRC"), the improvement in year-on-year growth during the quarter was also partially attributable to the low base effects from the lockdowns imposed worldwide during the corresponding period in the preceding year.

For China, its growth normalised to 7.9% for 2Q of 2021 (first quarter ("1Q") 2021: 18.3%) as it experienced sustained strength in exports and a steady recovery in domestic demand, which was supported by expansionary financing.

On the other hand, the United States ("US") economy accelerated, expanding by 12.2% during the 2Q of 2021 (1Q 2021: 0.5%). Private consumption was the main driver for the economy, supported by fiscal support and the steady improvement in labour market conditions. The further relaxation of containment measures also contributed to the recovery. The euro area also turned around and recorded a growth of 13.7% (1Q 2021: -1.3%), driven by improvements in both domestic and external activity. The pickup in the vaccine rollout within the euro area economies allowed for the relaxation of containment measures, which benefitted especially the domestic-oriented services. Growth was also supported by continued strength in manufacturing and trade activity.

In the July World Economic Outlook issued by the International Monetary Fund ("IMF"), the IMF kept its projection of global growth in 2021 unchanged, compared to the April World Economic Outlook, at 6.0%. While the overall global growth outlook remained unchanged, there were offsetting revisions between AEs, which were revised upwards, and EMs which were revised downwards. This reflects pandemic developments especially with regards to vaccination rates and differences in the extent of policy support and availability of policy space between the two economies. With higher vaccination rates, AEs are expected to be able to manage resurgences in COVID-19 infections with relatively lighter containment measures. This, along with improvement in domestic demand, will support the recovery momentum for AEs in the second half of 2021. For EMs, the risk of disruptions in domestic activity due to containment measures amidst COVID-19 resurgences is higher, due to the slower rate of vaccination. In addition, there is less policy space in EMs, which will limit the degree of accommodation from policy to offset any shocks due to a resurgence of COVID-19 pandemic.

The balance of risk remains tilted to the downside, with COVID-19 pandemic related risks remaining the key source of downside risk. The key risk concerns the spread of new variants of concern that could lead to the resumption of containment measures to preserve healthcare capacity, amid lower effectiveness of vaccines against newer variants. Nevertheless, upside risks to growth could come from faster-than-expected vaccination progress in EMs and further fiscal stimulus, particularly in AEs."

(Source: Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia)

In relation to the above, we note that the global economy continued to recover in the 2Q of 2021 and moving forward, the AEs are anticipated to recover earlier than the EMEs due mainly to differences in the pace of vaccination. Nevertheless, the concerns over the COVID-19 pandemic, including the resurgence in COVID-19 cases globally, a lower effectiveness of vaccines amid mutations in virus strains, and a slower-than-expected rollout of vaccines, remained a key downside risk. Fortunately, there are some upside risks to growth, such as faster-than-expected vaccination progress and more forthcoming fiscal stimulus, particularly in the AEs.

5.5.2 Overview and outlook of the Malaysian economy

*“The Malaysian economy turned around and expanded by 16.1% in the 2Q of 2021 (1Q 2021: -0.5%), supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the 2Q of 2020. Economic activity picked up at the start of the 2Q but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (“**FMCO**”). For the 2Q as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.*

On the sectoral front, double-digit growth was recorded across most economic sectors in the 2Q of 2021. The services sector expanded by 13.4% (1Q 2020: -2.3%). Growth was supported by a nascent recovery in consumer-related activities in April and May 2021. This was, however, partially reversed by the re-imposition of restrictions on non-essential retail activities, dine-ins and inter-district and inter-state travel. Meanwhile, the information and communication subsector continued to benefit from rising demand for e-commerce and e-payment activity, as well as remote working and learning arrangements. Additionally, strong double-digit growth was recorded in the finance and insurance subsector, attributed to higher fee income, sustained loan and deposit growth, and higher net insurance premiums less claims.

With the earlier relaxation of containment measures, overall labour market conditions are projected to recover at a faster pace, with increased hiring and improvement in income growth. This contributes to a sooner-than-expected recovery in consumer confidence. When restrictions are eased, the effects from improved labour market conditions and sentiments will generate stronger-than-expected demand conditions.

*Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the 2Q of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia’s exports, particularly for electrical and electronics (“**E&E**”) products, continued to remain robust.*

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide containment measures, which would weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will continue to be supported by policy measures, which will provide cash flow support, particularly for affected households and businesses. Going forward, the economic recovery will be underpinned by higher external demand and gradual improvement in domestic demand. The rapid progress of the nationwide vaccination programme will allow economic sectors to be gradually reopened and provide some lift to household and business sentiments.”

(Source: Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia)

In relation to the above, we note that the Malaysian economy registered a growth of 16.1% in the second quarter of 2021 supported mainly by the improvement in domestic demand and robust exports performance as well as the easing of restrictions in early 2021, which have promoted gradual recovery in economic activity. The economic recovery will be underpinned by the improvement in domestic demand and the rapid progress of the vaccination programme which would allow the economic sectors to be gradually opened.

5.5.3 Overview and outlook of the manufacturing and agriculture sectors

“Growth in the manufacturing sector expanded by 26.6% (1Q 21: 6.6%). On a seasonally adjusted, quarter-on-quarter basis however, manufacturing growth declined by 1.5%. This was a result of the imposition of MCO 3.0 which impacted demand domestically for products in the consumer- and construction-related clusters. Demand conditions for export-oriented industry remained resilient amid the continued global tech upcycle and recovery in global growth. Manufacturing growth was further impacted by the Phase 1 of the FMCO, which limited operations to only essential sectors and those in the global value chain.

Manufactured exports increased by 43.6% (1Q 2021: 22.7%), supported mainly by non-E&E products exports 55.5%, 1Q 2021: 19.0%). This was driven by strong demand for petroleum and chemical products, manufactures of metal and machinery, and equipment and parts. Commodities exports registered a strong rebound (46.3%, 1Q 2021: -6.5%) due mainly to improvement in CPO, LNG and crude petroleum exports.

The agriculture sector, however, contracted further by 1.5% in 2Q of 2021 (1Q 2021: 0.2%). This was mainly attributed to a larger decline in oil palm output as harvesting activity was affected by continued labour shortages. While the forestry and logging subsector also declined, agricultural activity was partially supported by a rebound in the rubber and fisheries sub-sectors. Additionally, the livestock and other agriculture sub-sectors continued to register positive growth amid a turnaround in domestic demand.”

(Source: Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia)

In relation to the above, we note that despite the manufacturing sector had expanded at a higher pace of 26.6% in the second quarter of 2021, the growth declined by 1.5% for quarter-on-quarter basis pursuant to the imposition of movement control which restricted the operations. The agriculture sector further contracted by 1.5% due to the shortage of labours in the harvesting of oil palm but supported by livestock and other agriculture sectors.

5.5.4 Overview and outlook of the automotive sector

“PVC leathercloth is Nylex’s main product under the Polymer Division which is often used for automotive interiors.

The global automotive industry was estimated to suffer a revenue loss of USD60 billion in 2021 due to shortages of semiconductor chips as the impact from the chip shortages was first felt by the automotive industry. This issue has also highlighted the high degree of geographical concentration of chip manufacturing, raising national security concerns for some major economies. Automotive players faced longer lead-times when demand recovered sharply, as chip manufacturers were unable to reprioritise chip supplies back to the automotive industry, especially for those that have cancelled chip orders earlier. This has led some automotive players to suspend production or leave out certain non-essential features due to inability to source vital components. Moving into 2021 however, the automotive industry experienced a faster-than-expected recovery in demand following the lifting of containment measures by various governments globally

Nevertheless, Malaysia’s automotive sector has been relatively less affected. Compared to the automotive industry in the US and Germany, Malaysia’s production has improved since end-2020. This is partly attributed to a lower chip intensity for motor vehicles produced in Malaysia, compared to the AEs, particularly in the production of mass-market and national makes. The improvement in motor vehicle production also coincides with the sales and service tax exemptions on purchases of passenger cars, as consumers leveraging on the tax savings increased their demand for vehicles.”

(Source: Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia)

In relation to the above, we note that the global automotive industry suffered a loss but Malaysia’s production has improved pursuant to the increase in the motor vehicle production as a result of the SST exemptions announced by the Government of Malaysia.

5.5.5 Overview and outlook of the oil prices

“Brent crude oil prices rose to an average of USD69 per barrel during the 2Q of 2021 (1Q 2021 average: USD61 per barrel). Despite the resurgence in COVID-19 cases in some regions, the rally in oil prices was underpinned by improving global economic growth, rising vaccination rates and progressive easing of mobility restrictions measures, particularly in the advanced economies. Oil prices were also supported by tight global oil supply conditions amid the ongoing OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) production cuts and a modest increase in shale oil production from the US.

Based on the Commodity Market Developments and Forecasts issued by IMF in April 2021, oil prices increased by 39 percent between August 2020 and February 2021 on positive vaccine news and the rapid economic recovery in Asia. A resurgence of COVID-19 cases and difficulties in vaccine rollout at the beginning of the year weakened the oil demand outlook and led the OPEC+ coalition to review more prudently the relaxation of the 7 million barrels a day production curbs announced in April 2020.

Although oil prices persistently above USD60 a barrel may induce a substantial production recovery of higher-cost producers in non-OPEC+ countries, including of US shale oil, most of them seem focused on balance sheet repair. Risks to oil prices are slightly tilted to the upside as upside risks from large cuts in oil and gas upstream investments exceed downside risks from a setback in global oil demand recovery.”

(Source: Commodity Market Developments and Forecasts – April 2021, IMF)

In relation to the above, we note that the prices of oil and base metal improved between August 2020 and February 2021. The balance of risks to oil prices are slightly tilted to the upside arising from probable large cuts in oil and gas upstream investments due to the setback in global oil demand recovery.

5.5.6 Overview and outlook of the chemical and chemical products sectors

“The chemicals and chemical products industry produces outputs that are used as raw materials in the manufacturing of E&E products, plastic products, agricultural goods, and construction materials. The industry is a key contributor towards Malaysia’s GDP, and represents a sizeable segment of the country’s manufacturing landscape. According to the Chemical Industries Council of Malaysia, the industry contributed approximately RM33.8 billion to the national GDP in 2019, primarily as a result of its strong linkages to other major manufacturing industries. However, the recent global recession and the government of Malaysia’s response to the COVID-19 pandemic has adversely impacted the industry; primarily due to the movement control order (“MCO”), which has imposed restrictions on manufacturers, thereby hindering them from operating at full capacity. In 2020, imports of chemicals and chemical products were reduced by 10 per cent to RM73.5 billion as compared to 2019, while the total exports also declined by 11.8 per cent to RM50.7 billion.

The chemicals and chemical products industry still has significant room for growth, development, and improvement given the events of 2020. Future and strategic planning focusing on agility, resilience, and sustainability will allow industry players to maximise returns on investment, even in the face of future shocks. In particular, inculcating the spirit of innovation among industry players will be key to enhancing the industry’s economic value. Allied Market Research’s report published in May 2020, “The Specialty Chemicals Report Outlook 2027”, reports that the global specialty chemicals market value stood at USD711 billion in 2019, and is projected to reach USD953.9 billion by 2027, growing at a CAGR of five per cent from 2020 to 2027, mainly driven by pharmaceutical ingredients, agrochemicals, and end-user industries such as food additives, cosmetic chemicals, as well as pulp and paper.

Moving forward, Malaysia is looking to venture into new sub-segments within the speciality chemicals segment. Industry players have begun exploring the possibility to produce speciality chemical products directly from crude oil by using Crude Oil-To Chemicals (COTC) technology. Non-fuel products such as catalysts, aromatics, white spirits (naphtha), wax, and white oil offer a huge market potential to be explored. These products can be used as additives for various industries such as food and beverages, construction and automotive.”

(Source: Malaysia Investment Performance Report 2020, Malaysian Investment Development Authority)

In relation to the above, we note that the total exports for the chemical and chemical products have declined by 11.8% pursuant to the imposition of MCO which has restricted the full operations of the manufacturers. Malaysia intends to venture into the specialty chemicals segment in the future which has a huge market potential.

5.5.7 Prospectus of Nylex Business and Ancom's future plan

"The Nylex Group's business operations were adversely affected by several factors during the FYE 31 May 2020. The key adverse factors were related to the weakening of the global economy due to the China-USA trade war as well as the lock-down of economies due to the COVID-19 pandemic which severely restricted business activities in early 2020. In addition, the glut in oil supply resulting from the Saudi Arabia-Russia price war further weakened oil and commodities prices and margins. Affected by the above factors, for the FYE 31 May 2020, the Nylex Group recorded significantly lower revenue compared to the preceding financial year.

However, the Nylex Group's revenue for the FYE 31 May 2021 has improved by 1.4% to RM1,151.7 million (FYE 31 December 2020: RM1,136.3 million), mainly driven by the industrial chemicals division as the average selling prices of its products have increased in line with global crude oil prices. The polymer division of the Nylex Group has also grown due to higher sales volume and improved margins for certain products.

Additionally, Nylex's wholly-owned subsidiary, Fermpro Sdn. Bhd. has obtained the approval of Malaysian Investment Development Authority to increase its ethanol production capacity from 5 million litres to a total of 10.0 million litres per year. Ethanol is used mainly in the manufacture of sanitisers and disinfectants. To cater for the additional production capacity, Fermpro Sdn. Bhd. has contracted to construct a new manufacturing plant, which is expected to contribute positively to the Nylex Group's earnings for the FYE 31 May 2023 onwards. The estimated total project cost for the new manufacturing plant is approximately RM21.5 million. The said project cost will be funded by existing bank borrowing and internally generated funds from the Nylex Business after the completion of the Proposed Acquisition.

In view of the above, despite the challenging environment for the Nylex Group due to several unfavourable near term economic challenges, our Board is taking a long-term view on the business prospects of the business operations of the Nylex Group and is of the view that the Proposed Acquisition will allow our Group to realise the full benefits from any improvement/recovery of the Nylex Business post completion of the Proposed Acquisition.

As Nylex is our existing subsidiary, we are familiar with the Nylex Business and hence do not have any intention to introduce or effect major changes to the existing Nylex Business, except where necessary to integrate and/or reorganise and/or rationalise the business activities and/or direction of the Nylex Business. However, notwithstanding that the global economy remains uncertain, we do not foresee the need to undertake any rationalisation plan in the immediate future. We will from time to time continuously carry out a review on the strategy and future business direction of the Nylex Business in order to remain competitive and improve future growth."

We note that Nylex has obtained the approval to increase its ethanol production capacity from 5.0 million litres per year to 10.0 million litres per year. Hence, upon completion of the construction of new manufacturing plant, the Board believes that the profitability of the ethanol business would improve with better economy of scale and higher sales volume. Further, upon completion of the Proposed Acquisition, Ancom will be able to consolidate the entire earnings of Nylex, which will in turn improve the overall financial performance of the Ancom Group and have a full control of the future direction of Nylex.

In relation to the foregoing, the future prospects of Nylex Business would appear to be encouraging and the Proposed Acquisition is anticipated to improve the financial performance of the Ancom Group in the long term.

5.6 Financial effects of the Proposed Acquisition

In evaluating the Proposed Acquisition, we have taken note of the effects of the Proposed Acquisition as set out in Section 7, Part A of the Circular.

(i) Share capital

The issuance of the Consideration Shares to partially satisfy the Purchase Consideration will result in an increase in the issued share capital of the Company, which represents approximately 18.11% of Ancom's existing issued share capital. Further, pursuant to the issuance of the Consideration Shares, Ancom will be able to reduce an immediate cash outlay of RM46.69 million which could alternatively be utilised for the working capital and/or operations of the Ancom Group.

(ii) Substantial shareholders' shareholdings

Upon issuance of the Consideration Shares, the existing shareholders' shareholdings will be diluted but there will be no emergence of new substantial shareholders in Ancom.

(iii) NA, NA per Ancom Share and gearing

Based on the audited consolidated financial statements of Ancom for the FYE 31 May 2021, the pro forma effects of the Proposed Acquisition on the NA, NA per Ancom Share and gearing, after subsequent adjustments after 31 May 2021 up to and including the LPD are as follows:-

- (a) pro forma Ancom Group's NA to increase from RM363.44 million to RM395.43 million pursuant to the resultant increase in the share capital due to the issuance of Consideration Shares;
- (b) pro forma NA per Ancom Share to decrease from RM1.49 to RM1.44 as the increase in the total number of Ancom Shares in issue pursuant to the issuance of Consideration Shares outpace the NA pursuant to the Proposed Acquisition; and
- (c) pro forma gearing to increase from 0.83 times to 0.89 times as the additional bank borrowings to be taken up for financing the Cash Consideration outpace the NA pursuant to the Proposed Acquisition.

(iv) Earnings and earnings per Ancom Share

Based on the audited consolidated financial statements of Ancom for the FYE 31 May 2021, the pro forma net profit attributable to the owners of Ancom will increase from RM23.75 million to RM26.16 million with the inclusion of the effects of the Proposed Acquisition where the remaining 49.73% net profit of Nylex Group will be consolidated. Nonetheless, the net profit per Ancom Share will decrease from 9.97 sen to 9.71 sen as a result of the increase in the weighted average number of Ancom Shares due to the issuance of the Consideration Shares. Further, the Board anticipates that the Proposed Acquisition will further contribute positively to the future earnings of Ancom Group premised on the prospects of the Nylex Group as set out in Section 5, Part A of the Circular.

(v) Convertible securities

The Proposed Acquisition will not give rise to any adjustment to the exercise price and/or the number of the outstanding Warrants B and ESOS Options. Based on the 5-day VWAMP of Ancom Shares as at the Announcement LTD of RM1.6184, the Warrants B and ESOS Options were in-the-money. As such, Ancom may potentially recoup the said cash outlay of RM50.0 million through the proceeds to be received from the exercise of Warrants B and ESOS Options.

Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are not detrimental to the interest of the non-interested shareholders of Ancom.

5.7 Risk factors associated with the Proposed Acquisition

In considering the Proposed Acquisition, the non-interested shareholders of Ancom are advised to give due and careful regard to the risk factors as mentioned in Section 6, Part A of the Circular. We wish to highlight some of the risks of the Proposed Acquisition to the non-interested shareholders as follows:-

(i) Non-completion risk

The completion of the Proposed Acquisition is subject to the fulfilment of the conditions precedent to the SBA, which include the approval of Nylex's shareholders and the confirmation of the High Court of Malaya (in relation to the Proposed Distribution). Nevertheless, we note that the Board will endeavour to take all necessary steps to facilitate the completion of the Proposed Acquisition.

We wish to highlight that there can be no assurance that the conditions precedent as disclosed in Section 3.1, Appendix II of the Circular will be fulfilled despite the Board will take all reasonable steps to ensure the fulfillment of all the conditions precedent as some of which are beyond the control of the Company. Failing which, the Proposed Acquisition may not be completed and the potential benefits from the Proposed Acquisition may not be materialised.

(ii) Acquisition risk

Exposure to acquisition risk, where Ancom Group may mitigate as “...our Group will constantly monitor the progress and performance of the Nylex Business and to leverage on its management expertise and experience to properly manage the operations of the Nylex Business ...”.

We are of the view that the acquisition risk is common aspect of similar acquisition proposals and the risk may reasonably be mitigated by the efforts taken by the Company via the due diligence review conducted on Nylex in considering the potential risks and benefits associated with the Proposed Acquisition.

(iii) Financing risk

As disclosed in the Section 7.4, Part A of the Circular, the Cash Consideration will be funded via new bank borrowings, which would result in an estimated finance cost of RM3.0 million per annum. Further, in the event of any material adverse fluctuation in interest rates, the Group would incur higher financing cost which in turn may affect the Group's financial performance. In this regard, there can be no assurance that any future fluctuation in the interest rates will not have a material adverse impact on the earnings of Ancom Group. Nevertheless, we understand that the Group will endeavour to seek suitable bank borrowings and will constantly monitor its debt portfolio as well as to maintain a prudent cash flow management to ensure its financing obligations are well managed at all times.

Although measures may be taken by the Board to attempt to limit all such risk, no assurance can be given that one or a combination of such risk factors will not crystallise and give rise to material and adverse impact on the financial performance/position or prospects of the Ancom Group.

6. FURTHER INFORMATION

Non-interested shareholders of Ancom are advised to refer to Part A of the Circular and the appendices thereof for further information in relation to the Proposed Acquisition.

7. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and our evaluation is set out in Section 5 of this IAL. Non-interested shareholders of Ancom are advised to consider the merits and demerits of the Proposed Acquisition carefully based on all relevant and pertinent factors including those set out in this IAL and the Circular as well as other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Acquisition.

In our evaluation of the Proposed Acquisition and in arriving at our opinion, we have taken into consideration various factors which are summarised as follows:-

| Section in the IAL | Area of evaluation | Comments |
|--------------------|---|---|
| Section 5.1 | Rationale for the Proposed Acquisition | <p>The Proposed Acquisition serves to:-</p> <ul style="list-style-type: none"> (i) enable Ancom to obtain full control over Nylex Business:- <ul style="list-style-type: none"> ▪ thereby allowing the Company to consolidate the entire financial performance associated with the Nylex Business, which has contributed substantially to the Ancom Group historically; and ▪ including its overall operations and future business direction, which is “.....in line with our intention to establish a fully integrated chemical group.....”. (ii) allow the continuation participation of Ancom in the future growth of Nylex. (iii) conserve cash and minimise funding requirements through the issuance of Consideration Shares, and at the same time, allowing the Nylex MI to stay invested in the Nylex Business via their equity participation in Ancom. <p>Premised on the above, we are of the opinion that the rationale for the Proposed Acquisition is considered reasonable.</p> |
| Section 5.2 | Basis and justification of the Purchase Consideration | <p>We note that the purchase consideration of RM179.29 million was arrived at after taking into consideration, among others, the following:-</p> <ul style="list-style-type: none"> (i) although the deemed Offer Price represents a premium over the last transacted price and a range of VWAMPs of Nylex Shares up to and including Announcement LTD, the assessment on NA per Nylex Share would be the more appropriate determinant in considering the fairness of the deemed Offer Price as the Proposed Acquisition serves to acquire all the assets and liabilities of Nylex. In terms of NA per Nylex Share, the deemed Offer Price represents a discount of RM0.70 or 41.18% to the audited consolidated NA as at 31 May 2020 of RM1.70 per Nylex Share; and (ii) the deemed Offer Price represents an implied PBR of 0.59 times, which is within the range of PBR of the Comparable Companies of between 0.56 times and 3.24 times as well as lower than the average PBR of the Comparable Companies of 1.77 times. |

| Section in the IAL | Area of evaluation | Comments |
|--------------------|---|---|
| | | Premised on the above, we are of the view that the Purchase Consideration is fair. |
| Section 5.3 | Basis of arriving at the Issue Price | <p>We are of the opinion that the Issue Price for the Consideration Shares of RM1.50 per Consideration Share is fair as:-</p> <ul style="list-style-type: none"> (i) the Issue Price is within the range of the highest price and lowest price of Ancom Shares for the past one (1) year up to and including the Announcement LTD; (ii) the Issue Price is at a discount to the closing market price of Ancom Shares as at the Announcement LTD and the 5-day VWAMP of up to and including the Announcement LTD; (iii) the Issue Price represents a premium of RM0.10 or 7.14% and RM0.01 or 0.67% to the audited consolidated NA as at 31 May 2020 and 31 May 2021 of RM1.40 and RM1.49 per Ancom Share respectively; and (iv) the Issue Price represents an implied PBR of 1.07 times, which is within the range of PBR of the Comparable Companies of between 0.56 times and 3.24 times. <p>Premised on the above, we are of the opinion that the Issue Price is fair.</p> |
| Section 5.4 | Salient terms of the SBA | The terms of the SBA are mutually agreed upon between the parties concerned pursuant to the Proposed Acquisition and we are of the view that they are reasonable. |
| Section 5.5 | Industry outlook and prospects | <p>We note that the global economy continued to recover in the second quarter of 2021. Nevertheless, the concerns over the COVID-19 pandemic remained a key downside risk. Fortunately, there are some upside risks to growth, such as faster-than-expected vaccination progress and more forthcoming fiscal stimulus. The Malaysian economy registered a decline of 2.0% on a quarter-on-quarter seasonally-adjusted basis. Nevertheless, the pace of recovery will be uneven across economic sectors and the ongoing uncertainties in developments related to the COVID-19 pandemic remained a key downside risk.</p> <p>As for the Ancom Group, the future prospects of Nylex Business would appear to be encouraging and the Proposed Acquisition is anticipated to improve the financial performance of Ancom Group in the long term.</p> |
| Section 5.6 | Financial effects of the Proposed Acquisition | <p>The Proposed Acquisition:-</p> <ul style="list-style-type: none"> (i) will result in an increase in the issued share capital of the Company; (ii) will result in a dilution on the shareholdings of the existing shareholders of Ancom; |

| Section in the IAL | Area of evaluation | Comments |
|--------------------|---|---|
| | | <p>(iii) will marginally improve and increase the Ancom Group's NA but decrease the NA per Ancom Share on a pro forma basis based on the audited consolidated financial statements of Ancom for the FYE 31 May 2020;</p> <p>(iv) will increase the profit per Ancom Share on a pro forma basis based on the audited consolidated financial statements of Ancom for the FYE 31 May 2021. The Proposed Acquisition is expected to contribute positively to the future earnings of Ancom Group; and</p> <p>(v) will not give rise to any adjustment to the exercise price and/or the number of the outstanding Warrants B and ESOS Options.</p> <p>Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are not detrimental to the interest of the non-interested shareholders of Ancom.</p> |
| Section 5.7 | Risk factors associated with the Proposed Acquisition | The non-interested shareholders of Ancom are advised to give due and careful regard to the risk factors as mentioned in Section 6, Part A of the Circular and are reminded that although measures may be taken by the Board to attempt to limit the risks stipulated above, no assurance can be given that such risk factors will not crystallise. |

Premised on the foregoing and our overall evaluation and assessment of the Proposed Acquisition based on information available to us up to the LPD, we are of the opinion that, taken as a whole, the Proposed Acquisition is **fair and reasonable** and is **not detrimental** to the non-interested shareholders of Ancom.

Accordingly, we recommend the non-interested shareholders of Ancom to **vote in favour** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

Yours faithfully,
For and on behalf of
KAF INVESTMENT BANK BERHAD

ROHAIZAD ISMAIL
Chief Executive Officer

YAP CHIN FATT
Director
Corporate Finance

PART C

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE
PROPOSED CHANGE OF NAME**



ANCOM BERHAD

Registration No. 196901000122 (8440-M)
(Incorporated in Malaysia)

Registered Office

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

4 October 2021

Board of Directors

| | |
|--|--|
| Dato' Siew Ka Wei | <i>(Executive Chairman)</i> |
| Tan Sri Dato' Dr Lin Hai Moh @ Lin See Yan | <i>(Independent Non-Executive Director)</i> |
| Tan Sri Dato' Seri Abdull Hamid Bin Embong | <i>(Independent Non-Executive Director)</i> |
| Chan Thye Seng | <i>(Non-Independent Non-Executive Director)</i> |
| Edmond Cheah Swee Leng | <i>(Independent Non-Executive Director)</i> |
| Lim Hock Chye | <i>(Independent Non-Executive Director)</i> |
| Datuk Dr Abd Hapiz Bin Abdullah | <i>(Independent Non-Executive Director)</i> |
| Siew Ka Kheong | <i>(Alternate Director to Dato' Siew Ka Wei)</i> |

To: Our shareholders

Dear Sir / Madam,

PROPOSED CHANGE OF NAME

1. INTRODUCTION

On 30 September 2021, our Company announced that our Board has proposed to change our Company's name from "Ancom Berhad" to "Ancom Nylex Berhad", and is also proposing to seek the approval of our shareholders for the Proposed Change of Name.

THE PURPOSE OF PART C OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED CHANGE OF NAME AND TO SEEK YOUR APPROVAL FOR THE SPECIAL RESOLUTION TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE SET OUT IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART C OF THIS CIRCULAR BEFORE VOTING ON THE SPECIAL RESOLUTION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS AND RATIONALE FOR THE PROPOSED CHANGE OF NAME

Our Board proposes to change our Company's name from "Ancom Berhad" to "Ancom Nylex Berhad". The use of the proposed name "Ancom Nylex Berhad" has been reserved and approved by the CCM on 8 July 2021 for a period of thirty (30) days and the reservation of the proposed name has been extended from 6 August 2021 for another period of ninety (90) days. The Proposed Change of Name, if approved by our shareholders, will be effective from the date of issuance of the Notice of Registration of New Name by the CCM.

The Proposed Change of Name is undertaken to better reflect our Company's corporate identity following the completion of the Proposed Acquisition. We believe the Proposed Change of Name will enable our Company to leverage on the brand name of "Nylex" and assist in our Company's future profiling and branding going forward as a fully integrated chemical group.

3. EFFECTS OF THE PROPOSED CHANGE OF NAME

The Proposed Change of Name will not have any effect on the share capital and shareholdings of substantial shareholders of our Company and shall not have any material effect on the NA per Ancom Share, gearing and earnings per Ancom Share of our Group.

4. APPROVAL REQUIRED

The Proposed Change of Name is subject to the approval of our shareholders at the forthcoming EGM.

The Proposed Change of Name is conditional upon the Proposed Acquisition but the Proposed Acquisition is not conditional upon the Proposed Change of Name.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

None of our directors, major shareholders and/or persons connected to them has any interest, direct or indirect, in the Proposed Change of Name.

6. DIRECTORS' RECOMMENDATION

Our Board, having considered all aspects of the Proposed Change of Name, is of the opinion that the Proposed Change of Name is in the best interest of our Company. Accordingly, our Board recommends that you vote in favour of the Special Resolution to be tabled at the forthcoming EGM.

7. EGM

The EGM, the Notice of which is enclosed in this Circular and available for download at our Company's website at <http://www.ancom.com.my/egm.php>, will be held entirely through live streaming from the Broadcast Venue at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 26 October 2021, 3.30 p.m. or immediately following the conclusion or adjournment of the 52nd AGM of our Company scheduled to be held at the same venue and on the same day at 2.30 p.m., whichever is later, using remote participation and voting facilities provided by the Share Registrar of our Company, Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online website at <https://tiih.online>, for the purpose of considering and, if thought fit, passing the Special Resolution.

If you are unable to attend and vote at the EGM, you may appoint a proxy(ies) to do so by completing and depositing the Proxy Form in accordance with the instructions therein at the office of the Share Registrar of our Company at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the EGM. You can also lodge the Proxy Form electronically via TIIH Online website at <https://tiih.online>. The last day and time for lodging the Proxy Form is Sunday, 24 October 2021, at 3.30 p.m..

The lodging of the Proxy Form will not preclude you from participating, speaking and voting at the EGM should you subsequently decide to do so. If you do, your proxy shall be precluded from participating in the EGM.

You are advised to refer to the Administrative Guide for Shareholders which is available at our Company's website at <https://www.ancom.com.my/egm.php> on the registration and voting process for the EGM.

8. FURTHER INFORMATION

Please refer to Appendix IV of this Circular for further information.

Yours faithfully
For and on behalf of the Board
ANCOM BERHAD

Datuk Dr Abd Hapiz Bin Abdullah
Independent Non-Executive Director

APPENDIX I – INFORMATION ON NYLEX

1. BACKGROUND INFORMATION

Nylex was incorporated in Malaysia under the Companies Act, 1965 on 26 March 1970 and is deemed registered under the Act. Nylex was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 17 December 1990.

Nylex commenced its operations in 1970 and is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting, rotomoulded plastic products and other plastic products, including geotextiles, prefabricated sub-soil drainage systems, bulk chemical containers, road barriers, playground equipment and disposal bins as well as property development.

The subsidiaries of Nylex are involved in the manufacture, marketing and distribution of petrochemicals and industrial chemicals, and are also involved in the business of ship owning, ship management and charter hire of tanker.

As at the LPD, Nylex owns and operates five (5) manufacturing facilities. The annual production capacity and output for Nylex's industrial chemical and polymer divisions are as follows:

| Industrial Chemical | | | | |
|---|-----------------------------|------------|----------------------|----------------------|
| <p>Principal product manufactured: Ethanol Location and land area: Please refer to properties held by Fermpro Sdn. Bhd. as set out in Section 7.2 of this Appendix.</p> <p>Principal product manufactured: Sealants and adhesive products Location: No. 6, Lorong SS13/6A and No. 8, SS13/6B, Subang Jaya Industrial Estate, 47500 Subang Jaya, Selangor Darul Ehsan Land area: Total of 1,115 Sqm for two (2) factories</p> <p>Principal product manufactured: Phosphoric acids and sodium hexametaphosphate Location and land area: Please refer to property held by Nylex Specialty Chemicals Sdn. Bhd. as set out in Section 7.2 of this Appendix.</p> | | | | |
| | Unit | FYE 31 May | | |
| | | 2019 | 2020 | 2021 |
| Annual capacity | Litre ('000) ⁽¹⁾ | 6,062 | 6,082 | 6,112 |
| | MT ⁽²⁾ | 15,400 | 15,400 | 15,400 |
| Annual output | Litre ('000) ⁽¹⁾ | 3,463 | 5,381 | 5,420 |
| | MT ⁽²⁾ | 9,809 | 9,737 | 10,291 |
| Utilisation rate | | 57.0% | ⁽³⁾ 88.0% | ⁽³⁾ 89.0% |
| | | 64.0% | 63.0% | 67.0% |

Notes:

- (1) For production of ethanol, sealants and adhesive products.
- (2) For production of phosphoric acids and sodium hexametaphosphate.
- (3) The utilisation rates for the FYE 31 May 2020 and FYE 31 May 2021 are significant higher compared to previous years due to the increase demand for ethanol during the Covid-19 pandemic.

APPENDIX I – INFORMATION ON NYLEX (Cont'd)

| Polymer | | | | |
|--|----------------------|-----------------------|--------|-----------------------|
| Principal product manufactured: PVC leathercloth, geosynthetics drainage products, intermediate bulk containers, playground equipment, chemical storage tanks and traffic management products Location and land Area: Please refer to properties held by Nylex and PT Nylex Indonesia as set out in Section 7 of this Appendix. | | | | |
| | Unit | FYE 31 May | | |
| | | 2019 | 2020 | 2021 |
| Annual capacity | km ⁽¹⁾ | 50,680 | 50,680 | ⁽²⁾ 40,080 |
| | tonne ⁽³⁾ | 410 | 410 | 410 |
| Annual output | km ⁽¹⁾ | 18,066 | 11,029 | ⁽²⁾ 7,878 |
| | tonne ⁽³⁾ | 578 | 328 | 282 |
| Utilisation rate ⁽⁴⁾ | | 36.0% | 22.0% | 20.0% |
| | | ⁽⁵⁾ 141.0% | 80.0% | 69.0% |

Notes:

- (1) For production of PVC leathercloth and geosynthetics drainage products.
- (2) The calendered line has ceased operations from January 2021 resulting in lower production capacity.
- (3) For production of intermediate bulk containers, playground equipment, chemical storage tanks and traffic management products.
- (4) The utilisation rates for the manufacturing of the PVC leathercloth and geosynthetics drainage products have been consistently low for many years due to increased competition from import products and decreased demand from consumers.
- (5) Utilisation rate exceeded 100% due to additional shift/hours performed.

The principal market of the Nylex Group's products is in Malaysia. The Nylex Group's annual export revenue ranged from approximately 38% to 45% in which Southeast Asia is its main exporting region, contributing between 68% to 79% of its total export revenue for the FYE 31 May 2019 to FYE 31 May 2021.

The Nylex Group sources its raw materials and supplies locally and abroad, including from China, Korea, Japan, Taiwan, Saudi, Oman, Thailand and Singapore.

2. SHARE CAPITAL

As at the LPD, the issued share capital of Nylex is RM195,142,388, comprising 194,337,860 Nylex Shares (including 15,050,648 Nylex Shares held as treasury shares).

APPENDIX I – INFORMATION ON NYLEX (Cont'd)

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of Nylex and their respective shareholdings in Nylex are as follows:

| Name | Nationality / Country of Incorporation | Direct | | Indirect | |
|------------|--|--------------------------|-------|---------------------------|-------|
| | | No. of Nylex Shares | % | No. of Nylex Shares | % |
| Dato' Siew | Malaysian | ⁽¹⁾ 4,037,106 | 2.25 | ⁽²⁾ 96,394,241 | 53.77 |
| Ancom | Malaysia | 32,748,442 | 18.27 | ⁽³⁾ 57,385,535 | 32.01 |
| Rhodemark | Malaysia | 57,385,535 | 32.01 | - | - |

Notes:

- (1) Based on Nylex's Register of Substantial Shareholders as at the LPD.
- (2) Deemed interested through his direct and indirect interest in Ancom, Rhodemark, Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn. Bhd., Datin Young Ka Mun and Siew Ka Kheong.
- (3) Deemed interested by virtue of its direct interest in Rhodemark pursuant to Section 8 of the Act.

4. DIRECTORS' SHAREHOLDINGS

As at the LPD, the directors of Nylex and their respective shareholdings in Nylex are as follows:

| Name | Designation | Nationality | Direct | | Indirect | |
|--------------------------|--|-------------|--------------------------|------|---------------------------|-------|
| | | | No. of Nylex Shares | % | No. of Nylex Shares | % |
| Datuk Anuar Bin Ahmad | Independent Non-Executive Chairman | Malaysian | - | - | - | - |
| Dato' Siew | Group Managing Director | Malaysian | ⁽¹⁾ 4,037,106 | 2.25 | ⁽²⁾ 96,394,241 | 53.77 |
| Edmond Cheah | Independent Non-Executive Director | Malaysian | - | - | - | - |
| Khamis Bin Awal | Independent Non-Executive Director | Malaysian | - | - | - | - |
| Tan Sri Dato' Dr Lin | Independent Non-Executive Director | Malaysian | - | - | - | - |

Notes:

- (1) Based on Nylex's Register of Substantial Shareholders as at the LPD.
- (2) Deemed interested through his direct and indirect interest in Ancom, Rhodemark, Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn. Bhd., Datin Young Ka Mun and Siew Ka Kheong.

APPENDIX I – INFORMATION ON NYLEX (Cont'd)**5. SUBSIDIARIES AND ASSOCIATED COMPANIES**

As at the LPD, the details of the subsidiaries and associated companies of Nylex are as follows:

| Name of company | Place / Date of incorporation | Share capital | Effective equity interest (%) | Principal activities |
|--|--------------------------------------|----------------------|--------------------------------------|---|
| Subsidiaries of Nylex | | | | |
| Nycon Manufacturing Sdn. Bhd. | Malaysia / 21.8.1984 | RM150,000 | 100.0 | Investment holding and manufacture and marketing of rotomoulded products. |
| Nylex Polymer Marketing Sdn. Bhd. | Malaysia / 30.12.1989 | RM2,000,000 | 100.0 | Investment holding and marketing of polyurethane and polyvinyl chloride synthetic leather, films and sheets, geosynthetics and general trading. |
| PT Nylex Indonesia | Indonesia / 29.04.2004 | IDR11,387,394,000 | 100.0 | Manufacture, marketing and distribution of polyurethane and polyvinyl chloride leathercloth. |
| Perusahaan Kimia Gemilang Sdn. Bhd. (“ PKG ”) | Malaysia / 30.3.1982 | RM2,609,900 | 100.0 | Trading of petroleum-based products and industrial chemicals. |
| Fermpro Sdn. Bhd. | Malaysia / 17.4.1982 | RM9,494,377 | 100.0 | Manufacture and trading of ethanol, carbon dioxide and other related chemical products. |
| Kumpulan Kesuma Sdn. Bhd. | Malaysia / 18.5.1979 | RM205,004 | 100.0 | Manufacture and sale of commercial adhesive and sealants. |
| Wedon Sdn. Bhd. | Malaysia / 17.10.1983 | RM21,000 | 100.0 | Trading in sealants and adhesives. |
| Nylex Specialty Chemicals Sdn. Bhd. | Malaysia / 28.10.1972 | RM2,052,102 | 100.0 | Manufacture and sale of phosphoric acid. |
| Speciality Phosphates (Malaysia) Sdn. Bhd. | Malaysia / 13.4.1988 | RM500,002 | 51.0 | Manufacture and sale of chemicals. |
| CKG Chemicals Pte. Ltd. | Singapore / 23.02.1990 | USD5,001,168 | 100.0 | Trading and distribution of industrial chemicals and gasoline blending components. |

APPENDIX I – INFORMATION ON NYLEX (Cont'd)

| Name of company | Place / Date of incorporation | Share capital | Effective equity interest (%) | Principal activities |
|--|--------------------------------------|----------------------|--------------------------------------|---|
| Subsidiaries of PKG | | | | |
| Dynamic Chemical Pte. Ltd. | Singapore / 25.11.1988 | USD609,905 | 100.0 | Blending, trading and distribution of industrial chemicals. |
| Perusahaan Kimia Gemilang (Vietnam) Company Ltd. | Vietnam / 20.8.2007 | VND3,239,283,000 | 100.0 | Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals. |
| PT PKG Lautan Indonesia | Indonesia / 19.6.2008 | USD11,000,000 | 51.0 | Importation and distribution of industrial chemicals. |
| Ancom Kimia Sdn. Bhd. | Malaysia / 9.4.1993 | RM2,200,000 | 60.0 | Provision of services in distribution of petroleum based products and industrial chemicals. |
| ALB Marine Sdn. Bhd. | Malaysia / 20.11.2014 | RM100,000 | 100.0 | Carrying out business of ship owning, ship management and charter hire of tanker. |
| Associated companies of the Nylex Group | | | | |
| One Chem Terminal Sdn. Bhd. | Malaysia / 18.5.2016 | RM1,000,000 | 40.0 | To operate, lease and manage chemical tank farm and warehouse. |
| DJ Money Matters Sdn. Bhd. ⁽¹⁾ | Malaysia / 4.5.2020 | RM2,000,000 | 25.0 | Money lending business. |
| PT Myindo Acqua Pura ⁽²⁾ | Indonesia / 15.1.2020 | IDR2,500,000,000 | 30.0 | Developing high technology products, in particular micro water treatment and waste treatment. |
| Jasa Rimbun Sdn. Bhd. ⁽³⁾ | Malaysia / 22.9.2020 | RM10,000 | 50.0 | Marketing and distribution of industrial chemical. |

Notes:

(1) Held through PKG.

(2) Held through Nylex Polymer Marketing Sdn. Bhd.

(3) Held through Fermpro Sdn. Bhd.

APPENDIX I – INFORMATION ON NYLEX (Cont'd)

6. COST OF INVESTMENT

The costs and date of investments in the subsidiaries and associated company held directly by Nylex are as follows:

| Name of company | Number of ordinary shares | Cost of investment (RM'000) | Date of investment |
|--|---------------------------|-----------------------------|-------------------------------------|
| Direct subsidiaries of Nylex | | | |
| Nycon Manufacturing Sdn. Bhd. | 150,000 | 150 | November 1985 and August 1992 |
| Nylex Polymer Marketing Sdn. Bhd. | 2,000,000 | 3,306 | April 1990, May 1996 and April 2005 |
| PT Nylex Indonesia | 1,323,500 | 3,912 | July 2007 |
| Perusahaan Kimia Gemilang Sdn. Bhd. | 2,213,000 | 36,429 | July 2004 |
| Fermpo Sdn. Bhd. | 8,000,000 | 28,927 | September 2004 |
| Kumpulan Kesuma Sdn. Bhd. | 205,004 | 4,228 | September 2004 |
| Wedon Sdn. Bhd. | 21,000 | 2,343 | September 2004 |
| Nylex Specialty Chemicals Sdn. Bhd. | 2,052,102 | 22,338 | February 2005 |
| Speciality Phosphates (Malaysia) Sdn. Bhd. | 500,002 | 1,317 | February 2005 |
| CKG Chemicals Pte. Ltd. | 6,700,000 | 103,752 | September 2006 and November 2014 |
| Direct associated company of Nylex | | | |
| One Chem Terminal Sdn. Bhd. | 1,000,000 | 400 | October 2016 |

APPENDIX I – INFORMATION ON NYLEX (Cont'd)

7. PROPERTIES HELD BY NYLEX GROUP

7.1 Properties held by Nylex

Details of the properties held by Nylex as at the LPD are as follows:

| Location Address | Title | Age of building as at 31 May 2021 (Years) | Land area (Sqm) | Existing Use | Tenure | Date of investment | Original cost of investment (RM'000) | Audited NBV as at 31 May 2021 (RM'000) |
|--|---|---|-----------------|------------------------------------|----------------------------------|--------------------|--------------------------------------|--|
| Lot 16, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor Darul Ehsan | H.S.(D) 256546, PT 6 Seksyen 15, Bandar Shah Alam, Daerah Petaling, Negeri Selangor | 50 | 30,224 | Office building and factory | Leasehold, expiring on 29.6.2108 | 26.11.1985 | 31,339 | 15,881 |
| | | 41 | 12,140 | Warehouse, factory and vacant land | | | | |
| Unit No: 7-10, Wisma 730 (The Trax), No. 1, Jalan Lima, Off Jalan Chan Sow Lin, 54200 Kuala Lumpur | Pajakan Negeri 52759, No. Bangunan M1A, No. Tingkat 8, No. Petak 39, Lot 50066, Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur ⁽¹⁾ | 4 | 1,017 | Vacant | Leasehold, expiring on 28.3.2116 | 12.9.2019 | 6,700 | 6,583 |

Note:

(1) The sale and purchase agreement dated 12 September 2019 entered into between Nylex and Juasa Holdings Sdn. Bhd. in respect of this property was completed on 12 September 2019 and accordingly, Nylex is deemed as the beneficial owner of this property. As at the LPD, the title of this property is still registered under the name of Juasa Holdings Sdn. Bhd. and Nylex is in the midst of perfecting the transfer of the title of this property.

APPENDIX I – INFORMATION ON NYLEX (Cont'd)

7.2 Properties held by other subsidiaries within the Nylex Group

Details of the properties held by the other subsidiaries within the Nylex Group as at the LPD are as follows:

| Registered owner | Location Address | Title | Age of building as at 31 May 2021 (Years) | Land area (Sqm) | Existing use | Tenure | Audited NBV as at 31 May 2021 (RM'000) |
|-------------------------------------|---|--|---|-----------------|---------------------------------------|-----------------------------------|--|
| PT Nylex Indonesia | Desa Sumengko Km31, Wringinanom, Gresik, 61176 Indonesia | HGB No. 82, Desa Sumengko | 17 | 6,394 | Casting line factory and office | Leasehold, on expiring 12.1.2029 | 11,697 |
| | | | 7 | 53,606 | Calender line factory and vacant land | | |
| Perusahaan Kimia Gemilang Sdn. Bhd. | PT 4228, Mukim of Kapar, Daerah Klang, Selangor Darul Ehsan | H.S.(M) 6259, PT 4228, Mukim Kapar, Daerah Klang, Negeri Selangor | 30 | 28,491 | Office building and warehouse | Leasehold, on expiring 9.6.2086 | 5,453 |
| Fermpro Sdn. Bhd. | Lot 1113, Mukim of Chuping, Perlis Indera Kayangan | P.M. 1466, Lot 3278, Mukim Chuping, Daerah Perlis, Negeri Perlis | 33 | 16,098 | Office building and factory | Leasehold, on expiring 22.11.2046 | 1,296 |
| Fermpro Sdn. Bhd. | Plot 3 & 4, PT 924A, Mukim of Chuping, Perlis Indera Kayangan | H.S.(M) 1804, PT 2977, Mukim Chuping, Daerah Perlis, Negeri Perlis | - | 24,280 | Spent molasses treatment pond | Leasehold, on expiring 7.2.2059 | 759 |

APPENDIX I – INFORMATION ON NYLEX (Cont'd)

| Registered owner | Location Address | Title | Age of building as at 31 May 2021 (Years) | Land area (Sqm) | Existing use | Tenure | Audited NBV as at 31 May 2021 (RM'000) |
|-------------------------------------|---|--|---|-----------------|-------------------------------|----------------------------------|--|
| Fempro Sdn. Bhd. | PT 2978, Mukim of Chuping, Perlis Indera Kayangan | H.S.(M) 1803, PT 2978, Mukim Chuping, Daerah Perlis, Negeri Perlis | 19 | 8,096 | Office building and factory | Leasehold, on expiring 7.2.2059 | 318 |
| Nylex Specialty Chemicals Sdn. Bhd. | Lot 593, Persiaran Raja Lumu, Kawasan Perusahaan Pandamaran, 42000 Port Klang, Selangor Darul Ehsan | H.S.(M) 5507, PT 593, Mukim Klang, Daerah Klang, Negeri Selangor | 46 | 8,093 | Office building and factory | Leasehold, on expiring 1.9.2074 | 1,439 |
| Nylex Specialty Chemicals Sdn. Bhd. | Lot 624, Persiaran Raja Lumu, Kawasan Perusahaan Pandamaran, 42000 Port Klang, Selangor Darul Ehsan | H.S.(M) 6588, PT 624, Mukim Klang, Daerah Klang, Negeri Selangor | 44 | 8,298 | Office building and warehouse | Leasehold, on expiring 19.2.2076 | 1,622 |

8. ASSETS OWNED

Based on Nylex's latest audited consolidated financial statements for the FYE 31 May 2021, the Nylex Group's total assets stood at approximately RM730.1 million, which comprise the following:

| Type of assets | Audited NBV as at 31 May 2021 (RM'000) |
|---|---|
| Property, plant and equipment | 115,357 |
| Right-of-use assets | 59,053 |
| Goodwill arising on consolidation | 82,820 |
| Deferred tax assets and income tax recoverable | 28,379 |
| Inventories | 122,148 |
| Trade and other receivables | 224,265 |
| Cash, bank balances and short-term deposits with licensed banks | 94,251 |
| Investment in associates and investment in securities | 3,831 |
| Total | 730,104 |

9. HISTORICAL FINANCIAL INFORMATION OF THE NYLEX GROUP

The summary financial information of the Nylex Group based on the audited consolidated financial statements of Nylex for the past three (3) FYEs from 31 May 2019 to FYE 31 May 2021 are tabulated below:

| | FYE 31 May | | |
|---|------------|-----------|-----------|
| | 2019 | 2020 | 2021 |
| | Audited | Audited | Audited |
| | (RM'000) | (RM'000) | (RM'000) |
| Revenue | 1,560,354 | 1,136,305 | 1,151,677 |
| Profit/(Loss) before tax | 4,640 | (18,940) | 26,392 |
| Net profit/(loss) attributable to owners of the company | (3,332) | (23,207) | 18,923 |
| Weighted average no. of Nylex Shares in issue ('000) | 185,132 | 176,071 | 177,061 |
| Earnings/(Loss) per Nylex Share (sen) ⁽¹⁾ | | | |
| - Basic and diluted | (1.80) | (13.18) | 10.69 |
| Share capital | 195,143 | 195,143 | 195,143 |
| Total equity | 340,855 | 307,905 | 322,786 |
| Equity attributable to owners of the company | 329,639 | 297,804 | 313,223 |
| No. of Nylex Shares in issue ⁽²⁾ ('000) | 179,649 | 174,919 | 179,287 |
| NA per Nylex Share (RM) ⁽³⁾ | 1.83 | 1.70 | 1.75 |

APPENDIX I – INFORMATION ON NYLEX (Cont'd)

| | FYE 31 May | | |
|--------------------------------|------------|----------|----------|
| | 2019 | 2020 | 2021 |
| | Audited | Audited | Audited |
| | (RM'000) | (RM'000) | (RM'000) |
| Total borrowings | 250,285 | 210,565 | 213,554 |
| Current ratio ⁽⁴⁾ | 1.33 | 1.26 | 1.27 |
| Gearing (times) ⁽⁵⁾ | 0.76 | 0.71 | 0.68 |

Notes:

- (1) *Computed based on net (loss)/profit attributable to owners of the company divided by weighted average number of Nylex Shares.*
- (2) *Excluding treasury shares held by Nylex.*
- (3) *Computed based on equity attributable to owners of the company over number of Nylex Shares in issue.*
- (4) *Computed based on current assets divided by current liabilities.*
- (5) *Computed based on total borrowings divided by equity attributable to owners of the company.*

FYE 31 May 2020 compared to FYE 31 May 2021

The Nylex Group's revenue increased by 1.4% to RM1.15 billion for the FYE 31 May 2021 (FYE 31 May 2020: RM1.14 billion) primarily due to higher contribution from the industrial chemical distribution segment, driven by higher product average selling prices in line with global crude oil prices. In tandem with higher revenue and higher margins earned on some of our products, the Nylex Group's recorded a PBT of RM26.4 million for the FYE 31 May 2021 (FYE 31 May 2020: LBT of RM18.9 million).

FYE 31 May 2020 compared to FYE 31 May 2019

The Nylex Group's revenue decreased by 27.2% to RM1.14 billion for the FYE 31 May 2020 (FYE 31 May 2019: RM1.56 billion) due to the significantly lower contribution from its industrial chemicals division which was adversely affected by several factors such as economies lock-down due to the COVID-19 pandemic as well as the China-USA trade war and Saudi Arabia-Russia price war which further weakened the oil and commodities prices.

The Nylex Group's incurred LBT for the FYE 31 May 2020 of RM18.9 million, a significant decrease from the previous year (FYE 31 May 2019: PBT of RM4.6 million) due to the above factors as well as impact by the goodwill impairment charges of Nylex's wholly-owned subsidiary in Singapore of RM10.9 million.

FYE 31 May 2019 compared to FYE 31 May 2018

The Nylex Group's revenue increased by 7.9% to RM1.56 billion for the FYE 31 May 2019 (FYE 31 May 2018: RM1.45 billion) due to higher revenue contribution from its industrial chemical operations. However, due to several adverse factors such as the volatility of oil price (arising from global uncertainties and the on-going trade wars, the over-supply situation worsened following the commissioning of a few new cracker plants in FYE 31 May 2019) and weaker demand from the distribution arm of the industrial chemical operations, PBT of the Nylex Group for the FYE 31 May 2019 decreased significantly by 84.8% to RM4.6 million for the FYE 31 May 2019 (FYE 31 May 2018: RM30.6 million).

Accounting policies and audit qualification

For the past three (3) FYEs 31 May 2019, 31 May 2020 and 31 May 2021 under review:

- (i) there were no exceptional or extraordinary items;
- (ii) there are no accounting policies adopted by Nylex which are peculiar to Nylex due to the nature of its business or the industry in which it is involved in; and
- (iii) Nylex's external auditors had not issued any audit qualification on its financial statements.

10. MATERIAL CONTRACTS

Save for the SBA, which is the subject matter of this Circular, as well as the material contracts as disclosed below, the Nylex Group has not entered into any material contracts (not being contract entered into in the ordinary course of business) within the past two (2) years immediately preceding the date of this Circular:

- (i) sale and purchase agreement dated 12 September 2019 entered into between Nylex and Juasa Holdings Sdn. Bhd. in respect of the sale and purchase of the property known as Unit No. 7-10, Wisma 730 (The Trax), No. 1 Jalan Lima Off Jalan Chan Sow Lin, 54200 Kuala Lumpur for a purchase consideration of RM6,700,000. The sale and purchase transaction was completed on 12 September 2019; and
- (ii) sale and purchase agreement dated 24 May 2021 entered into between Perusahaan Kimia Gemilang (Vietnam) Company Ltd. and TOP Solvent (Vietnam) Limited Liability Company in respect of the proposed disposal of terminal assets for a cash consideration of USD6,250,000 (equivalent to approximately RM26.0 million*). The sale and purchase transaction has yet to be completed as at the LPD.

Note:

* Based on the exchange rate of USD1.00 : RM4.1545, being Bank Negara Malaysia's middle rate as at 5.00 p.m. on the LPD.

11. MATERIAL LITIGATION

As at the LPD, the Nylex Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the directors of Nylex is not aware of any proceedings pending or threatened, against the Nylex Group, or any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Nylex Group.

12. MATERIAL COMMITMENTS

Saved as disclosed below, as at the LPD, the directors of Nylex is not aware of any material commitments incurred or known to be incurred by the Nylex Group which may have a material impact on the profits and/or NA of the Nylex Group.

| Capital commitments | RM'000 |
|--|---------------|
| <i>Approved and contracted for</i> | |
| Property, plant and equipment | 7,366 |
| <i>Approved but not contracted for</i> | |
| Property, plant and equipment | 13,394 |
| | 20,760 |

13. CONTINGENT LIABILITIES

As at the LPD, the directors of Nylex are not aware of any contingent liabilities incurred or known to be incurred by the Nylex Group which, upon becoming enforceable, may have a material impact on the profits and/or NA of the Nylex Group.

APPENDIX II – SALIENT TERMS OF THE SBA

1. Sales and purchase of Nylex Business

- 1.1 Nylex agrees to sell and Ancom agrees to purchase together with all rights now and hereafter attaching thereto as at the Completion Date all of the Nylex Business, as a going concern on an 'as-is where-is' basis for the Purchase Consideration, subject to the terms and conditions of the SBA.
- 1.2 Ancom nominates Nylex Holdings, and Nylex Holdings accepts such nomination and Nylex agrees to such nomination, of Nylex Holdings to be the recipient of transfer of the Nylex Business. Accordingly, the parties agree that the Nylex Business shall be transferred by Nylex to Nylex Holdings in accordance with the SBA.

2. Purchase Consideration

- 2.1 The Purchase Consideration payable by Ancom for the purchase of the Nylex Business is RM179,287,212, which amount shall be satisfied in accordance with Section 2.2 below.
- 2.2 The Purchase Consideration shall be satisfied by Ancom and such amount shall be applied by Nylex, in the following manner:
 - (a) RM15,000,000 shall be paid by Ancom into Nylex's designated account on the Completion Date and retained by Nylex post-completion of the SBA and applied in such manner determined by Nylex; and
 - (b) RM164,287,212 shall be payable to Nylex and thereafter distributed by Nylex to its shareholders pursuant to the Proposed Distribution, out of which, subject to the Interested Shareholders holding, in aggregate, 90,133,977 Nylex Shares representing approximately 50.27% of the total number of Nylex Shares (excluding treasury shares) in issue on the Entitlement Date:
 - (i) RM81,694,262 shall be distributed to all the Nylex MI in accordance with Section 2.3 below; and
 - (ii) RM82,592,950 shall be distributed to the Interested Shareholders and, to the extent that any such portion is distributable to Rhodemark, Rhodemark shall (and Ancom shall procure Rhodemark to) instruct Nylex to pay Rhodemark's entitlement under the Proposed Distribution to Ancom, following which Ancom shall apply the entire amount receivable by Ancom from Nylex in respect of the Proposed Distribution equivalent to approximately 50.27% of the Distribution Amount, to be set-off in accordance with the Set-off Arrangement. Following the Set-off Arrangement, effectively, the net amount payable for the purchase of the Nylex Business payable by Ancom shall be RM96,694,262 (being the sum of the Retained Cash and the MI Distribution Amount).
- 2.3 The MI Distribution Amount shall be distributed via the Proposed Distribution to the Nylex MI in the following manner:
 - (a) RM35,000,000 shall be paid by Ancom to Nylex in cash into Nylex's designated account on the Completion Date, and distributed by Nylex to the Nylex MI on the payment date to be announced by the Nylex Board; and
 - (b) RM46,694,262 shall be paid/distributed in the form of Consideration Shares which shall, on the payment date to be announced by the Nylex Board, be issued by Ancom at the Issue Price to the Nylex MI,

each Nylex MI receiving a cash payment of approximately RM0.3926 and such number of Ancom Shares equivalent to approximately RM0.5238 in value for every Nylex Share held on the Entitlement Date.

3. Conditions Precedent

- 3.1 The obligation of the parties that are set out in the SBA are conditional upon the following conditions precedent being (a) satisfied/fulfilled/obtained or (b) waived by mutual agreement of the parties, by the Cut-Off Date:
- (a) Ancom obtaining the approval of its shareholders at an EGM to be convened for the acquisition of the Nylex Business upon the terms and conditions of the SBA.
 - (b) Ancom obtaining the approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities.
 - (c) Ancom obtaining the approval or consent of the financiers/creditors of Ancom and/or Rhodemark for the acquisition of the Nylex Business upon the terms and subject to the conditions of the SBA, where required.
 - (d) Ancom obtaining the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking or guarantee with or involving Ancom and/or Rhodemark, where required, in each case to the extent that at the Completion Date the same remain to be completed or performed or remain in force.
 - (e) Nylex obtaining the approval of its shareholders at an extraordinary general meeting to be convened for the disposal of the Nylex Business upon the terms and conditions of the SBA.
 - (f) Nylex obtaining the approval or consent of the financiers/creditors of Nylex Group for the disposal of the Nylex Business upon the terms and conditions of the SBA, where required.
 - (g) Nylex obtaining the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking or guarantee with or involving Nylex Group, where required, in each case to the extent that at the Completion Date the same remain to be completed or performed or remain in force.
 - (h) Nylex obtaining the approval of its shareholders at an extraordinary general meeting to be convened for the Proposed Distribution.
 - (i) Nylex obtaining the grant of an order of the High Court of Malaya pursuant to Section 116 of the Act.
 - (j) Nylex obtaining the approval or consent of the financiers/creditors of Nylex for the Proposed Distribution, where required.
 - (k) Nylex obtaining the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking or guarantee with or involving Nylex, where required, in each case to the extent that at the completion of the Proposed Distribution the same remain to be completed or performed or remain in force, where required.
 - (l) Any other approvals, waivers or consents of any authorities or parties as may be required by law or regulation or deemed necessary by the parties.
- 3.2 If any of the conditions precedent is not obtained/fulfilled or waived by the Cut-Off Date, Nylex or Ancom may, at its sole discretion, terminate the SBA by notice in writing, whereupon, the parties shall not have any further rights under the SBA except in respect of:
- (a) any obligation under the SBA which is expressed to apply after the termination of the SBA; and

- (b) any rights or obligations which have accrued in respect of any breach of any of the provisions of the SBA to the parties prior to such termination.

- 3.3 The SBA shall become unconditional on the date when all the conditions precedent have been obtained/fulfilled or waived.

4. Proposed Distribution

As Ancom is the holding company of Nylex and Nylex is not permitted to hold any Ancom Shares pursuant to Section 22 of the Act, which prohibits a corporation from being a member of its holding company, Nylex shall, subject to all requisite approvals, implement the Proposed Distribution comprising the following:

- (a) A capital reduction exercise in accordance with Section 116 of the Act, involving a reduction of part of the share capital of Nylex, which shall require confirmation by the High Court of Malaya; and
- (b) A capital repayment exercise involving the distribution of the Distribution Amount following the completion of the SBA to all the shareholders of Nylex in accordance with Section 2.2(b) above.

5. RPGT liabilities

Ancom agrees to bear all RPGT payable (if any) under any of the provisions of the RPGTA 1976 on the disposal of any of the assets or the Nylex's properties pursuant to the SBA and promptly pay to the relevant authorities any retention sum payable pursuant to the provisions of Section 21B of the RPGTA 1976 and shall indemnify and keep indemnified and harmless Nylex at all times against all claims, actions, proceedings, liabilities, demands, costs, expenses, damages, fines and penalties levied on, incurred or sustained by Nylex arising out of or in connection with RPGT payable under any of the provisions of the RPGTA 1976 in connection with the disposal of the assets and Nylex's properties pursuant to the SBA, including any claims by the Director-General of Inland Revenue arising from any default in payment of RPGT.

6. Assumption by Ancom of liabilities on and from completion

- 6.1 Ancom agrees that subject to the limitations set out in Sections 6.2 and 6.3, it shall indemnify and keep indemnified and harmless Nylex at all times against all claims, actions, proceedings, liabilities, demands, costs, expenses, damages, fines and penalties levied on, incurred or sustained by Nylex arising out of or in connection with the liabilities (which are to be transferred to and assumed by Ancom in accordance with Section 10.1(n) below) as at and from completion of the SBA. For the avoidance of doubt, nothing contained in this Section 6.1 shall discharge or prejudice the rights of Ancom under the warranties made by Nylex in the SBA and any claim Ancom may have against Nylex for breach of the warranties made by Nylex in the SBA.
- 6.2 Ancom shall not be required to indemnify Nylex under Section 6.1 above unless a written notice for claims of any indemnities is served by Nylex to Ancom within a period of 12 months from the Completion Date.
- 6.3 The aggregate amount of indemnity by Ancom under Section 6.1 above shall in no event exceed 5% of the Purchase Consideration. For the avoidance of doubt, the limitation on the indemnity shall not derogate from Ancom's obligation to assume all liabilities as at the Completion Date pursuant to Section 10.1(n) below and this limitation shall only apply to the extent such claims, actions, proceedings, liabilities, demands, costs, expenses, damages, fines and penalties levied on, incurred or sustained by Nylex arising out of or in connection with the liabilities are in excess of the liabilities assumed by Ancom or Nylex Holdings (as the case may be) as at the Completion Date which quantum shall be as set out in the completion balance sheet prepared by Nylex.

- 6.4 Nylex agrees that it shall indemnify and keep indemnified and harmless Ancom at all times against all claims, actions, proceedings, liabilities, demands, costs, expenses, damages, fines and penalties relating to taxation payable by Nylex in respect of the conduct of the Nylex Business prior to the completion of the SBA as at and from completion of the SBA.

7. Covenants pending completion

- 7.1 In the period between the date of SBA and completion of the SBA, Nylex shall procure that (i) the Nylex Business will be carried on as a going concern in the ordinary course, save as agreed in writing by Ancom; and (ii) all reasonable steps shall be taken to preserve the assets and, in particular all insurance policies normally kept in force will be maintained.

- 7.2 Without prejudice to Section 7.1 above, Nylex shall not and, where applicable, shall use its best endeavours to procure Nylex Group not to, without the prior written consent of Ancom (such consent not to be unreasonably withheld):

- (a) enter into any agreement or incur any commitment involving any capital expenditure in excess of RM9,000,000, being an amount equivalent to 3.0% of the NA of the Nylex Group in aggregate based on the latest consolidated financial statements of Nylex, otherwise than in the ordinary course of Nylex Business;
- (b) enter into or amend any contract or incur any commitment which is not capable of being terminated without compensation at any time with 3 months' notice or less or which is not in the ordinary course of business or which involves or may involve total annual expenditure in excess of an amount of RM6,000,000;
- (c) enter into any transaction of a financial nature including incurring any borrowings or indebtedness, granting of any guarantee, indemnity, performance bond, lien, pledge, charge (including fixed and floating charge), mortgage or other security, otherwise than in the ordinary course of business;
- (d) save and except for transfers of employees between the Nylex Group, employ any new senior employees or amend or vary any terms and conditions or terminating from employment of any existing senior employees;
- (e) create or permit to be created any encumbrance over any asset of Nylex Group otherwise than in the ordinary course of business;
- (f) recommend, declare, make and/or pay any dividends (whether in cash or in kind) nor propose or make any other distribution of capital by Nylex other than dividends declared prior to the date of the Proposal Letter;
- (g) carry out any buyback or resale of Nylex Shares;
- (h) making any change in the share capital structure of Nylex or its subsidiaries;
- (i) conduct any form of capital raising exercise (either in the form of debt or equity) or capital reduction exercise or increase, reduce or otherwise alter the authorised or issued capital of any company within the Nylex Group, including the granting of any option or right over any share in the capital of any company within the Nylex Group, other than in connection with the Proposed Distribution;
- (j) issue any shares, warrants, options or securities which are convertible or exchangeable into shares of any company within the Nylex Group;
- (k) undertake any other proposal that will result in issuance of new Nylex Shares;

- (l) acquire or agree to acquire any share(s) or other interest in any body corporate or participate in or withdraw from any partnership or joint venture arrangement or participate in a reconstruction or restructuring scheme, otherwise than in the ordinary course of Nylex Business;
- (m) dispose, redeem or cancel shares or otherwise vary its interest in any subsidiary of Nylex, save and except for the disposal of any dormant company within the Nylex Group having a net tangible asset value of less than RM3,000,000;
- (n) wind-up or dissolve any company within the Nylex Group; consolidate or amalgamate any company within the Nylex Group with any other company, association, partnership or legal entity; amend the constitution of Nylex (except in connection with the Proposed Distribution) or its subsidiaries; or materially change Nylex's or its subsidiaries' accounting or reporting practices save and except to comply with the International Financial Reporting Standards, save and except for the winding-up of any dormant company within Nylex Group having a net tangible asset value of less than RM3,000,000;
- (o) save and except for the proposed disposal of terminal assets for a cash consideration of USD6,250,000 (approximately RM25,700,000) owned by Perusahaan Kimia Gemilang (Vietnam) Company Ltd. pursuant to a sale and purchase agreement dated 24 May 2021 entered into between Perusahaan Kimia Gemilang (Vietnam) Company Ltd. and TOP Solvent (Vietnam) Limited Liability Company, disposing or transferring any of the material businesses or assets of Nylex outside the ordinary course of business, and for this purpose, any disposal or transfer for a purchase consideration collectively in excess of RM3,000,000 shall be deemed to be material;
- (p) acquire any material business or assets outside the ordinary course of business, and for this purpose, any acquisition for a purchase consideration in excess of RM3,000,000 shall be deemed to be material;
- (q) make any material changes in the terms and conditions of any of the material contracts entered into by the Nylex Group, save and except for the purposes of compliance with applicable laws, regulations or guidelines;
- (r) make any change in the nature, scope or organisation of the Nylex Business nor dispose of the whole of its undertaking or property or a substantial part thereof;
- (s) acquire or dispose of or grant any option or right of pre-emption in respect of any material asset or any interest in the Nylex Business;
- (t) enter into any contract or arrangement with director or major shareholder of Nylex or any person connected (as defined in Section 197 of the Act) with such person having a consideration or value of an amount in excess of RM3,000,000; or
- (u) dispose of the properties or grant any lease or third party right in respect of the properties, otherwise than in the ordinary course of business.

8. Termination of SBA

- 8.1 Each party shall be entitled to issue a notice of termination to the other party, if at any time the other party commits any continuing or material breach of any of its obligations under the SBA which is incapable of remedy or if capable of remedy, is not remedied within 14 days of it being given notice so to do or inter alia, a winding-up or insolvency events occurs or the other party breaches any of its representations or warranties under the SBA.

- 8.2 If the SBA is terminated by Ancom pursuant to Section 8.1 above and Ancom elects not to pursue the remedy of specific performance, Nylex shall, within 14 days after its receipt of the notice of termination (i) return to Ancom all documents, if any, delivered to them by or on behalf of Ancom; (ii) refund and repay to Ancom any and all other moneys received by or on behalf of Nylex, together with any interest accrued thereon (if any); and (iii) return and surrender for cancellation any Consideration Shares received by it or received on behalf of it towards account of the Purchase Consideration or held by or on behalf of Nylex pursuant to the terms of the SBA. In exchange for the performance by Nylex of such obligations, Ancom and/or Nylex Holdings shall, within 14 days after the receipt of the notice of termination by Nylex, be obliged to return to Nylex, all documents, if any, delivered to them by or on behalf Nylex and re-transfer, re-assign and/or re-deliver the Nylex Business together with all revenue, profits and other moneys attributable to the Nylex Business after completion to Nylex (if applicable).
- 8.3 If the SBA is terminated by Nylex pursuant to Section 8.1 above and Nylex elects not to pursue the remedy of specific performance, Ancom and/or Nylex Holdings shall, within 14 days after its receipt of the notice of termination, return to Nylex all documents, if any, delivered to them by or on behalf of Nylex and re-transfer, re-assign and/or re-deliver the Nylex Business together with all avenue, profits and other moneys attributable to the Nylex Business after the completion to Nylex (if applicable). In exchange for the performance by Ancom of such obligations, Nylex shall within 14 days after the receipt of the notice of termination by Ancom and/or Nylex Holdings, (i) return to Ancom all documents, if any, delivered to Nylex by or on behalf of Ancom; (ii) refund and repay to Ancom any and all moneys received by or on behalf of Nylex free of any interest accrued thereon; and (iii) return and surrender for cancellation any Consideration Shares received by it or deemed received by it or received on behalf of it towards account of the Purchase Consideration or held by or on behalf of Nylex pursuant to the terms of the SBA.

9. Change of name of Nylex

Nylex undertakes that it shall following completion of the SBA and within 60 days after obtaining the approval of its shareholders for its acquisition of a new core business in accordance with Paragraph 8.03(5) of the Listing Requirements, at its own costs and expenses, do all acts and things necessary to effect the change of its company name to a company name which does not include the word 'Nylex' or any name similar to such names which form part of the Nylex's intellectual property.

10. Information on Nylex Business

- 10.1 Nylex Holdings must accept the transfer or assumption of the assets and liabilities, including the following:
- (a) the shares of each of the companies directly held by Nylex, with the intent and agreement that at completion of the SBA, the registered and/or beneficial ownership of those numbers of shares (and their representative equity interests) in the companies directly held by Nylex shall be transferred to Nylex Holdings;
 - (b) the rights, obligations and benefits of the agreement in respect of the Nylex Business, subject to the conditions and in accordance with the terms thereof;
 - (c) the sum of the cash balances (including, but not limited to cash in hand and credited to any account with a bank, including fixed deposits) of Nylex as at the Completion Date;
 - (d) the raw material and supplies, the work-in-progress and the finished goods, owned or agreed to be bought by Nylex in connection with the Nylex Business as at the Completion Date wherever held;
 - (e) the real properties registered in the name of and/or beneficially owned by Nylex;

APPENDIX II – SALIENT TERMS OF THE SBA (Cont'd)

- (f) the goodwill of the Nylex Business and includes the exclusive right for Ancom to represent itself as carrying on the Nylex Business as Nylex's successor;
 - (g) the motor vehicles owned by Nylex and used or intended to be used in connection with the Nylex Business as at the Completion Date;
 - (h) the loose items of office and store equipment, furniture and furnishings owned by Nylex used or intended to be used in connection with the Nylex Business, at the Completion Date;
 - (i) the plant and machinery and other equipment owned by Nylex, and used or intended to be used in connection with the Nylex Business, at the Completion Date, if any;
 - (j) the intellectual property owned by Nylex and all other intellectual property which at or immediately before the Completion Date is used or enjoyed or capable of being used or enjoyed in connection with the Nylex Business;
 - (k) the book and other debts (including any accrued interest) receivable by or owing to Nylex in connection with the Nylex Business accrued or receivable as at the Completion Date ("**Receivables**") and the benefit of all securities therefor and all guarantees, indemnities and rights in respect of the same;
 - (l) the benefit (so far as the same can lawfully be assigned or transferred to Ancom) of all rights and claims of Nylex arising before the Completion Date out of or in connection with the Nylex Business in so far as they relate to any of the assets and liabilities, but excluding the Receivables;
 - (m) all other property, rights, permits, licences and assets used, enjoyed or exercised or intended to be used, enjoyed or exercised in connection with the Nylex Business;
 - (n) the assumption of all debts, liabilities, duties and obligations of Nylex in respect of the carrying on of the Nylex Business or in respect of the assets or otherwise, of every description, whether deriving from contract, common law, statute or otherwise, whether in Malaysia or elsewhere and whether present or future, actual or contingent, ascertained or unascertained or disputed and whether owed or incurred severally or jointly and as principal or surety or otherwise howsoever, which for the avoidance of doubt shall include all outstanding debts and any claim, demand, right of set-off or legal proceeding by any person against Nylex, to be transferred to and/or assumed by Ancom; and
 - (o) the benefit and assumption of all inter-company payables and other non-trade payables relating to the Nylex Business.
- 10.2 The following assets shall not form part of the sale and purchase and transfer of the Nylex Business contemplated and shall remain the property of Nylex after the completion of the SBA:
- (a) Nylex Shares held by the Nylex in treasury (if any);
 - (b) the common seal, statutory records and corporate records of Nylex required by law to be retained by Nylex;
 - (c) all rights of Nylex under the SBA (including all rights in respect of the Purchase Consideration to be paid by Ancom); and
 - (d) the interest-bearing bank account to be opened and maintained by Nylex and designated by Nylex for the purpose of receiving payment of the Cash Consideration and the balance thereof.

Registration No:
197001000148 (9378 - T)

**NYLEX (MALAYSIA) BERHAD [197001000148 (9378 - T)]
(Incorporated in Malaysia)**

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 MAY 2021**

**APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NYLEX FOR THE FYE
31 MAY 2021 (Cont'd)**

Registration No:
197001000148 (9378 - T)

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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Registration No:
197001000148 (9378 - T)

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NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION

| | | |
|------------------------------------|---|--|
| Directors | : | Datuk Anuar bin Ahmad Dato' Siew Ka Wei Edmond Cheah Swee Leng Khamis bin Awal Tan Sri Dato' Dr Lin See Yan |
| Company Secretaries | : | Choo Se Eng (MIA 5876) Stephen Geh Sim Whye (MICPA 1810) |
| Registered Office | : | Unit C508, Block C, Kelana Square Jalan SS7/26, Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Malaysia |
| Principal Place of Business | : | Lot 16, Persiaran Selangor Section 15 40200 Shah Alam Selangor Darul Ehsan Malaysia |
| Principal Bankers | : | Malayan Banking Berhad HSBC Bank Malaysia Berhad RHB Bank Berhad OCBC Bank (Malaysia) Berhad Bangkok Bank Berhad United Overseas Bank (Malaysia) Berhad |
| Solicitors | : | Chong, Ng & Yap Advocates & Solicitors |
| Auditors | : | BDO PLT (LLP0018825-LCA & AF 0206) Chartered Accountants |
| Domicile | : | Malaysia |

Registration No:
197001000148 (9378 - T)

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NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors of Nylex (Malaysia) Berhad have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2021.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding, manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting, rotomoulded plastic products, and other plastic products, including geotextiles, prefabricated sub-soil drainage systems, bulk chemical containers, road barriers, playground equipment and disposal bins as well as property development.

The principal activities and the details of the subsidiaries are indicated in Note 13 to the financial statements.

There have been no significant changes in the nature of the activities of the Group during the financial year except for the additional activities of the Company to carry on the business of property development.

RESULTS

The results of the operations of the Group and of the Company for the financial year are as follows:

| | Group RM'000 | Company RM'000 |
|--|-------------------------|---------------------------|
| Profit from operations | 33,921 | 11,106 |
| Finance costs | (7,919) | (2,083) |
| Share of results of associates, net of tax | 390 | - |
| Profit before tax | 26,392 | 9,023 |
| Taxation | (7,639) | (2,307) |
| Net profit for the year | <u>18,753</u> | <u>6,716</u> |
| Attributable to: | | |
| Owners of the parent | 18,923 | 6,716 |
| Non-controlling interests | <u>(170)</u> | <u>-</u> |
| | <u>18,753</u> | <u>6,716</u> |

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

ISSUE OF SHARES AND DEBENTURES

There were no issues of new shares or debentures during the financial year.

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TREASURY SHARES

At the 50th Annual General Meeting held on 21 October 2020, the shareholders of the Company approved the proposed renewal of shareholders' mandate for the Company to repurchase up to 10% of its own ordinary shares. The Company did not purchase any of its ordinary shares during the financial year.

On 4 December 2020, the Company distributed a total of 4,368,376 treasury shares at an average cost of RM2,905,552, being payment of the final single-tier dividend for the financial year ended 31 May 2020.

As at 31 May 2021, a total of 15,050,648 (2020: 19,419,024) treasury shares with a carrying amount of RM10,010,685 (2020: RM12,916,237) were held by the Company. Details of the shares repurchased in the financial year are disclosed in Note 24 to the financial statements.

DIVIDENDS

During the financial year, the Company has on 4 December 2020, paid a final single-tier dividend in respect of the financial year ended 31 May 2020 in the form of distribution of one (1) treasury share for every forty (40) existing ordinary shares, of which fraction of a treasury share was disregarded. The cost of this distribution was RM2,905,552.

The Directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

The Directors who served on the Board of the Company since the date of the last report and at the date of this report are as follows:

Datuk Anuar bin Ahmad
Dato' Siew Ka Wei (*Group Managing Director*)*
Edmond Cheah Swee Leng
Khamis bin Awal
Tan Sri Dato' Dr Lin See Yan

* Director of the Company and certain subsidiaries

In accordance with Clause 125 of the Company's Constitution, Dato' Siew Ka Wei and Edmond Cheah Swee Leng retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Directors of subsidiaries who held for office since the date of the last report and at the date of this report, not including those Directors listed above are as follows:

Akio Hatakeyama (*Appointed on 1 January 2021*)
Chen Tai Ngoh
Datuk Abdul Rashid bin Hashim (*Appointed on 8 July 2020*)
Datuk Hasnul bin Hassan (*Appointed on 1 December 2020*)
Indrawan Masrin
Jimmy Masrin
Kong Hwai Ming
Liew Tet Seng
Lim Liang Tan
Lim Wee Beng
Masahiko Otomo
Masayuki Suzuki
Mohamad Ruslan bin Ali
Mohd Azlan bin Mohammed

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DIRECTORS (continued)

The Directors of subsidiaries who held for office since the date of the last report and at the date of this report, not including those Directors listed above are as follows (*continued*):

Norzain bin Abdul Wahab
Robin Ling Seng Chiong
Sabli bin Sibil
Shigeo Fuji
Tan Wee Lian
Toh Puan Norella binti Talib
Wong Kah Pun
Wong Siut Yin
Yuhei Sogabe (*Resigned on 31 December 2020*)

DIRECTORS' INTERESTS

The interests in shares in the Company and its related companies of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, were as follows:

| | <----- Number of ordinary shares -----> | | | | | |
|--|---|-------------------|-------------|-----------|--------------|----------------------------|
| | Balance as at 1.6.2020 | Share Dividend | Transferred | Acquired | Disposed | Balance as at 31.5.2021 |
| The Company | | | | | | |
| <i>Direct interest</i> | | | | | | |
| Dato' Siew Ka Wei | 3,731,960 | 87,924 | (64,478) | 331,300 | (229,000) | 3,857,706 |
| Tan Sri Dato' Dr Lin See Yan | 17,337 | - | - | - | (17,337) | - |
| <i>Deemed interest*</i> | | | | | | |
| Dato' Siew Ka Wei | 93,980,259 | 2,349,504 | 64,478 | - | - | 96,394,241 |
| Holding Company, Ancom Berhad | | | | | | |
| <i>Direct interest</i> | | | | | | |
| Dato' Siew Ka Wei | 27,763,820 | - | - | 3,485,100 | (1,280,000) | 29,968,920 |
| Tan Sri Dato' Dr Lin See Yan | 181,912 | - | - | 218,088 | (400,000) | - |
| <i>Deemed interest*</i> | | | | | | |
| Dato' Siew Ka Wei | 22,596,221 | - | - | 660,000 | (700,000) | 22,556,221 |
| Related Company, Ancom Logistics Berhad | | | | | | |
| <i>Direct interest</i> | | | | | | |
| Dato' Siew Ka Wei | 369,867 | 2,800,701 | - | - | (3,114,362) | 56,206 |
| Tan Sri Dato' Dr Lin See Yan | 8,268 | - | - | - | (8,268) | - |
| <i>Deemed interest*</i> | | | | | | |
| Dato' Siew Ka Wei | 214,194,996 | 2,239,620 | - | 96,000 | (54,914,116) | 161,616,500 |

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DIRECTORS' INTERESTS *(continued)*

| <----- Number of options over ordinary shares -----> | | | | |
|--|---------------------------|-----------|-----------|----------------------------|
| | Balance as at 1.6.2020 | Granted | Exercised | Balance as at 31.5.2021 |
| Options in Holding Company, Ancom Berhad | | | | |
| <i>Direct interest</i> | | | | |
| Dato' Siew Ka Wei | - | 1,200,000 | - | 1,200,000 |
| <i>Indirect interest</i> | | | | |
| Dato' Siew Ka Wei | - | 500,000 | - | 500,000 |

| | <----- Number of Warrants B (2020/2025) -----> | | | | |
|--|--|----------------|-----------|-------------|----------------------------|
| | Balance as at 1.6.2020 | Bonus Issue | Bought | Sold | Balance as at 31.5.2021 |
| Warrants in Holding Company, Ancom Berhad | | | | | |
| <i>Direct interest</i> | | | | | |
| Dato’ Siew Ka Wei | - | 6,985,954 | 1,597,200 | (865,000) | 7,718,154 |
| Tan Sri Dato’ Dr Lin See Yan | - | 100,000 | - | (100,000) | - |
| <i>Indirect interest</i> | | | | | |
| Dato’ Siew Ka Wei | - | 5,599,053 | 165,000 | (1,366,896) | 4,397,157 |

* *Deemed interested by virtue of Dato' Siew Ka Wei's direct and indirect interest in Ancom Berhad, Rhodemark Development Sdn. Bhd., Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn. Bhd., Datin Young Ka Mun, Quek Lay Kheng and Siew Ka Kheong.*

By virtue of his interest in the shares in the holding company, Ancom Berhad, Dato' Siew Ka Wei is also deemed to have an interest in the shares in all the other subsidiaries of Ancom Berhad to the extent Ancom Berhad has an interest.

Other than as disclosed above, none of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company and its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors, or the fixed salary received in his capacity as a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or by a related corporation with a Director; or with a firm of which the Director is a member; or with a company in which the Director has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

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INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Group effected Directors' and officers' liability insurance during the financial year to protect the Directors and officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors and officers. The total amount of insurance premium paid for the Directors and officers of the Group and of the Company during the financial year was RM13,000.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amounts written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

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HOLDING COMPANY

The holding company of the Company is Ancom Berhad, a company incorporated in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad.

SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events during the year and significant events between the end of the reporting period and the date when the financial statements are authorised for issue are disclosed in Note 35 to the financial statements.


AUDITORS


The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2021 are as follows:

| | Group RM'000 | Company RM'000 |
|-----------------|-------------------------|---------------------------|
| Statutory audit | 417 | 85 |
| Other services | 21 | 21 |
| | <u>438</u> | <u>106</u> |

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 August 2021.


.....
Dato' Siew Ka Wei
Director


.....
Edmond Cheah Swee Leng
Director

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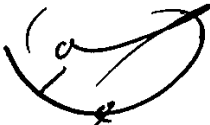
NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Dato' Siew Ka Wei and Edmond Cheah Swee Leng, being two of the Directors of Nylex (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 15 to 82 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 August 2021.


.....
Dato' Siew Ka Wei
Director


.....
Edmond Cheah Swee Leng
Director

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Chen Tai Ngoh (CA 32025), being the officer primarily responsible for the financial management of Nylex (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 82 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed
at Kuala Lumpur
on 27 August 2021


Chen Tai Ngoh

Before me



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nylex (Malaysia) Berhad, which comprise the statements of financial position as at 31 May 2021 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 82.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.