

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 any other professional advisers 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.



NYLEX (MALAYSIA) BERHAD

(Registration No. 197001000148 (9378-T))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

- (I) **PROPOSED DISPOSAL OF THE ENTIRE BUSINESS AND UNDERTAKING INCLUDING ALL THE ASSETS AND LIABILITIES OF NYLEX (MALAYSIA) BERHAD ("NYLEX" OR "COMPANY") TO ANCOM BERHAD ("ANCOM") FOR A CONSIDERATION OF RM179,287,212 TO BE SATISFIED IN THE MANNER AS DESCRIBED IN THIS CIRCULAR ("PROPOSED DISPOSAL"); AND**
- (II) **PROPOSED DISTRIBUTION OF THE CONSIDERATION FROM THE PROPOSED DISPOSAL AMOUNTING TO RM164,287,212 TO ALL THE ENTITLED SHAREHOLDERS OF NYLEX BY WAY OF A CAPITAL REDUCTION AND REPAYMENT EXERCISE PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED DISTRIBUTION")**

(COLLECTIVELY TO BE REFERRED TO AS "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF NYLEX IN RELATION TO THE PROPOSALS

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



Mercury Securities Sdn Bhd
(Registration No. 198401000672 (113193-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

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, Malaysia on Tuesday, 26 October 2021 at 10.30 a.m. or immediately following the conclusion or adjournment of the 51st Annual General Meeting ("**AGM**") of the Company scheduled to be held at the same venue and on the same day at 9.30 a.m., whichever is later, using remote participation and voting facilities provided by the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online website at <https://tiah.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 <https://www.nylex.com/egm.php>.

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 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://tiah.online> before the lodgement cut-off time 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 10.30 a.m.

Date and time of the EGM : Tuesday, 26 October 2021 at 10.30 a.m. or immediately following the conclusion or adjournment of the AGM, whichever is later

This Circular is dated 4 October 2021

DEFINITIONS

Except where the content otherwise requires, the following definitions shall apply throughout this Circular:

“Act”	: Companies Act 2016
“AGM”	: Annual General Meeting
“ALB”	: Ancom Logistics Berhad (Registration No. 196601000150 (6614-W)), Ancom’s 33.96%-owned subsidiary listed on ACE Market of Bursa Securities
“Ancom”	: Ancom Berhad (Registration No. 196901000122 (8440-M)), which holds 32,748,442 Nylex Shares, representing approximately 18.27% of the total number of Nylex Shares (excluding treasury shares) in issue as at the LPD
“Ancom Announcement”	: Ancom’s announcement on the Offer dated 28 April 2021
“Ancom Group”	: Ancom and its subsidiaries, collectively
“Ancom Share(s)”	: Ordinary share(s) in Ancom
“Board”	: Board of Directors
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“Cash Distribution”	: An amount equivalent to RM35,000,000 in cash to be distributed by our Company to the Nylex MI pursuant to the Proposed Distribution
“Cash Proceeds”	: The cash portion of the Disposal Consideration payable by Ancom to our Company amounting to RM50,000,000 which comprises the Retained Cash and the Cash Distribution
“CCM”	: Companies Commission of Malaysia
“Circular”	: This circular to our shareholders dated 4 October 2021 in relation to the Proposals
“Completion”	: Means the completion of the sale and purchase of the Nylex Business in accordance with the terms of the Sale of Business Agreement
“Consideration Shares”	: 31,129,508 new Ancom Shares at the Issue Price pursuant to the Proposed Disposal
“COVID-19”	: An infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
“Dato’ Siew” or “Interested Director”	: Dato’ Siew Ka Wei, our Group Managing Director
“Director(s)”	: Director(s) of our Company
“Disposal Consideration”	: The total consideration in respect of the Proposed Disposal amounting to RM179,287,212
“Distribution Amount”	: An amount equivalent to RM164,287,212 to be distributed by our Company to our shareholders whose names appear on our Record of Depositors on the Entitlement Date pursuant to the Proposed Distribution

DEFINITIONS *(Cont'd)*

“Edmond Cheah”	: Edmond Cheah Swee Leng, our Independent Non-Executive Director
“EGM”	: Extraordinary general meeting
“Entitlement Date”	: A date to be determined by our Board and announced later on which our shareholders must be registered in our Record of Depositors as at the close of business for the purpose of determining their entitlement under the Proposed Distribution
“FPE”	: Financial period ended
“FYE(s)”	: Financial year(s) ended
“IAL”	: Independent advice letter dated 4 October 2021 prepared by Mercury Securities in relation to the Proposals as set out in Part B of this Circular
“Interested Shareholders”	: Ancom and Rhodemark, collectively, 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
“Issue Price”	: Issue price of RM1.50 per Consideration Share
“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
“LTD”	: 27 April 2021, being the last trading day prior to the issuance of the Proposal Letter by Ancom to our Board
“Maybank IB” or “Principal Adviser”	: Maybank Investment Bank Berhad (Co. Reg. No. 197301002412)
“Mercury Securities” or “Independent Adviser”	: Mercury Securities Sdn Bhd (Registration No. 198401000672 (113193-W))
“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 shall be distributed by our Company to the Nylex MI in accordance with Section 2.1.1, 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 Ancom for the Proposed Disposal following the Set-off Arrangement, comprising the Retained Cash and the MI Distribution Amount
“NTA”	: Net tangible assets
“Nylex” or “Company”	: Nylex (Malaysia) Berhad (Registration No. 197001000148 (9378-T))

DEFINITIONS *(Cont'd)*

“Nylex Business”	: All the business and undertaking of our Company, whether or not relating to our business, including all the assets and liabilities of our Company as at the Completion
“Nylex Group” or “Group”	: Nylex and its subsidiaries, collectively
“Nylex Holdings”	: Nylex Holdings Sdn. Bhd. (Registration No. 202101023271 (1423571-D)), a wholly-owned subsidiary of Ancom and the recipient of the Nylex Business pursuant to the Sale of Business Agreement
“Nylex MI”	: All our entitled shareholders (except for the Interested Shareholders) whose names appear on our Record of Depositors on the Entitlement Date
“Nylex Share(s)” or “Share(s)”	: Ordinary share(s) in Nylex
“Offer”	: Offer by Ancom to acquire the Nylex Business, upon the terms and conditions as set out in the Proposal Letter and subject to the execution of the Sale of Business Agreement
“Official List”	: A list specifying all securities listed on the Main Market of Bursa Securities
“PBT”	: Profit before tax
“Proposal Letter”	: Proposal letter dated 28 April 2021 from Ancom to our Board in respect of the Proposed Disposal
“Proposals”	: The Proposed Disposal and the Proposed Distribution, collectively
“Proposed Disposal”	: Proposed disposal of the Nylex Business by our Company to Ancom for the Disposal Consideration to be satisfied in the manner as described in Section 2.1.1, Part A of this Circular
“Proposed Distribution”	: Proposed distribution of the Distribution Amount by way of a capital reduction and repayment exercise pursuant to Section 116 of the Act
“Resolutions”	: The resolutions pertaining to the Proposals
“Retained Cash”	: A cash amount equivalent to RM15,000,000 which is payable by Ancom to us on Completion as part of the Disposal Consideration which amount shall be retained by our Company post-Completion and applied in such manner determined by our Company
“Rhodemark”	: Rhodemark Development Sdn. Bhd. (Registration No. 199901006086 (480986-V)), a wholly-owned subsidiary of Ancom which holds 57,385,535 Nylex Shares representing approximately 32.01% of the total number of Nylex Shares (excluding treasury shares) in issue as at the LPD
“Sale of Business Agreement”	: Sale of business agreement dated 29 July 2021 entered into between our Company, Ancom and Nylex Holdings in respect of the Proposed Disposal
“SC”	: Securities Commission Malaysia
“Set-off Amount”	: An amount equivalent to RM82,592,950 which shall be distributed by our Company to the Interested Shareholders pursuant to the Proposed Distribution

DEFINITIONS *(Cont'd)*

“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 Ancom shall procure Rhodemark to) instruct our Company to pay Rhodemark’s entitlement under the Proposed Distribution to Ancom, following which Ancom shall apply the Set-off Amount receivable by Ancom from our Company by way of set-off against an equivalent amount payable by Ancom to our Company as part of the Disposal Consideration
“Sqm”	: Square metres
“Tan Sri Dato’ Dr Lin”	: Tan Sri Dato’ Dr Lin Hai Moh @ Lin See Yan, our Independent Non-Executive Director
“VWAMP”	: Volume weighted average market price

Currencies

“A\$”	: Australian Dollar
“HKD”	: Hong Kong Dollar
“IDR”	: Indonesian Rupiah
“RAND”	: South African Rand
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“RMB”	: Chinese Renminbi
“R\$”	: Brazilian Real
“S\$”	: Singapore Dollar
“USD”	: United States Dollar
“VND”	: Vietnam Dong

All references to “you” or “your” in this Circular are to the shareholders of Nylex. All references to “we”, “us”, “our” and “ourselves” are in respect of Nylex or Nylex Group, where relevant. References to persons shall include corporations, unless otherwise specified.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations.

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 a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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 actual amount thereof is due to rounding.

CONTENTS

	PAGE
PART A	
EXECUTIVE SUMMARY	1
LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS	
1. INTRODUCTION	4
2. DETAILS OF THE PROPOSALS	5
3. RATIONALE AND BENEFITS OF THE PROPOSALS	13
4. USE OF PROCEEDS	14
5. LISTING STATUS AND FUTURE PLANS	15
6. RISKS IN RELATION TO THE PROPOSALS	16
7. EFFECTS OF THE PROPOSALS	17
8. HISTORICAL SHARE PRICES	19
9. APPROVALS REQUIRED	21
10. PERCENTAGE RATIO	21
11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM	21
12. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS	23
13. STATEMENT BY THE AUDIT COMMITTEE	23
14. DIRECTORS' STATEMENT AND RECOMMENDATION	23
15. CORPORATE EXERCISES/SCHEME ANNOUNCED BUT PENDING COMPLETION	24
16. TENTATIVE TIMETABLE	24
17. EGM	25
18. FURTHER INFORMATION	25
PART B	
LETTER TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS	26

CONTENTS (Cont'd)

	PAGE	
APPENDICES		
I	SALIENT TERMS OF THE SALE OF BUSINESS AGREEMENT	I - 1
II	INFORMATION ON NYLEX	II - 1
III	INFORMATION ON ANCOM	III - 1
IV	REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021	IV - 1
V	AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021	V - 1
VI	AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021	VI - 1
VII	FURTHER INFORMATION	VII - 1
NOTICE OF EGM		Enclosed
PROXY FORM		Enclosed

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION REGARDING THE PROPOSALS. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE ENTIRE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

Key Information	Summary	Reference to Circular
Details of the Proposed Disposal	<p>Proposed disposal of the Nylex Business by our Company to Ancom for the Disposal Consideration to be satisfied in the following manner:</p> <ul style="list-style-type: none">(a) the Retained Cash which shall be paid by Ancom to our Company on Completion; and(b) the Distribution Amount which shall be payable by Ancom to our Company on Completion and thereafter distributed to our entitled shareholders pursuant to the Proposed Distribution. <p>The net amount payable by Ancom to us for the Proposed Disposal following the Set-off Arrangement will be RM96,694,262, being the sum of the Retained Cash and the MI Distribution Amount.</p>	Section 2
Details of the Proposed Distribution	<p>Subject to completion of the Proposed Disposal and our Company having obtained all requisite approvals, in particular the sanction of the High Court of Malaya confirming the special resolution in relation to the Proposed Distribution in accordance with Section 116 of the Act, we shall implement the Proposed Distribution where:</p> <ul style="list-style-type: none">(a) the MI Distribution Amount shall be distributed by our Company to the Nylex MI in accordance with Section 2.1.1(c), Part A of this Circular; and(b) the Set-off Amount shall be distributed by our Company to the Interested Shareholders pursuant to the Proposed Distribution, which amount shall be applied in accordance with the Set-off Arrangement. <p>For illustration purposes only, subject to:</p> <ul style="list-style-type: none">(a) completion of the Proposed Disposal and our Company having obtained all requisite approvals; and(b) the Nylex MI holding 89,153,235, representing approximately 49.73% of the total number of Nylex Shares (excluding treasury shares) in issue on the Entitlement Date,	Section 2

EXECUTIVE SUMMARY (Cont'd)

Key Information	Summary	Reference to Circular												
	<p>the Nylex MI will receive a total of approximately RM0.9163 per Nylex Share which will be satisfied by (a) the payment out of the Cash Distribution of approximately RM0.3926 per Nylex Share and (b) such number of the Consideration Shares equivalent to approximately RM0.5238 per Nylex Share in value, as follows:</p> <table border="1"><thead><tr><th>Assuming 1,000 Nylex Shares held</th><th>No. of Consideration Shares</th><th>Amount (RM)</th></tr></thead><tbody><tr><td>Cash Distribution</td><td>-</td><td>392.58</td></tr><tr><td>Consideration Shares issued at the Issue Price</td><td>349</td><td>523.75</td></tr><tr><td></td><td></td><td>916.34</td></tr></tbody></table>	Assuming 1,000 Nylex Shares held	No. of Consideration Shares	Amount (RM)	Cash Distribution	-	392.58	Consideration Shares issued at the Issue Price	349	523.75			916.34	
Assuming 1,000 Nylex Shares held	No. of Consideration Shares	Amount (RM)												
Cash Distribution	-	392.58												
Consideration Shares issued at the Issue Price	349	523.75												
		916.34												
Rationale and benefits of the Proposals	<p>The Proposals will provide the following benefits to the Nylex MI:</p> <ul style="list-style-type: none">(a) an opportunity to participate, through Ancom, in a fully integrated chemical group, and at the same time, giving them exposure to a more diversified business with a relatively lower risk profile;(b) an avenue for the Nylex MI to unlock their investment in our Company at a premium to the historical traded market price 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; and(c) exposure to any new business to be acquired and undertaken by our Company after Completion, both directly, via their shareholdings in our Company, and indirectly, via their shareholdings in Ancom.	Section 3												
Risks in relation to the Proposals	<ul style="list-style-type: none">• The completion of the Proposals is conditional upon the fulfillment of all necessary conditions precedent as set out in Section 3 of Appendix I of this Circular. It will also be subject to conditions beyond our Company's control such as the approval of Ancom's shareholders and the confirmation of the High Court of Malaya in respect of the Proposed Distribution.• Upon completion of the Proposed Disposal, our Company will no longer have any revenue and profit contributions from the Nylex Business. We will be required to submit a proposed regularisation plan to the SC for its approval within 12 months from the time our Company is notified by Bursa Securities that we have become a "Cash Company" and/or an "Affected Listed Issuer" and subsequently to implement our proposals within the timeframe as prescribed by the SC.	Section 6												

EXECUTIVE SUMMARY (Cont'd)

Key Information	Summary	Reference to Circular
-----------------	---------	-----------------------

If we fail to identify a suitable core business within the 12-month timeframe and assuming we are not able to obtain an extension of time from Bursa Securities, our Company will be subject to the risk of being delisted from the Main Market of Bursa Securities. Even if we are able to identify a suitable core business within the timeframe above, there is a risk that we are unable to successfully obtain the approvals of the relevant authorities for the proposed regularisation plan.

Parties involved and conflict of interests	<ul style="list-style-type: none">• Ancom, our major shareholder, being the initiator of the Proposals, is deemed interested in the Proposals.• Dato' Siew is the Group Managing Director and major shareholder of our Company. Dato' Siew is also the Executive Chairman and a major shareholder of Ancom. Other than interests held via Ancom and Rhodemark, he and persons connected to him collectively hold 5.74% equity interest in our Company. Dato' Siew is therefore deemed interested in the Proposals.• All advisers involved in the Proposals are independent parties who have no conflict of interest arising from their role as advisers for the Proposals. Maybank IB is also the Principal Adviser to Ancom for the Proposed Disposal. Our Board is fully informed of Maybank IB's role as Principal Adviser to our Company for the Proposals and Principal Adviser to Ancom for the Proposed Disposal, and had provided its consent to the same.	Section 11
Directors' recommendation	Our Board, save for the Interested Director who has abstained from deliberating and voting in respect of the Proposals, recommends that you vote in favour of the Resolutions to be tabled at our forthcoming EGM.	Section 14



NYLEX (MALAYSIA) BERHAD

(Registration No. 197001000148 (9378-T))
(Incorporated in Malaysia)

Registered Office

Unit C508, Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

4 October 2021

Board of Directors

Datuk Anuar bin Ahmad (*Independent Non-Executive Chairman*)
Dato' Siew Ka Wei (*Group Managing Director*)
Edmond Cheah Swee Leng (*Independent Non-Executive Director*)
Khamis bin Awal (*Independent Non-Executive Director*)
Tan Sri Dato' Dr Lin Hai Moh @ Lin See Yan (*Independent Non-Executive Director*)

To : Our shareholders

Dear Sir/Madam,

NYLEX (MALAYSIA) BERHAD

- (I) PROPOSED DISPOSAL**
- (II) PROPOSED DISTRIBUTION**

1. INTRODUCTION

On 28 April 2021, our Board announced that our Board had, on even date, received the Proposal Letter containing the Offer by Ancom to acquire the Nylex Business upon the terms and conditions set out in the Proposal Letter and subject to the execution of a sale of business agreement.

On 28 June 2021, Maybank IB had, on behalf of our Board, announced that our Board (save for the Interested Director), after having considered all aspects of the Offer and the views of the Independent Adviser, has decided to accept the Offer, subject to, among others, the approvals of the non-interested shareholders of Nylex and the relevant regulatory authorities, where required.

On 29 July 2021, Maybank IB had, on behalf of our Board, announced that our Company had, on even date, entered into the Sale of Business Agreement with Ancom and its wholly-owned subsidiary, Nylex Holdings, in respect of the Proposed Disposal for the Disposal Consideration which will be satisfied in the manner as set out in Section 2.1.1, Part A of this Circular. Upon completion of the Proposed Disposal, our Company will undertake the Proposed Distribution in the manner as set out in Section 2.2, Part A of this Circular.

The Proposed Disposal is deemed as a major disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements where the approval of at least 75% of the total number of issued shares held by our shareholders present and voting either in person or by proxy at our forthcoming EGM is required. In addition, in view of the interests of the Interested Shareholders and Interested Director as disclosed in Section 11, Part A of this Circular, the Proposals are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, our Board had, on 19 May 2021, appointed Mercury Securities as the Independent Adviser to advise our non-interested Directors and non-interested shareholders in respect of the Proposals (which involve our Company undertaking a major disposal and a related party transaction pursuant to the Listing Requirements). The IAL is set out in Part B of this Circular. You are advised to read carefully the IAL together with Part A of this Circular before voting on the Resolutions at our forthcoming EGM.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS TO BE TABLED AT OUR FORTHCOMING EGM. YOU ARE ADVISED TO REFER TO THE NOTICE OF EGM AND PROXY FORM WHICH ARE ENCLOSED 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 RESOLUTIONS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Disposal

2.1.1 Details of the Proposed Disposal

The Proposed Disposal entails the disposal of the Nylex Business to Ancom for the Disposal 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

Disposal Consideration

RM179,287,212

Subject to the requisite approvals being obtained, the Disposal Consideration shall be satisfied by Ancom, and such amount shall be applied by our Company, in the following manner:

- (a) the Retained Cash shall be paid by Ancom to our Company on Completion; and
- (b) the Distribution Amount shall be payable by Ancom to our Company on Completion and thereafter be distributed by our Company to our 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:
 - (i) the MI Distribution Amount shall be distributed by our Company to the Nylex MI in accordance with Section 2.1.1(c), Part A of this Circular; and
 - (ii) the Set-off Amount shall be distributed by our Company to the Interested Shareholders pursuant to the Proposed Distribution, which amount shall be applied in accordance with the Set-off Arrangement,

following which, effectively, the amount which Ancom will be required to pay us for the purchase of the Nylex Business shall equal the Net Amount Payable; and

- (c) The MI Distribution Amount, which translates to approximately RM0.9163 per Nylex Share, will be distributed via the Proposed Distribution to the Nylex MI in the following manner:
- (i) the Cash Distribution shall be distributed in cash on the payment date to be announced by our Board; and
 - (ii) RM46,694,262 shall be distributed in the form of the Consideration Shares which shall, on the payment date to be announced by our Board, be issued directly 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.

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

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

	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 our Company 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 Ancom	46,694,262	0.5238
Distribution Amount:	164,287,212	0.9163

Note:

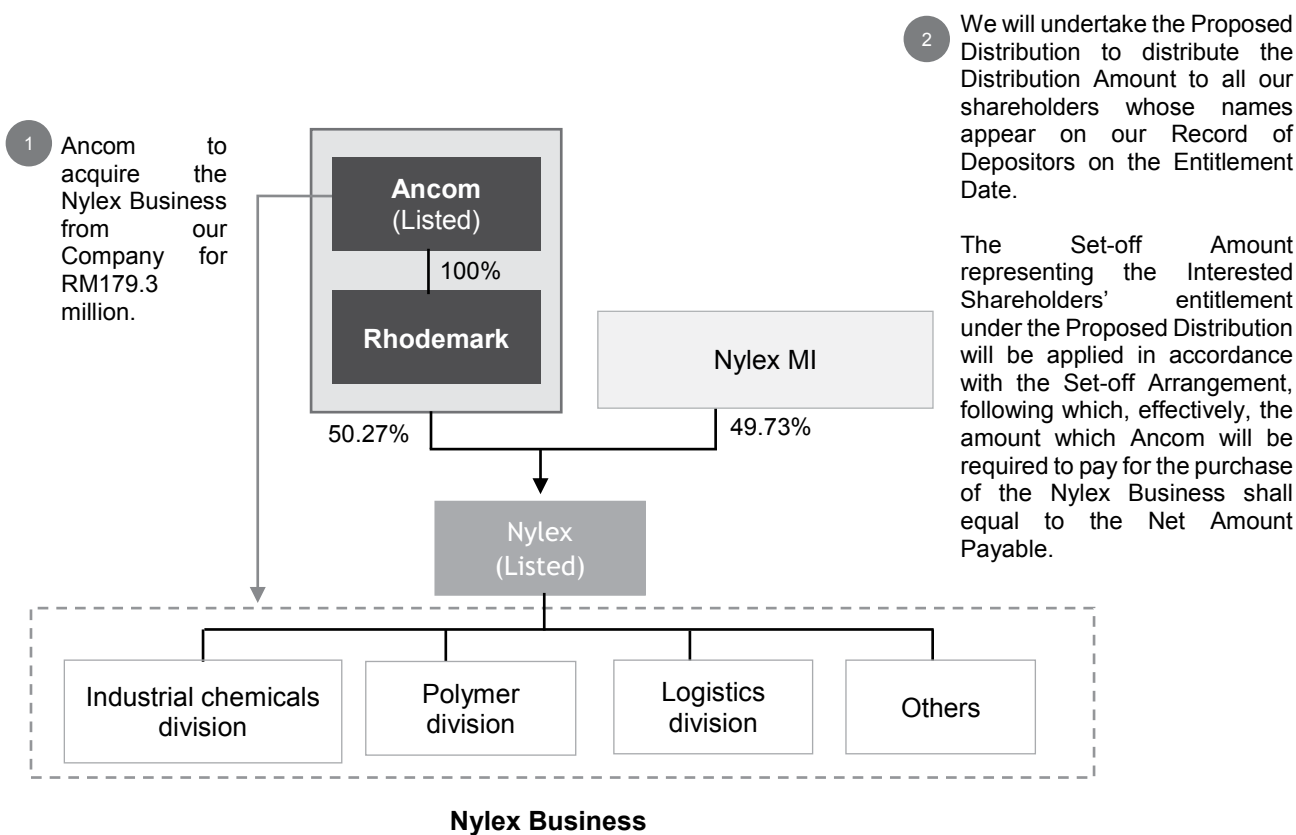
- (1) Computed based on the gross amount divided by 89,153,235 Nylex Shares held by the Nylex MI.

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

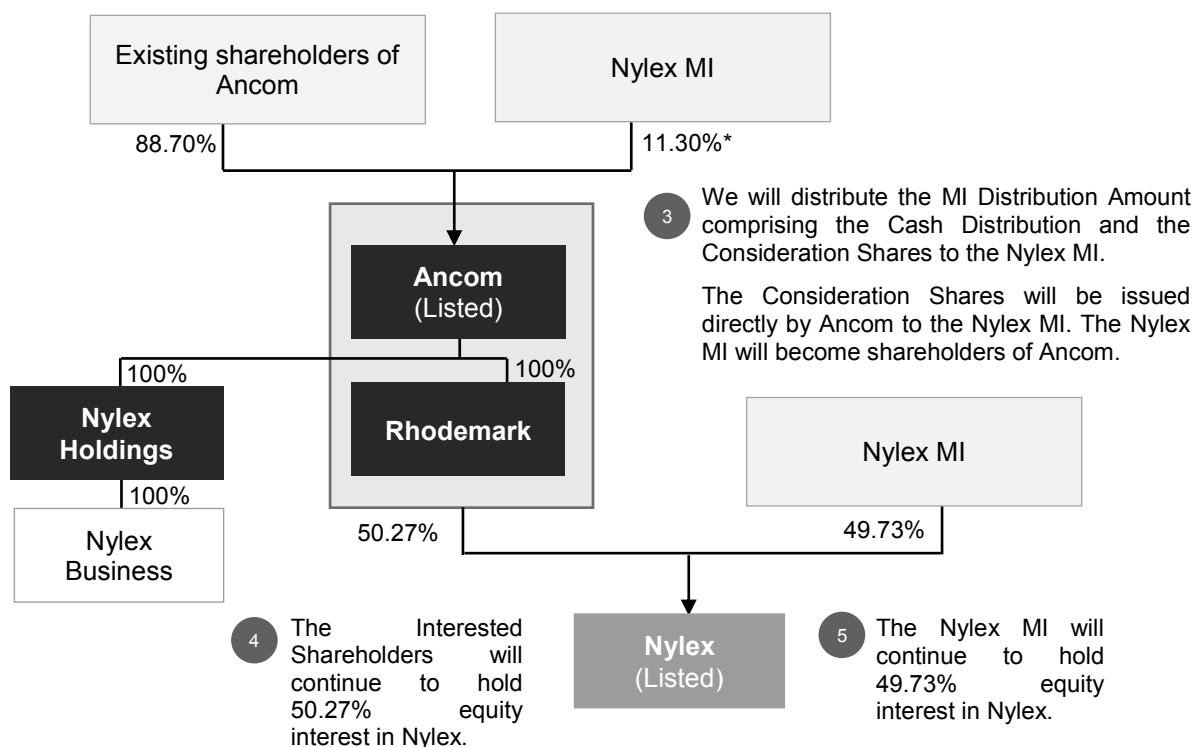
Pursuant to the terms of the Sale of Business Agreement, Nylex Holdings has been nominated to be the recipient for the Nylex Business.

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

Before the Proposals



After the Proposals



Note:

* For illustrative purposes only, the shareholding of the Nylex MI in Ancom after the Proposals 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 the issued share capital of Ancom as at the LPD and the issuance of the Consideration Shares.

2.1.2 Basis and justification for the Disposal Consideration

As set out in the Ancom Announcement, the Disposal Consideration was arrived at after taking into consideration, among others, the following:

- (a) the 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 illustration purposes only, 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 LTD:

	<u>Price</u> <u>(RM)</u>	<u>Premium</u>	
		(RM)	(%)
Last transacted price of Nylex Shares as at the LTD	0.9050	0.0950	10.5

Up to and including the 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
3-month VWAMP of Nylex Shares	0.7845	0.2155	27.5

	<u>Price</u> <u>(RM)</u>	<u>Premium</u>	
		<u>(RM)</u>	<u>(%)</u>
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 our Company 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 our Company 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 our Company 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.

Although 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 as at 31 May 2020, the said discount is lower than the range of discounts to the NA per Nylex Share based on the respective year-end closing market price of Nylex Shares for the past five (5) financial years up to the FYE 31 May 2020, as summarised below:

	<u>FYE 31 May</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<u>(RM)</u>	<u>(RM)</u>	<u>(RM)</u>	<u>(RM)</u>	<u>(RM)</u>
NA per Nylex Share	1.70	1.84	1.84	1.80	1.68
Closing market price of Nylex Share as at the end of the respective financial year	0.84	0.64	0.63	0.96	0.54
Discount to closing market price	(50.6%)	(65.2%)	(65.8%)	(46.7%)	(67.9%)

(Source: Nylex's Annual Reports 2016 to 2020)

2.1.3 Basis of arriving at the Issue Price and the ranking and listing of the Consideration Shares

As set out in the Ancom Announcement, 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 LTD of RM1.6184, RM1.4936, RM1.3530, RM1.1946 and RM0.9666; and
- (b) audited consolidated NA attributable to owners of Ancom 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 LTD:

	<u>Price</u> <u>(RM)</u>	<u>Premium/ (Discount)</u>	
		<u>(RM)</u>	<u>(%)</u>
Last transacted price of Ancom Shares as at the LTD	1.6800	(0.1800)	(10.7)

Up to and including the 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)

The Issue Price of the Consideration Shares represents a premium ranging from approximately 0.4% to 55.2% to the 1-month, 3-month, 6-month and 1-year VWAMP of Ancom Shares up to and including the LTD as illustrated above. The said premium is reasonable after taking into account the following factors:

- (a) the 1-month VWAMP of Ancom Shares up to and including the 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; and
- (b) in general, the market prices of Ancom Shares have been traded on an upward trend for the past six (6) months up to and including the LTD where the market price has increased from RM0.745 per Ancom Share as at 2 November 2020 to RM1.72 per Ancom Share as at the LTD.

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

The Consideration Shares will be listed on the Main Market of Bursa Securities.

As our Company is not permitted to hold shares of its holding company pursuant to Section 22 of the Act which prohibits a corporation from being a member of its holding company, the Consideration Shares will be issued directly to the Nylex MI following the Proposed Distribution.

2.1.4 The Nylex Business to be acquired by Ancom

The Nylex Business to be acquired by Ancom comprises all the business and undertaking of our Company, whether or not relating to our business, including all the assets and liabilities of our Company within and outside Malaysia as at Completion, as a going concern on an 'as-is where-is' basis. This includes shareholdings in all our subsidiaries and associated companies. In respect of any shares held by our Company, such shares will be transferred to Nylex Holdings free from all encumbrances. The list of our subsidiaries and associated companies, including the cost of investment, is set out in **Appendix II** of this Circular.

For avoidance of doubt, pursuant to the Sale of Business Agreement, the following assets shall remain as the property of our Company after Completion:

- (a) Nylex Shares held by us as treasury shares;
- (b) our common seal, statutory records and corporate records which are required by law to be retained by us;
- (c) our rights under the Sale of Business Agreement (including all rights in respect of the Disposal Consideration to be paid by Ancom); and
- (d) the designated account to be opened and maintained by us for the purpose of receiving payment of the Cash Proceeds.

Pursuant to the Sale of Business Agreement, Nylex Holdings shall employ all employees of Nylex with effect from Completion.

Following completion of the Proposed Disposal, we may request Nylex Holdings to provide management services to our Company, if required.

2.1.5 Liabilities to be assumed

All the liabilities comprised in the Nylex Business, including (but not limited to) all debts, liabilities, duties and obligations of our Company as at Completion will be transferred to and assumed by Ancom and/or Nylex Holdings, as the transferee. Such liabilities include:

- (a) any corporate guarantees issued by our Company for the benefit of our subsidiaries and/or associated companies;
- (b) guarantees issued by our Company 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 our Company, and any amount due to trade or other creditors.

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

There is no guarantee issued by our Company to Ancom and/or Nylex Holdings in relation to the Proposals.

2.1.6 Financial resources of Ancom

Ancom intends to finance the Cash Proceeds via bank borrowing and has confirmed via its letter to our Company dated 28 June 2021 that it has sufficient financial resources to fund the Cash Proceeds.

Our Board, premised on the abovementioned confirmation and documents provided by Ancom to us, is satisfied that Ancom has sufficient financial resources to undertake the Proposed Disposal.

2.1.7 Information on Ancom

Please refer to **Appendix III** of this Circular for information on Ancom.

2.2 Proposed Distribution

Subject to completion of the Proposed Disposal and our Company having obtained all requisite approvals, in particular the sanction of the High Court of Malaya confirming the special resolution in relation to the Proposed Distribution in accordance with Section 116 of the Act, we shall implement the Proposed Distribution in the manner set out in Section 2.1.1(b), Part A of this Circular.

For illustration purposes only, subject to the above and the Nylex MI holding 89,153,235, representing approximately 49.73% of the total number of Nylex Shares (excluding treasury shares) in issue on the Entitlement Date, the Nylex MI will receive a total of approximately RM0.9163 per Nylex Share which will be satisfied by (a) the payment out of the Cash Distribution of approximately RM0.3926 per Nylex Share and (b) such number of the Consideration Shares equivalent to approximately RM0.5238 per Nylex Share in value, as follows:

<u>Assuming 1,000 Nylex Shares held</u>	<u>No. of Consideration Shares</u>	<u>Amount</u> <u>(RM)</u>
Cash Distribution	-	392.58
Consideration Shares issued at the Issue Price	349	523.75
		<u>916.34</u>

Additionally, we will receive the Retained Cash on Completion. This translates to an amount equivalent to RM0.0837 per Nylex Share. The Retained Cash does not form part of the Proposed Distribution and would be utilised by us in the manner detailed in Section 4, Part A of this Circular.

In determining our entitled shareholders' entitlements under the Proposed Distribution, our Board will disregard fractional entitlements and will deal with the same in such a manner as our Board shall in its absolute discretion think expedient or in the best interest of our Company. Our Company will not pay fractions of a sen and all fractional entitlements of our entitled shareholders will be rounded down to the nearest whole sen. Similarly, Ancom will not issue fractions of a Consideration Share to the Nylex MI and all fractional entitlements by the Nylex MI will be rounded down to the new whole Ancom Share.

The Entitlement Date will be determined and announced by our Board following the completion of the Proposed Disposal and after all the requisite approvals for the Proposed Distribution have been obtained.

2.3 Salient terms of the Sale of Business Agreement

The salient terms of the Sale of Business Agreement are set out in **Appendix I** of this Circular.

3. RATIONALE AND BENEFITS OF THE PROPOSALS

The Ancom Group is involved in a diversified range of businesses with the following operating segments:

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

Based on the latest audited consolidated financial statements of our Company, we contributed approximately 74.8% and 59.2% of the Ancom Group's revenue and PBT for the FYE 31 May 2021 respectively. With the Proposed Disposal, Ancom will obtain full control of the Nylex Business and will be able to establish a fully integrated chemical group.

The chemical industry is a cyclical business and its performance is highly dependent on the changes of the global economy and reliant on oil and commodities prices and margins. The Proposals will provide the Nylex MI an opportunity to participate, through Ancom, in a fully integrated chemical group, and at the same time, giving them exposure to a more diversified business with a relatively lower risk profile.

The Proposals will also provide an avenue for the Nylex MI to unlock their investment in our Company at a premium to the historical traded 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.

Furthermore, since the Nylex MI will be holding Ancom Shares and will continue to directly hold a similar proportion of the equity interest in our Company after the Proposals, they will also have exposure to any new business to be acquired and undertaken by our Company after Completion, both directly, via their shareholdings in our Company, and indirectly, via their shareholdings in Ancom.

The Proposed Distribution is to facilitate the distribution of the Consideration Shares and Cash Distribution to the Nylex MI.

4. USE OF PROCEEDS

The Cash Proceeds will be utilised in the following manner:

No.	Description of use	RM'000	Estimated timeframe for the use of proceeds from Completion
1.	Retained Cash:		
(a)	Acquisition of new business(es)/ asset(s) to be identified ⁽¹⁾	11,250	Within 12 months
(b)	Working capital ⁽²⁾	1,250	Within 12 months
(c)	Defraying expenses relating to the Proposals ⁽³⁾	2,500	Within 3 months
	Sub-total	15,000	
2.	To be distributed to the Nylex MI under the Proposed Distribution	35,000	Within 3 months
	Total	50,000	

Notes:

(1) After the completion of the Proposals, Bursa Securities may classify our Company as a "Cash Company" pursuant to Paragraph 8.03(1) of the Listing Requirements and pursuant to Paragraph 8.03(4) of the Listing Requirements, approximately RM11.3 million of the Disposal Consideration (including any interest generated) will need to be placed under the Custodian Account (as defined in Section 5 below). The said amount can only be utilised for the implementation of the proposed acquisition of a new core business approved by the SC or pro rata for distributions to shareholders if our Company does not successfully regularise our condition within the stipulated timeframe. Further details are set out in Section 5, Part A of this Circular.

(2) The working capital requirements are intended for the purposes of day-to-day operational expenses of our Company after the completion of the Proposals. The operational expenses include staff salaries, Directors' remuneration and day-to-day administrative and operating expenses such as office rental expenses, office upkeep and maintenance, sundry expenses, utilities fees, taxes and professional fees. The breakdown of proceeds to be utilised for each component of working capital is not determinable at this juncture as it will vary based on the operating requirements at the time of utilisation.

(3) The estimated expenses relating to the Proposals comprise of professional fees of advisers, regulatory fees and other related costs, the breakdown of which is as follows:

	RM'000
Professional fees	2,000
Estimated fees payable to regulatory authorities and filing fees in relation to the application to the High Court of Malaya for the Proposed Distribution	50
Other incidental expenses such as printing, advertising and estimated costs for the forthcoming EGM	450
	2,500

Any excess/shortfall in the actual amount to be used to defray the expenses relating to the Proposals will be adjusted to/from the amount allocated for working capital.

Pending the use of the Cash Proceeds, to the extent practicable, the Cash Proceeds will be placed in interest-bearing deposit accounts with licensed financial institutions or short-term money market instrument(s) as our Board may deem fit. Any interest income generated therefrom will be used for working capital and/or acquisition of new business(es)/asset(s) to be identified.

5. LISTING STATUS AND FUTURE PLANS

The Proposed Disposal is deemed a major disposal by our Company pursuant to Paragraph 10.02(eA) of the Listing Requirements as it involves the disposal of all our assets which may result in our Company being no longer suitable for continued listing on the Official List of Bursa Securities.

Our Board is of the view that after the completion of the Proposals, Bursa Securities may classify our Company as a “Cash Company” pursuant to Paragraph 8.03(1) of the Listing Requirements as 70% or more of our assets, on a consolidated basis, would consist of cash or short-term investments, or a combination of both.

Pursuant to Paragraph 8.03(4) of the Listing Requirements, as a “Cash Company”, at least 90% of our cash and short-dated securities including existing cash and the net Cash Proceeds from the Proposed Disposal (after deducting the estimated expenses relating to the Proposals and the amount to be distributed under the Cash Distribution) must be placed in an account opened with a financial institution licensed by Bank Negara Malaysia and operated by a custodian (“**Custodian Account**”). The amount placed in this account (including any interest generated) can only be utilised for the implementation of the proposed acquisition of a new core business approved by the SC or pro rata for distributions to shareholders if our Company does not successfully regularise our condition within the stipulated timeframe.

Additionally, the Proposed Disposal may result in our Company being classified as an “Affected Listed Issuer” pursuant to Paragraph 8.03A(2) of the Listing Requirements, if our Company is deemed to have triggered the following prescribed criteria:

- (a) suspended or ceased all of our business or major business or our entire or major operations; or
- (b) has an insignificant business or operations

after the completion of the Proposed Disposal.

Premised on the above, we will be required to regularise our condition by submitting a proposal to the SC for its approval to acquire a new core business within 12 months from the date of being classified as a “Cash Company” and/or “Affected Listed Issuer”. If we fail to regularise our condition within the stipulated timeframe, our Company’s listed securities may be suspended and our Company may be de-listed from the Official List of Bursa Securities.

In view of the above, our Board endeavours to take the necessary steps to identify new business(es) and/or asset(s) to be acquired by our Company. This will enable us to regularise our condition and to maintain our listing status on the Main Market of Bursa Securities after the completion of the Proposals.

Our Board believes that our Company will be able to pursue such potential acquisition(s) with the cash placed in the Custodian Account as well as by way of issuance of new Nylex Shares. As at the LPD, our Board has yet to identify any suitable business(es)/asset(s) to be acquired. However, we believe that with the contacts, experience, and capability of our Board members, we should be in a position to source and identify new business(es) and/or asset(s) to be acquired. In addition, if necessary, our Board may also engage independent consultants and advisers who can provide additional insights to assist us in the identification and evaluation of suitable acquisitions. Our Company will make the appropriate announcement as and when there is any material development in this regard.

In the meantime, we will derive interest income from the deposits of the proceeds from the Proposed Disposal with financial institutions and may use our working capital funds to carry out trading activities to generate some revenue. The trading activities that we may carry out following completion of the Proposed Disposal are likely to be small-scale operations and we have not determined the types of products involved as that will largely depend on the availability of business opportunities and market conditions at that point of time. Although the Sale of Business Agreement does not contain any non-compete provisions, we do not intend to carry out any trading activities which are similar to the Nylex Business to avoid any conflict of interest with our major shareholder, Ancom.

6. RISKS IN RELATION TO THE PROPOSALS

Save as disclosed below, our Board does not foresee any risks in relation to the Proposals:

6.1 Non-completion of the Proposals

The completion of the Proposals is conditional upon the fulfillment of all necessary conditions precedent as set out in Section 3 of **Appendix I** of this Circular. It will also be subject to conditions beyond our Company's control such as the approval of Ancom'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 Proposals will be completed as contemplated. If any of the conditions precedent under the Sale of Business Agreement is not fulfilled, waived and/or extension of the timeframe to satisfy the conditions precedent are not mutually agreed upon between our Company and Ancom, the Proposals 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 Proposals.

6.2 Loss of income stream/business and loss of experienced personnel

Upon completion of the Proposed Disposal, our Company will no longer have any revenue and profit contributions from the Nylex Business. There can be no assurance that our Company can replace the loss of income stream and profit from the Nylex Business within 12 months from the date of being classified as a "Cash Company" and/or "Affected Listed Issuer. Moreover, our experienced personnel who are involved in the operations of the Nylex Business will be transferred to Ancom pursuant to the Proposed Disposal.

In the event that we manage to identify a suitable business or asset to be acquired, we may not have the necessary skill or technical knowledge and expertise to manage and operate such new business venture and there can be no assurance that we will be able to retain the existing key management and other personnel of such new business venture.

In mitigating such risks, we may need to recruit new and experienced personnel and/or engage advisers/consultants to ensure continuity of the new business venture. Our Company may also collaborate with other experienced entities in their respective fields of expertise to execute the new business venture.

6.3 Inability to complete the proposed regularisation plan

Upon completion of the Proposals, our Company may be classified as a “Cash Company” and/or “Affected Listed Issuer” pursuant to Paragraph 8.03(1) and Paragraph 8.03A(2) of the Listing Requirements respectively. In such an event, we will be required to submit a proposed regularisation plan to the SC for its approval within 12 months from the time our Company is notified by Bursa Securities that we have become a “Cash Company” and/or an “Affected Listed Issuer” and subsequently to implement our proposals within the timeframe as prescribed by the SC.

While we intend to take the necessary steps to identify new business(es) and/or asset(s), there can be no assurance that we will be able to identify a suitable core business within the stipulated timeframe. If we fail to identify a suitable core business within the 12-month timeframe and assuming we are not able to obtain an extension of time from Bursa Securities, our Company will be subject to the risk of being delisted from the Main Market of Bursa Securities.

Further, even if we are able to identify a suitable core business within the timeframe above, there is a risk that we are unable to successfully obtain the approvals of the relevant authorities for the proposed regularisation plan. Consequentially, we will either have to identify another potential core business or face the risk of being delisted from the Main Market of Bursa Securities.

7. EFFECTS OF THE PROPOSALS

7.1 Share capital

The Proposed Disposal will not have any effect on the issued share capital of our Company.

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

	No. of Nylex Shares	Share capital (RM)
As at the LPD ⁽¹⁾	194,337,860	195,142,388
Reduction of share capital pursuant to the Proposed Distribution	-	(164,287,212)
Upon completion of the Proposed Distribution	194,337,860	30,855,176

Note:

(1) Including 15,050,648 treasury shares held by our Company.

7.2 Substantial shareholders' shareholding

The Proposals will not have any effect on the number of Nylex Shares held by our substantial shareholders and their shareholdings in our Company.

7.3 NA, NA per Nylex 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 Proposals had been effected on that date, the pro forma effects of the Proposals on the NA, NA per Nylex Share and gearing of our Group are as follows:

	Audited as at 31 May 2021	After the Proposals
	(RM'000)	(RM'000)
Share capital	195,143	30,856
Reserves	17,322	(1)-
Retained earnings	110,769	(2)(7,404)
Treasury shares	(10,011)	(10,011)
Equity attributable to owners of our Company	313,223	13,441
Non-controlling interests	9,563	-
Total equity	322,786	13,441
No. of Nylex Shares in issue ('000) ⁽³⁾	179,287	179,287
NA per Nylex Share (RM) ⁽⁴⁾	1.74	0.07
Total borrowings	213,554	(5)-
Gearing (times) ⁽⁶⁾	0.68	-

Notes:

- (1) Represents foreign currency translation reserve which is deemed to realise upon the disposal of all the foreign operations of our Group.
- (2) After taking into consideration the pro forma net loss on disposal of RM118.2 million (including an estimated expenses relating to the Proposals of RM2.5 million) arising from the Proposed Disposal.
- (3) Excluding treasury shares held by our Company.
- (4) Computed based on equity attributable to owners of our Company over number of Nylex Shares in issue.
- (5) Upon the completion of the Proposed Disposal, all our liabilities (including borrowings) will be transferred to and/or assumed by Ancom and/or Nylex Holdings.
- (6) Computed based on total borrowings divided by equity attributable to owners of our Company.

7.4 Earnings per Nylex Share

The Proposed Distribution will not have any effect on the earnings of our Group and our earnings per Nylex Share.

Upon completion of the Proposals, there will be no further earnings contribution from the Nylex Business. We will cease to have any significant income generating business until we regularise our condition in the manner set out in Section 5, Part A of this Circular.

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 Proposals had been effected on 1 June 2020, being the beginning of the FYE 31 May 2021, the pro forma effects of the Proposals on the consolidated earnings of our Group and earnings per Nylex Share are as follows:

	FYE 31 May 2021	After the Proposals
Net profit/(loss) attributable to owners of our Company (RM'000)	18,923	⁽¹⁾ (99,250)
Weighted average number of Nylex Shares in issue ('000)	177,061	177,061
Net profit/(loss) per Nylex Share (sen) ⁽²⁾	10.7	(56.05)

Notes:

(1) *Based on the latest audited consolidated financial statements of our Company for the FYE 31 May 2021, the Proposed Disposal is expected to result in a pro forma net loss of approximately RM118.2 million to our Group, as follows:*

	RM'000
<i>Disposal Consideration</i>	<i>179,287</i>
<i>Less: De-recognition of the NA of our Group</i>	<i>(294,960)</i>
<i>Less: Estimated expenses relating to the Proposals</i>	<i>(2,500)</i>
Pro forma net loss	(118,173)

(2) *Computed based on net profit/(loss) attributable to owners of our Company divided by weighted average number of Nylex Shares in issue.*

Pending the full utilisation of the Retained Cash, we will derive interest income from the placement of such proceeds in an interest-bearing deposit account with a licensed financial institution and/or investment in short-term money market instruments as our Board may deem appropriate. However, the interest income will reduce as and when we utilise the Retained Cash in the manner set out in Section 4, Part A of this Circular.

8. HISTORICAL SHARE PRICES

8.1 Nylex Shares

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

	Highest	Lowest
	(RM)	(RM)
2020		
September	0.705	0.540
October	0.665	0.535
November	0.670	0.530
December	0.720	0.590
2021		
January	0.700	0.595
February	0.670	0.625

	Highest	Lowest
	(RM)	(RM)
March	0.840	0.630
April	0.945	0.750
May	0.925	0.795
June	0.905	0.805
July	0.870	0.825
August	0.860	0.810
Last transacted market price of Nylex Shares as at the LTD		0.905
Last transacted market price of Nylex Shares as at the LPD		0.850

(Source: Bloomberg)

8.2 Ancom Shares

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

	Highest	Lowest
	(RM)	(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 Proposals are subject to the following being obtained:

- (a) approval of our non-interested shareholders at our forthcoming EGM;
- (b) approval of the shareholders of Ancom at an EGM to be convened;
- (c) grant of an order of the High Court of Malaya pursuant to Section 116 of the Act for the Proposed Distribution;
- (d) approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;
- (e) approval/consent from financiers/creditors of Ancom, Rhodemark and/or our 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 Sale of Business Agreement, where required;
- (f) approval/consent from the financiers/creditors of our Company for the Proposed Distribution, where required; and
- (g) approvals, waivers or consents of any other relevant authorities or parties, if required.

The Proposed Disposal and Proposed Distribution are inter-conditional upon each other in that the Proposed Distribution shall only be implemented following the completion of the Proposed Disposal.

The Proposals are not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by our Company.

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 Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is 100% based on (i) the value of the assets which are the subject matter of the Proposed Disposal compared with the audited consolidated NA attributable to owners of our Company as at 31 May 2020 and (ii) the total assets which are the subject matter of the Proposed Disposal compared with the total assets of our Company as at 31 May 2020.

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

Ancom, our major shareholder, being the initiator of the Proposals, is deemed interested in the Proposals. Accordingly, Ancom will abstain from voting in respect of its direct and/or indirect interests in our Company on the Resolutions to be tabled at our forthcoming EGM. In addition, Ancom will also ensure that persons connected with it (including Rhodemark) will abstain from voting in respect of their direct and/or indirect interests in our Company, if any, on the Resolutions.

Dato' Siew is the Group Managing Director and major shareholder of our Company. Dato' Siew is also the Executive Chairman and a major shareholder of Ancom. Other than interests held via Ancom and Rhodemark, he and persons connected to him collectively hold 5.74% equity interest in our Company. Dato' Siew is therefore deemed interested in the Proposals.

Dato' Siew has abstained and will continue to abstain from all deliberations and voting at our Board meetings pertaining to the Proposals. Dato' Siew will abstain from voting in respect of his direct and/or indirect interests in our Company, on the Resolutions and also ensure that all persons connected with him will abstain from voting in respect of their direct and/or indirect interests in our Company, if any, on the Resolutions.

Tan Sri Dato' Dr Lin and Edmond Cheah are Independent Non-Executive Directors of our Company and Ancom ("**Common Independent Directors**"). The Common Independent Directors have not abstained from deliberations and voting at our Board meetings pertaining to the Proposals as:

- (a) the Common Independent Directors do not have any shareholding in our Company and Ancom;
- (b) the Common Independent Directors will not be receiving any interest such as commission or other kinds of benefits in relation to the Proposals;
- (c) they have voluntarily abstained from all deliberations and voting at the Board meetings of Ancom pertaining to the Proposals; and
- (d) our Board comprises five (5) members, three (3) of whom, including the Common Independent Directors, are also directors of Ancom. If the Common Independent Directors also abstain from deliberations and voting at our Board meetings pertaining to the Proposals, the decision to accept or decline the offer under the Proposal Letter will rest with the remaining two (2) independent directors of our Company, resulting in our Board not having the benefit of the views and input which the Common Independent Directors are in a position to contribute.

The direct and indirect interests of Dato' Siew, Tan Sri Dato' Dr Lin and Edmond Cheah in our Company and Ancom, respectively, as at the LPD are as follows:

Our Company

	Direct		Indirect	
	No. of Nylex Shares	%	No. of Nylex Shares	%
Dato' Siew	(1)4,037,106	2.25	(2)96,394,241	53.77
Tan Sri Dato' Dr Lin	-	-	-	-
Edmond Cheah	-	-	-	-

Notes:

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

Ancom

	Direct		Indirect	
	No. of Ancom Shares	%	No. of Ancom Shares	%
Dato' Siew	30,382,320	12.44	(1)22,556,221	9.24
Tan Sri Dato' Dr Lin	-	-	-	-
Edmond Cheah	-	-	-	-

Note:

(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.*

12. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS

Save for the Proposals and/or transactions under shareholders' mandate for recurrent related party transactions approved at our 50th annual general meeting held on 21 October 2020, we have not entered into any transaction with the Interested Director, Ancom and/or persons connected with them for the past 12 months preceding the date of this Circular.

13. STATEMENT BY THE AUDIT COMMITTEE

Our Audit Committee, after having considered all aspects of the Proposals, including the rationale and effects of the Proposals, is of the view that the Proposals are:

- (a) in the best interest of our Company;
- (b) fair, reasonable and on normal commercial terms; and
- (c) 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 on the Proposals and has concurred with the views of the Independent Adviser.

14. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, save for the Interested Director who has abstained from deliberating and voting in respect of the Proposed Disposal, having considered all aspects of the Proposed Disposal, including the rationale and effects of the Proposed Disposal as well as the views of the Independent Adviser, is of the opinion that the Proposed Disposal is fair and reasonable, and in the best interest of our Company.

In view that the Proposed Distribution is intended to facilitate the distribution of part of the Disposal Consideration to the Nylex MI, our Board, save for the Interested Director who has abstained from deliberating and voting in respect of the Proposed Distribution, is of the opinion that the Proposed Distribution is in the best interest of our shareholders.

Accordingly, our Board, save for the Interested Director who has abstained from deliberating and voting in respect of the Proposals, recommends that you vote in favour of the Resolutions.

15. CORPORATE EXERCISES/SCHEME ANNOUNCED BUT PENDING COMPLETION

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

- (a) the Proposals;
- (b) proposed disposal of terminal assets by Perusahaan Kimia Gemilang (Vietnam) Company Ltd, a wholly-owned subsidiary of Perusahaan Kimia Gemilang Sdn. Bhd., which in turn is a wholly-owned subsidiary of Nylex to TOP Solvent (Vietnam) Limited Liability Company, for a cash consideration of USD6,250,000, pursuant to a sale and purchase agreement entered into on 24 May 2021. As at the LPD, Perusahaan Kimia Gemilang (Vietnam) Company Ltd is undertaking the necessary steps to fulfil the conditions precedent of the sale and purchase agreement; and
- (c) proposed acquisition by Nylex of the entire equity interest in Synergy Trans-Link Sdn. Bhd., a wholly-owned subsidiary of ALB by Nylex pursuant to a heads of agreement entered into between Ancom, ALB and the shareholders of S7 Holdings Sdn. Bhd., Merrington Assets Limited, MY E.G. Capital Sdn. Bhd. and Avocat Sdn. Bhd. on 16 July 2020. Our Board has on 15 July 2020 provided its approval-in-principle for the proposed acquisition subject to the terms and conditions to be determined by our Company and ALB at a later date. The proposed acquisition does not form part of the Proposed Disposal.

16. 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, Part A of this Circular, we expect the Proposals to be completed in the first quarter of 2022.

The tentative timetable for the implementation of the Proposals is as follows:

Date	Event⁽¹⁾
26 October 2021	<ul style="list-style-type: none">• EGM for the Proposals• Filing of application to seek confirmation from the High Court of Malaya for the reduction of the share capital of our Company under Section 116 of the Act in respect of the Proposed Distribution
Early January 2022	<ul style="list-style-type: none">• Grant of the order from the High Court of Malaya confirming the reduction of the share capital of our Company• Completion of the Proposed Disposal• Announcement on the Entitlement Date• Lodgement of an office copy of the order from the High Court of Malaya with the Registrar of Companies
Early February 2022	<ul style="list-style-type: none">• Entitlement Date• Payment of the Cash Distribution and listing of the Consideration Shares on the Main Market of Bursa Securities• Completion of the Proposed Distribution

Note:

- (1) *This is an indicative timetable depending on, among others, the timing to obtain the order from the High Court of Malaya confirming the reduction of the share capital of our Company pursuant to Section 116 of the Act in respect of the Proposed Distribution. If any of the events are changed or delayed, the timeline of the subsequent events will be adjusted accordingly.*

17. EGM

The notice of EGM is enclosed together with this Circular and available at our Company's website at <https://www.nylex.com/egm.php>. The 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, Malaysia on Tuesday, 26 October 2021, 10.30 a.m. or immediately following the conclusion or adjournment of the 51st AGM of our Company scheduled to be held at the same venue and on the same day at 9.30 a.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 Resolutions.

If you are unable to attend and vote at the EGM and would like to appoint proxy(ies) to do so on your behalf, you are requested to complete, sign and return the Proxy Form, enclosed herewith together with this Circular, in accordance with the instructions printed thereon as soon as possible and, in any event so as to arrive at the office of the Share Registrar of our Company 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 10.30 a.m..

The lodging of the Proxy Form will not, however, preclude you from participating and voting at the EGM should you subsequently wish 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.nylex.com/egm.php> on the registration and voting process for the EGM.

18. FURTHER INFORMATION

For further information, please refer to the attached appendices which form part of this Circular.

Yours faithfully
for and on behalf of the Board of
NYLEX (MALAYSIA) BERHAD

DATUK ANUAR BIN AHMAD
Independent Non-Executive Chairman

PART B

IAL TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposals.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter to the Shareholders in relation to the Proposals in Part A of this Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposals.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company.

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

1. INTRODUCTION

On 28 April 2021, the Board received the Proposal Letter containing the Offer by Ancom to acquire the Nylex Business upon the terms and conditions set out in the Proposal Letter and subject to the execution of a sale of business agreement.

The Proposed Disposal is deemed as a major disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements. In addition, in view of the interests of the Interested Shareholders and Interested Director of Nylex in the Proposals (*see Section 11, Part A of this Circular for their interests and courses of action in relation to the Proposals*), the Proposals are deemed as an related party transaction in accordance with Paragraph 10.08 of the Listing Requirements. As such, Mercury Securities has been appointed as the Independent Adviser on 19 May 2021 to advise the non-interested directors and non-interested shareholders of the Company in respect of the Proposals.

The details of the Proposals are set out in Section 2, Part A of this Circular.

On 28 June 2021, Maybank IB had, on behalf of the Board, announced that the Board (save for the Interested Director), after having considered all aspects of the Offer and the views of the Independent Adviser, has decided to accept the Offer, subject to, among others, the approvals of the non-interested shareholders of Nylex and the relevant regulatory authorities, where required.

On 29 July 2021, Maybank IB had, on behalf of the Board, announced that the Company had, on even date, entered into the Sale of Business Agreement with Ancom and its wholly-owned subsidiary, Nylex Holdings, for the Proposed Disposal for the Disposal Consideration which will be satisfied in the manner as set out in Section 2.1.1, Part A of this Circular. Upon completion of the Proposed Disposal, the Company will undertake the Proposed Distribution in the manner as set out in Section 2.2, Part A of this Circular.

The purpose of this IAL is to provide the non-interested shareholders of the Company with an independent evaluation on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of the Company, together with our recommendation on whether the non-interested shareholders of the Company should vote in favour of the Proposals.

Nonetheless, the non-interested shareholders of the Company should rely on their own evaluation of the merits and demerits of the Proposals before making a decision on the course of action to be taken at the forthcoming EGM.

This IAL is prepared solely for the use of the non-interested shareholders of the Company to consider the Proposals and should not be used or relied upon by any other party for any other purposes whatsoever.

EXECUTIVE SUMMARY (CONT'D)

2. EVALUATION OF THE PROPOSALS

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals based on the following pertinent factors:-

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.1 Rationale and benefits of the Proposals</p>	<p><u>Opportunity for Nylex MI to participate in a fully integrated chemical group</u></p> <p>The Proposals present an opportunity for Nylex MI to participate in the future growth of the enlarged Ancom Group, a fully integrated chemical group which comprises, amongst others, agricultural chemicals segment, logistics segment and media segment. The diversified range of businesses of the enlarged Ancom Group would enable Nylex MI to diversify their investment risk in Nylex which mainly focuses on the manufacturing and trading of industrial chemical and polymer products.</p> <p><u>Avenue for Nylex MI to realise their investment at a premium</u></p> <p>The Proposals also provide an avenue for Nylex MI to realise their investment in Nylex at a premium based on market price (please see Section 3.2.2 of this IAL for our evaluation of the implied exchange ratio based on market price).</p> <p><u>Opportunity for Nylex MI to participate in the prospects of any new businesses to be acquired and undertaken by Nylex</u></p> <p>Furthermore, since Nylex MI will be holding new Ancom Shares and will continue to maintain their equity interest in Nylex after the Proposals, they will also be able to participate in any new businesses to be acquired and undertaken by Nylex after Completion, both directly via their shareholdings in Nylex and indirectly via their shareholdings in Ancom.</p> <p>Based on the above, we are of the view that the rationale and benefits of the Proposals are fair and reasonable.</p>
<p>Section 3.2 Implied exchange ratios based on:- (i) fair value (ii) market price</p>	<ul style="list-style-type: none"> • The Offer is based on a combination of securities exchange and cash offer rather than a sole cash offer. As such, in evaluating the fairness of the Offer, the (i) fair value and (ii) market price of the Consideration Shares and the Nylex Shares in relative terms to one another must also be considered. • Based on fair value, the implied exchange ratios are lower than 1 indicating that the Nylex MI will effectively receive total consideration which is lower in terms of fair value than if the Proposals are not implemented. • Based on market price, the implied exchange ratios are higher than 1 indicating that the Nylex MI will effectively receive total consideration which is higher in terms of market price than if the Proposals are not implemented.

EXECUTIVE SUMMARY (CONT'D)

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.3 No alternative proposal and level of control</p>	<ul style="list-style-type: none"> • As at the LPD, save for the Proposals, the Board has not received any competing offer for the Nylex Shares or any other offer to acquire the assets and liabilities of the Nylex Group. • In the absence of a competing offer, the Proposals present an opportunity for Nylex MI to realise their investment in Nylex at a premium based on market price (in view that the implied exchange ratios based on market price are higher than 1) while continuing to participate in the future growth of Nylex via their shareholdings in Nylex as well as the enlarged Ancom Group (which will comprise the Nylex Business and other businesses of the Ancom Group) via their new shareholdings in Ancom. • As at the LPD, Ancom has statutory control over Nylex, with an aggregate equity interest of 50.27%. With their current level of control, Ancom is able to influence the outcome of most of the resolutions sought at shareholders' general meetings of Nylex (<i>unless they are required to abstain from voting</i>), including the ability to approve any ordinary resolutions as well as to oppose any ordinary / special resolutions. • Further, in view that Ancom currently holds a controlling stake of 50.27% in Nylex, any competing offer will not be successful unless with the support of Ancom.
<p>Section 3.4 Listing status and future plans of Nylex</p>	<ul style="list-style-type: none"> • The Company may be classified as:- <ul style="list-style-type: none"> (a) a "Cash Company" pursuant to Paragraph 8.03(1) of the Listing Requirements as, post-Completion, 70% or more of the Company's assets, on a consolidated basis, would consist 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, post-Completion, the Company would have ceased its entire business operations. • Premised on the above, the Company will be required to regularise its condition by submitting a proposal to acquire a new core business to the SC for its approval within 12 months from the date of being classified as a "Cash Company" and/or "Affected Listed Issuer". • If the Company fails to regularise its condition within the stipulated timeframe, trading in the Company's listed securities may be suspended and the Company may be de-listed from the Official List of Bursa Securities. • Nevertheless, we note that the Board endeavours to take the necessary steps to identify new businesses and/or assets to be acquired by the Company in order to enable the Company to regularise its condition and maintain its listing status on the Main Market of Bursa Securities after the completion of the Proposals. In this regard, we note that the Company may pursue such potential acquisition(s) by utilising part of the Retained Cash as well as by way of issuance of new Nylex Shares.

EXECUTIVE SUMMARY (CONT'D)

Reference in IAL / Consideration factors	Our evaluation
Section 3.5 Industry overview and prospects	<p>The Proposals would allow Nylex MI to retain their participation in the prospects of the Nylex Business while extending their participation in the prospects of the other businesses of the Ancom Group. The diversified range of businesses of the enlarged Ancom Group would enable Nylex MI to diversify their investment risk in Nylex.</p> <p>Further to that, after completion of the Proposals, Ancom will obtain full control of the Nylex Business and thus it will be able to establish a fully integrated chemical group. This is expected to provide greater flexibility for Ancom to plan and decide on the business strategy of these businesses. In turn, this may potentially enhance the future earnings potential of the enlarged Ancom Group as compared to the sum of its parts.</p> <p>Given the industry overview and outlook of the sectors in which the businesses of the Nylex Group and the Ancom Group are involved in as well their future expansion plans, we are of the view that the future prospects of the enlarged Ancom Group appear favourable.</p>
Section 3.6 Salient terms of the Sale of Business Agreement	<p>The salient terms of the Sale of Business Agreement are not detrimental to the interests of the non-interested shareholders of Nylex.</p>
Section 3.7 Risks in relation to the Proposals	<p>The risks in relation to the Proposals are set out in Section 6, Part A of this Circular.</p> <p>Notwithstanding the risks highlighted, the Proposals present an opportunity for Nylex MI to participate in the future growth of the enlarged Ancom Group, which would be a fully integrated chemical Group. In turn, this provides them with exposure to a more diversified range of businesses with a relatively lower risk profile.</p>

3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals, taking into consideration the various factors set out in Section 3 of this IAL. Before voting on the resolutions to give effect to the Proposals at the forthcoming EGM of the Company, you should carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors including those highlighted by the Board in its letter to the shareholders of the Company in relation to the Proposals, as set out in Part A of this Circular, as well as those set out in this IAL.

Premised on our evaluation of the Proposals in Section 3 of this IAL, we are of the view that, on the basis of the information available to us, the Proposals are **fair and reasonable** and are **not detrimental** to the interests of the non-interested shareholders of the Company.

Accordingly, we recommend that you **vote in favour** of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company.



Headquarters:
Ground, 1st, 2nd and 3rd Floor
Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

4 October 2021

To: The non-interested shareholders of the Company

Dear Sir / Madam,

NYLEX (MALAYSIA) BERHAD (“NYLEX” OR THE “COMPANY”)

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSALS

This IAL is prepared for inclusion in the Circular to the shareholders of the Company. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposals.

1. INTRODUCTION

On 28 April 2021, the Board received the Proposal Letter containing the Offer by Ancom to acquire the Nylex Business upon the terms and conditions set out in the Proposal Letter and subject to the execution of a sale of business agreement.

The Proposed Disposal is deemed as a major disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements. In addition, in view of the interests of the Interested Shareholders and Interested Director of Nylex in the Proposals (*see Section 11, Part A of this Circular for their interests and courses of action in relation to the Proposals*), the Proposals are deemed as a related party transaction in accordance with Paragraph 10.08 of the Listing Requirements. As such, Mercury Securities has been appointed as the Independent Adviser on 19 May 2021 to advise the non-interested directors and non-interested shareholders of the Company in respect of the Proposals.

The details of the Proposals are set out in Section 2, Part A of this Circular.

On 28 June 2021, Maybank IB had, on behalf of the Board, announced that the Board (save for the Interested Director), after having considered all aspects of the Offer and the views of the Independent Adviser, has decided to accept the Offer, subject to, among others, the approvals of the non-interested shareholders of Nylex and the relevant regulatory authorities, where required.

On 29 July 2021, Maybank IB had, on behalf of the Board, announced that the Company had, on even date, entered into the Sale of Business Agreement with Ancom and its wholly-owned subsidiary, Nylex Holdings, for the Proposed Disposal for the Disposal Consideration which will be satisfied in the manner as set out in Section 2.1.1, Part A of this Circular. Upon completion of the Proposed Disposal, the Company will undertake the Proposed Distribution in the manner as set out in Section 2.2, Part A of this Circular.

The purpose of this IAL is to provide the non-interested shareholders of the Company with an independent evaluation on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of the Company, together with our recommendation on whether the non-interested shareholders of the Company should vote in favour of the Proposals.

Butterworth - Ground, 1st, 2nd & 3rd Floor, Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai. Tel: 04-3322123 Fax: 04-3231813 / 3312195 E-mail: mercury@mersec.com.my Website: www.mercurysecurities.com.my
Kuala Lumpur - L-7-2, No. 2, Jalan Solaris, Solaris Mont' Kiara 50480 Kuala Lumpur. Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my
Melaka - No. 81, Ground Floor, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898
Penang - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuhr Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118
Johor Bahru - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

Nonetheless, the non-interested shareholders of the Company should rely on their own evaluation of the merits and demerits of the Proposals before making a decision on the course of action to be taken at the forthcoming EGM.

This IAL is prepared solely for the use of the non-interested shareholders of the Company to consider the Proposals and should not be used or relied upon by any other party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS AS SET OUT IN PART A OF THIS CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN 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. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSALS

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposals. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities (“**IAL Guide**”).

Our scope as the Independent Adviser is limited to expressing an independent opinion in respect of the Proposals as to whether the Proposals are fair and reasonable and whether the Proposals are detrimental to the interests of the non-interested shareholders of the Company, together with our recommendation on whether the non-interested shareholders of the Company should vote in favour of the Proposals, based on information and documents provided to us or which are available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information:-

- (i) information contained in Part A of this Circular and the accompanying appendices;
- (ii) the Sale of Business Agreement;
- (iii) the audited consolidated financial statements of Ancom and Nylex respectively for the FYE 31 May 2019, FYE 31 May 2020 and FYE 31 May 2021;
- (iv) other relevant information, documents, confirmations and representations furnished to us by the board of directors, management and/or representatives (*where applicable*) of Ancom and Nylex; and
- (v) other relevant publicly available information, including but not limited to the annual reports of Ancom and Nylex.

We have relied on the directors, management and/or representatives (*where applicable*) of Nylex to take due care to ensure that all information, documents, confirmations and representations provided by them to facilitate our evaluation of the Proposals are accurate, valid and complete in all material aspects. Nonetheless, we have made enquiries as were reasonable in the circumstances and undertaking reasonableness check and corroborating such information with independent sources, where possible. We are satisfied that the information provided to us or which are available to us is sufficient and we have no reason to believe that the aforementioned information is unreasonable, unreliable, inaccurate, incomplete and/or that there are any facts not contained in this IAL, the omission of which would make any information in this IAL misleading as at the LPD.

The Board has seen, reviewed and accepted the contents of this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (*save for the views, analyses and recommendation of Mercury Securities*) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, there are no other facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by Mercury Securities in relation to the Proposals is limited to ensuring that accurate information in relation to the Nylex Group have been provided to Mercury Securities for its evaluation of the Proposals and to ensure that all information in relation to the Nylex Group that are relevant to Mercury Securities' evaluation of the Proposals have been completely disclosed to Mercury Securities and that there is no material fact, the omission of which would make any information provided to Mercury Securities false or misleading.

We have evaluated the Proposals and in rendering our advice, we have considered various factors, which we believe are of relevance and general importance to an assessment of the Proposals and would be of general concern to the non-interested shareholders of the Company. Our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested shareholders of the Company as a whole and not for any specific group of non-interested shareholders of the Company. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situations, risk profiles or particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders of the Company. We recommend that any individual non-interested shareholder of the Company who is in doubt as to the action to be taken or requires advice in relation to the Proposals in the context of his individual investment objectives, financial situation, risk profile or particular needs to consult his stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Further, it is not within our terms of reference to express any opinion on legal, accounting and taxation issues relating to the Proposals.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the Sale of Business Agreement are able to fulfil their respective obligations thereto in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time.

We shall notify the non-interested shareholders of the Company if, after the despatch of this IAL, we become aware of the following:-

- (i) significant change affecting the information contained in this IAL;
- (ii) there is a reasonable ground to believe that the statements in this IAL are misleading / deceptive; and
- (iii) there is a material omission in this IAL.

The following are disclosures made pursuant to the IAL Guide:-

- (i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposals;
- (ii) Save for our current appointment as the Independent Adviser for the Proposals, we do not have any other professional relationship with Nylex in the past 2 years; and

- (iii) We are a holder of a Capital Markets Services Licence issued by the Securities Commission Malaysia as a principal adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. The corporate finance department of Mercury Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualification and experience to provide, amongst others, independent advice and render opinion on fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

As a testament to our experience and credentials as independent adviser, we have issued more than 50 independent advice circulars / letters for transactions relating to acquisitions, disposals and take-over offers since 2014, including the following:-

- (a) independent adviser to the non-interested shareholders of IGB Berhad in relation to the proposed disposals of 10 subject properties involving the interests of related parties, whereby our independent advice letter was issued on 13 April 2021;
- (b) independent adviser to the non-interested shareholders of Watta Holding Berhad ("**Watta**") in relation to the conditional mandatory take-over offer by Dato' Lee Foo San ("**Watta Offeror**") to acquire all the remaining ordinary shares in Watta not already owned by the Watta Offeror and persons acting in concert with him, whereby our independent advice circular was issued on 7 September 2020;
- (c) independent adviser to the non-interested shareholders of D.B.E. Gurney Resources Berhad (*now known as Lagenda Properties Berhad*) ("**DBE**") in relation to (i) the proposed acquisitions of group of companies / companies (*which are involved in property development, construction and general trading of building materials and hardware*) involving the interests of related parties and (ii) the proposed exemption to Lagenda Land Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares and warrants in DBE not already held by them upon completion of the said proposed acquisition, whereby our independent advice letter was issued on 22 June 2020;
- (d) independent adviser to the non-interested unitholders of Tower Real Estate Investment Trust ("**Tower REIT**") in relation to the proposed acquisition by MTrustee Berhad for and on behalf of Tower REIT, of an office building known as Menara Guoco involving the interests of related parties, whereby our independent advice letter was issued on 15 June 2020;
- (e) independent adviser to the non-interested shareholders of Tasek Corporation Berhad ("**Tasek**") in relation to the unconditional voluntary take-over offer by HL (Cement) Malaysia Sdn Bhd and Ridge Star Limited (collectively, the "**Tasek Joint Offerors**") to acquire all the remaining ordinary shares (*excluding treasury shares*) and preference shares in Tasek not already held by the Tasek Joint Offerors, whereby our independent advice circular was issued on 12 June 2020;
- (f) independent adviser to the non-interested shareholders of CJ Century Logistics Holdings Berhad ("**CJ Century**") in relation to (i) the proposed acquisition of a group of companies (*which is involved in providing integrated logistics services*) involving the interests of related parties and (ii) the proposed exemption to CJ Logistics Asia Pte Ltd from the obligation to undertake a mandatory take-over offer to acquire the remaining ordinary shares in CJ Century not already owned by it upon completion of the said proposed acquisition, whereby our independent advice letter was issued on 6 May 2020;

- (g) independent adviser to the non-interested shareholders of Caring Pharmacy Group Berhad ("**Caring**") in relation to the unconditional mandatory take-over offer by Convenience Shopping (Sabah) Sdn Bhd ("**Caring Offeror**") to acquire all the remaining ordinary shares in Caring not already held by the Caring Offeror, whereby our independent advice circular was issued on 16 March 2020;
- (h) independent adviser to the non-interested shareholders of DBE in relation to the proposed disposal of 51% equity interest in poultry-related companies involving the interests of related parties, whereby our independent advice letter was issued on 6 November 2019;
- (i) independent adviser to the non-interested shareholders of Lien Hoe Corporation Berhad ("**Lien Hoe**") in relation to the conditional mandatory take-over offer by Christine Holding Sdn Bhd ("**Lien Hoe Offeror**") to acquire all the remaining ordinary shares in Lien Hoe (*excluding treasury shares*) not already owned by the Lien Hoe Offeror, ultimate offeror and person acting in concert with them, whereby our independent advice circular was issued on 23 September 2019; and
- (j) independent adviser to the non-interested shareholders of Dayang Enterprise Holdings Bhd in relation to the proposed subscription of new redeemable convertible preference shares in Perdana Petroleum Berhad under a proposed rights issue to be undertaken by Perdana Petroleum Berhad involving the interests of related parties, whereby our independent advice letter was issued on 13 September 2019.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

3. EVALUATION OF THE PROPOSALS

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals based on the following pertinent factors:-

Consideration factors	Section
(i) Rationale and benefits of the Proposals	3.1
(ii) Implied exchange ratio based on: - fair value - market price	3.2
(iii) No competing offer and level of control	3.3
(iv) Listing status and future plans of Nylex	3.4
(v) Industry outlook and prospects	3.5
(vi) Salient terms of the Sale of Business Agreement	3.6
(vii) Risk factors of the Proposals	3.7

3.1 Rationale and benefits of the Proposals

We have considered the rationale and benefits of the Proposals as set out in Section 3, Part A of this Circular and our commentaries are summarised below:-

Opportunity for Nylex MI to participate in a fully integrated chemical group

The Proposals present an opportunity for Nylex MI to participate in the future growth of the enlarged Ancom Group, a fully integrated chemical group which comprises, amongst others, agricultural chemicals segment, logistics segment and media segment. The diversified range of businesses of the enlarged Ancom Group would enable Nylex MI to diversify their investment risk in Nylex which mainly focuses on the manufacturing and trading of industrial chemical and polymer products.

Avenue for Nylex MI to realise their investment at a premium

The Proposals also provide an avenue for Nylex MI to realise their investment in Nylex at a premium based on market price (please see Section 3.2.2 of this IAL for our evaluation of the implied exchange ratio based on market price).

Opportunity for Nylex MI to participate in the prospects of any new businesses to be acquired and undertaken by Nylex

Furthermore, since Nylex MI will be holding new Ancom Shares and will continue to maintain their equity interest in Nylex after the Proposals, they will also be able to participate in any new business to be acquired and undertaken by Nylex after Completion, both directly via their shareholdings in Nylex and indirectly via their shareholdings in Ancom.

Based on the above, we are of the view that the rationale and benefits of the Proposals are fair and reasonable.

3.2 Implied exchange ratio analysis

As set out in Section 2.1.1, Part A of this Circular, the Disposal Consideration representing RM1.00 per Nylex Share shall be satisfied by Ancom via a combination of the Retained Cash, the Cash Distribution and the Consideration Shares. A summary of this is illustrated below:-

	Gross RM	Per Nylex Share RM
Disposal Consideration	179,287,212	
Less: Retained Cash (which may be used by Nylex for any potential acquisition of businesses in the future)	(15,000,000)	0.0837
Distribution Amount	164,287,212	
Less: Set-off Amount (to be set-off against Ancom's entitlement via its existing 50.27% shareholding in Nylex)	(82,592,950)	
MI Distribution Amount	81,694,262	
The MI Distribution Amount shall be distributed to the Nylex MI via the Proposed Distribution in the following manner:-		
Cash Distribution	35,000,000	0.3926
Consideration Shares	46,694,262	0.5238
	81,694,262	1.0000

Based on the above, for every RM1.0000 of the Disposal Consideration, Nylex MI will be entitled to:-

- (i) RM0.0837 in the form of the Retained Cash (which may be used by Nylex for any potential acquisition of businesses in the future);
- (ii) RM0.3926 in the form of the Cash Distribution (to be paid directly to Nylex MI); and
- (iii) RM0.5238 in the form of Consideration Shares at the Issue Price of RM1.50 (to be issued directly to Nylex MI).

Hence, the Offer is based on a combination of securities exchange and cash offer rather than a sole cash offer. As such, in evaluating the fairness of the Offer, the (i) fair value and (ii) market price of the Consideration Shares and the Nylex Shares in relative terms to one another must also be considered.

In order to determine whether the fair value / market price of the:-

- (i) Consideration Shares to be received by the Nylex MI;
- (ii) Cash Distribution to be received by the Nylex MI; and
- (iii) post-Completion value of the Nylex Shares to be retained by the Nylex MI,

are higher than those of the assets and liabilities of Nylex i.e. the businesses of Nylex to be sold to Ancom, we have derived the implied exchange ratios in Sections 3.2.1 and 3.2.2 of this IAL.

An exchange ratio of more than 1 shall indicate that the Nylex MI will effectively receive consideration which are higher in terms of (i) fair value and/or (ii) market price than if the Proposals are not implemented.

3.2.1 Implied exchange ratio based on fair value

Step 1: Derive the fair value of the Nylex Group and the enlarged Ancom Group

(1) Valuation of the Nylex Group

The Nylex Group is principally involved in the following business segments:-

- (i) trading, manufacture and sale of petrochemical and industrial chemical products (“**Nylex Industrial Chemicals Business**”);
- (ii) manufacture and marketing of polymer products (“**Nylex Polymer Business**”);
- (iii) carrying out business of ship owning, ship management and charter hire of tanker (“**Nylex Logistics Business**”); and
- (iv) investment holding (“**Nylex Investment Holding Business**”).

The revenue contribution of each business segment to the Nylex Group’s consolidated revenue is as shown below:-

Segments	Audited for the FYE 31 May 2021		Audited for the FYE 31 May 2020	
	RM'000	%	RM'000	%
Nylex Industrial Chemicals Business	1,042,354	91	1,028,899	90
Nylex Polymer Business	91,768	8	86,935	8
Nylex Logistics Business	17,555	1	20,471	2
Nylex Investment Holding Business	-	-	-	-
Total	1,151,677	100	1,136,305	100

The Nylex Industrial Chemicals Business, Nylex Polymer Business, Nylex Logistics Business and Nylex Investment Holding Business are collectively referred to as the “**Nylex Business**”.

In arriving at the fair value of the Nylex Group, we have adopted the sum-of-parts valuation (“**SOPV**”) method as our sole valuation method in view that the Nylex Group comprises different business segments. The SOPV represents the aggregate valuation of these business segments which shall be valued based on the respective appropriate valuation methods as follows:-

<u>Business segments</u>	<u>Valuation method</u>
(1) Nylex Industrial Chemicals Business	Discounted cash flow (“ DCF ”)*
(2) Nylex Polymer Business	DCF*
(3) Nylex Logistics Business	NA
(4) Nylex Investment Holding Business	NA

* *The DCF valuation model considers both the time value of money and the future cash flows to be generated from the business over a specified period of time. As the methodology entails the discounting of future cash flows to be generated from the said business at a specified discount rate to arrive at the fair value of the business, the riskiness of generating such cash flows will also be taken into consideration.*

Under the DCF valuation method, the free cash flows to firm (“FCFF”) projected to be generated from the business is discounted at an appropriate weighted average cost of capital (“WACC”) to derive the present value of all future cash flows from the business available to the providers of capital for the business. This present value of FCFF is also known as the enterprise value (“Enterprise Value”). Thereafter, the equity value is derived as follows (“Equity Value”):-

Equity Value	=	Enterprise Value	-	Non-controlling interests (if any)	+	Surplus cash (if any)	-	Market value of existing debts
--------------	---	------------------	---	------------------------------------	---	-----------------------	---	--------------------------------

We view the SOPV method to be the most appropriate method to derive the value of the Nylex Business for the following reasons:-

(A) Nylex Industrial Chemicals Business and Nylex Polymer Business

We view the DCF valuation model as the most appropriate method to estimate the value of the Nylex Industrial Chemicals Business and the Nylex Polymer Business as the method is able to effectively factor in the future earnings and cash flows of the two businesses as well as the timing of such cash flows to be generated.

We have reviewed the future financial information of the Nylex Industrial Chemicals Business (“Nylex Industrial Chemicals Future Financials”) and the Nylex Polymer Business (“Nylex Polymer Future Financials”), which were prepared by the management of Nylex based on their forecast on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Nylex Industrial Chemicals Future Financials and the Nylex Polymer Future Financials and we are satisfied that the key bases and assumptions used in the preparation of the Nylex Industrial Chemicals Future Financials and the Nylex Polymer Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

Nylex Industrial Chemicals Business

The Nylex Industrial Chemicals Future Financials (*together with the bases and assumptions adopted therein*) have been reviewed and approved by the Board. The key bases and assumptions adopted in the preparation of the Nylex Industrial Chemicals Future Financials are as follows:-

- (i) the Nylex Industrial Chemicals Business will continue to operate on a going concern basis and is expected to sustain their operations in perpetuity;
- (ii) there will not be any major disruptions / interruptions to the operations of the Nylex Industrial Chemicals Business (*whether due to acts of God, fire or other unforeseen circumstances*) which may have a material adverse effect on the financial results, cash flows or business prospects of the Nylex Industrial Chemicals Business;

- (iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of the Nylex Industrial Chemicals Business. The increase in operating costs is assumed to be in tandem with inflationary effects;
- (iv) sufficient funds will be available to finance the working capital requirements of the Nylex Industrial Chemicals Business without any material adverse effect on the financial results, cash flows or business prospects of the Nylex Industrial Chemicals Business;
- (v) there will not be any significant or material changes to the agreements, contracts, approvals, licenses, permits and regulations governing the Nylex Industrial Chemicals Business;
- (vi) the current accounting policies adopted by the Group for the Nylex Industrial Chemicals Business will remain relevant and there will not be any significant changes in the accounting policies which will have a material adverse effect on the financial performance and financial position of the Nylex Industrial Chemicals Business;
- (vii) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the industrial chemical industry in the countries in which the Nylex Industrials Chemical Business operates in subsequent to the LPD which may have a material adverse effect on the financial performance and financial position of the Nylex Industrial Chemicals Business; and
- (viii) subsequent to the disposal by Perusahaan Kimia Gemilang (Vietnam) Company Ltd (“**PKG**V”), a wholly-owned subsidiary of the Company, of its tank farm in Vietnam to TOP Solvent (Vietnam) Limited Liability Company (“**TSV**”), PKGV will continue with its importation and distribution of industrial chemicals business by leasing tank from TSV and other tank operators in Vietnam.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

In order to derive the Equity Value of the Nylex Industrial Chemicals Business, we have first discounted the FCFF projected to be generated from the said business at an appropriate WACC to reflect the rate of return required by the providers of capital for the business. The resulting present value of FCFF is known as the Enterprise Value of the Nylex Industrial Chemicals Business.

Our valuation, together with the key bases and assumptions adopted, are as follows:-

Key bases and assumptions	
(i)	<p>FCFF</p> <p>FCFF is the free cash flows from operations available to the providers of capital for a business after taking into consideration all operating expenses, movement in working capital and net investing cash flows.</p> <p>We have reviewed the key bases and assumptions adopted in the Nylex Industrial Chemicals Future Financials prepared by the management of Nylex in deriving the FCFF and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.</p> <p>WACC</p> <p>WACC is derived using the formula below:-</p> $WACC = E (K_e) + D (K_d) (1 - T)$ <p>where:-</p> <p>E = Proportion of equity to the capital structure</p> <p>D = Proportion of debt to the capital structure</p> <p>K_e = Cost of equity, which represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for the Nylex Industrial Chemicals Business, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity of between 12.81% and 15.10% with the following inputs:-</p> $K_e = R_f + \beta (R_m - R_f)$ <p>K_d = Cost of debt, which represents the rate of return required by a lender / financier on the cash flow streams generated by the business given the risks associated with the cash flows. Based on discussion with the management of Nylex, we have adopted a pre-tax cost of debt of 3.27%, based on the prevailing interest rates for facilities available to Nylex.</p> <p>T = Statutory corporate income tax rate</p>
(ii)	<p>Based on the Nylex Industrial Chemicals Future Financials from FYE 31 May 2022 to FYE 31 May 2026.</p> <p>We derived a WACC of 9.14% to 9.50% based on the expected capital structure for the respective financial years.</p>

Key bases and assumptions	
(iii)	<p>Risk-free rate of return (R_f)</p> <p>Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities.</p> <p>As extracted from Bloomberg, the said yield is 3.14% per annum as at the LTD.</p> <p style="text-align: right;">3.14%</p>
(iv)	<p>Expected market rate of return (R_m)</p> <p>Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.</p> <p>In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 9.52% per annum for the past 10 years up to the LTD.</p> <p style="text-align: right;">9.52%</p>
(v)	<p>Beta (β)</p> <p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and <i>vice versa</i>.</p> <p>In deriving the estimated beta of the Nylex Industrial Chemicals Business, we have relied on the 5-year historical beta up to the LTD of companies listed on Bursa Securities which are principally involved in the chemicals trading industry⁽¹⁾. Relying on the 5-year historical beta of the peers is appropriate as it will capture the characteristics and risk profiles of the companies that are comparable to the Nylex Industrial Chemicals Business today and adequately estimate the systematic risks (relying on the beta of a longer time period may include covering a time period where a peer may have materially different characteristics and risk profiles (e.g. due to, amongst others, being in a different industry life cycle, position in the value chain and/or different product mix) which would then declassify such peer from being comparable with the Nylex Industrial Chemicals Business.</p> <p>As the historical beta extracted from Bloomberg is based on the capital structure of the respective companies, we have un-levered the beta and re-levered it based on the expected capital structure of the Nylex Industrial Chemicals Business (<i>with a debt-to-equity ratio ranging from 0.47 to 0.89 times based on the Nylex Industrial Chemicals Future Financials</i>). Based on our computation, the re-levered beta of the Nylex Industrial Chemicals Business ranges from 1.517 to 1.876.</p> <p style="text-align: right;">1.517 to 1.876, based on the expected capital structure for the respective financial years</p>

No	Key bases and assumptions	
(v)	<p>Beta (β) (cont'd) <i>Note:-</i> (1) There is no company listed on Bursa Securities which is identical to the Nylex Industrial Chemicals Business. Whilst we noted that the Nylex Industrial Chemicals Business is focused on the trading, manufacturing and sale of industrial chemical products, we view that the identified companies are adequately comparable to the Nylex Industrial Chemicals Business and are reasonable to be adopted for the purposes of deriving the estimated beta of the industry. Our view is premised upon that the expected risks and rewards of the identified companies are broadly comparable to the Nylex Industrial Chemicals Business in view that they are principally involved in the same economic sector.</p> <p>The comparable companies identified and their market capitalisation as at the LTD are as follows:- (i) Luxchem Corporation Berhad (RM902.3 million); and (ii) Samchem Holdings Berhad (RM508.6 million).</p>	
(vi)	<p>Perpetuity growth rate</p> <p>For the period beyond the FYE 31 May 2026, we have adopted a perpetuity growth rate (g) of 0.50% to 1.00% on the expected sustainable level of FCFF projected to be generated by the Nylex Industrial Chemicals Business, which we view as reasonable after taking into consideration, amongst others, the projected inflation rate of 2.5% in 2021 (Source: Ministry of Finance, Economic Outlook 2021) as well as the historical trend of the earnings growth of the Nylex Industrial Chemicals Business.</p>	0.50% - 1.00%
(vii)	<p>Enterprise Value of the Nylex Industrial Chemicals Business</p> <p>The formula used to derive the Enterprise Value of the Nylex Industrial Chemicals Business is as follows:-</p> <p>Enterprise Value of the Nylex Industrial Chemicals Business = Present value of projected FCFF based on the Nylex Industrial Chemicals Future Financials⁽¹⁾ + Present value of terminal value⁽²⁾</p> <p><i>Note:-</i> (1) Computed based on the following formula:- Present value of FCFF = $\frac{FCFF}{(1 + WACC)^n}$ whereby, n represents time, in years into the future.</p> <p>(2) Computed based on the following formula:- Present value of terminal value = $\frac{\text{Expected sustainable level of FCFF} \times (1 + g)}{(WACC - g) \times (1 + WACC)^n}$ whereby, n represents the last financial year of the Nylex Industrial Chemicals Future Financials in which the expected sustainable level of FCFF is derived from after making some adjustments based on the expected cash flow to perpetuity.</p>	
Approximately RM265.8 million to RM277.2 million		

Based on the Enterprise Value of the Nylex Industrial Chemicals Business above, we have then derived the Equity Value of the said business as follows:-

	Low Range RM'000	High Range RM'000
Enterprise Value of the Nylex Industrial Chemicals Business	265,827	277,184
Add : Surplus cash	67,692	67,692
Less : Market value of existing debts ⁽¹⁾	(124,243)	(124,243)
Equity Value of the Nylex Industrial Chemicals Business	209,276	220,633

Note:-

(1) Based on total borrowings of the Nylex Industrial Chemicals Business as at 31 May 2021.

(B) Nylex Polymer Business

The Nylex Polymer Future Financials (*together with the bases and assumptions adopted therein*) have been reviewed and approved by the Board. The key bases and assumptions adopted in the preparation of the Nylex Polymer Future Financials are as follows:-

- (i) the Nylex Polymer Business will continue to operate on a going concern basis and is expected to sustain their operations in perpetuity;
- (ii) there will not be any major disruptions / interruptions to the operations of the Nylex Polymer Business (*whether due to acts of God, fire or other unforeseen circumstances*) which may have a material adverse effect on the financial results, cash flows or business prospects of the Nylex Polymer Business;
- (iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of the Nylex Polymer Business. The increase in operating costs is assumed to be in tandem with inflationary effects;
- (iv) sufficient funds will be available to finance the working capital requirements of the Nylex Polymer Business without any material adverse effect on the financial results, cash flows or business prospects of the Nylex Polymer Business;
- (v) there will not be any significant or material changes to the agreements, contracts, approvals, licenses, permits and regulations governing the Nylex Polymer Business;
- (vi) the current accounting policies adopted by the Group for the Nylex Polymer Business will remain relevant and there will not be any significant changes in the accounting policies which will have a material adverse effect on the financial performance and financial position of the Nylex Polymer Business; and
- (vii) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the polymer industry in the countries in which the Nylex Polymer Business operates in subsequent to the LPD which may have a material adverse effect on the financial performance and financial position of the Nylex Polymer Business.

In order to derive the Equity Value of the Nylex Polymer Business, we have first discounted the FCFF projected to be generated from the said business at an appropriate WACC to reflect the rate of return required by the providers of capital for the business. The resulting present value of FCFF is known as the Enterprise Value of the Nylex Polymer Business.

Our valuation, together with the key bases and assumptions adopted, are as follows:-

Key bases and assumptions	
(i)	<p>FCFF</p> <p>FCFF is the free cash flows from operations available to the providers of capital for a business after taking into consideration all operating expenses, movement in working capital and net investing cash flows.</p> <p>We have reviewed the key bases and assumptions adopted in the Nylex Polymer Future Financials prepared by the management of Nylex in deriving the FCFF and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.</p>
(ii)	<p>WACC</p> <p>WACC is derived using the formula below:-</p> $WACC = E (K_e) + D (K_d) (1 - T)$ <p>where:-</p> <p>E = Proportion of equity to the capital structure</p> <p>D = Proportion of debt to the capital structure. Currently, the Nylex Polymer Business does not have any debt. Furthermore, based on the Nylex Polymer Future Financials and our discussion with the management of Nylex, we understand that Nylex has no plans to undertake any debt financing to fund the future operations of the Nylex Polymer Business. As such, the proportion of debt to the capital structure shall be nil.</p> <p>K_e = Cost of equity, which represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for the Nylex Polymer Business, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity of 8.32% with the following inputs:-</p> $K_e = R_f + \beta (R_m - R_f)$ <p>K_d = Cost of debt, which represents the rate of return required by a lender / financier on the cash flow streams generated by the business given the risks associated with the cash flows. Since the proportion of debt to the capital structure shall be nil due to the reasons explained above, the cost of debt is not relevant for the derivation of the WACC.</p> <p>T = Statutory corporate income tax rate</p>
	<p>Based on the Nylex Polymer Future Financials from FYE 31 May 2022 to FYE 31 May 2026.</p>
	<p>We derived a WACC of 8.32% based on the expected capital structure for the respective financial years.</p>

No	Key bases and assumptions
(iii)	<p>Risk-free rate of return (R_f)</p> <p>Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities.</p> <p>As extracted from Bloomberg, the said yield is 3.14% per annum as at the LTD.</p> <p style="text-align: right;">3.14%</p>
(iv)	<p>Expected market rate of return (R_m)</p> <p>Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.</p> <p>In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 9.52% per annum for the past 10 years up to the LTD.</p> <p style="text-align: right;">9.52%</p>
(v)	<p>Beta (β)</p> <p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and <i>vice versa</i>.</p> <p>In deriving the estimated beta of the Nylex Polymer Business, we have relied on the 5-year historical beta up to the LTD of companies listed on Bursa Securities which are principally involved in the chemicals manufacturing industry⁽¹⁾. Relying on the 5-year historical beta of the peers is appropriate as it will capture the characteristics and risk profiles of the companies that are comparable to the Nylex Polymer Business today and adequately estimate the systematic risks (relying on the beta of a longer time period may include covering a time period where a peer may have materially different characteristics and risk profiles (e.g. due to, amongst others, being in a different industry life cycle, position in the value chain and/or different product mix) which would then declassify such peer from being comparable with the Nylex Polymer Business.</p> <p>As the historical beta extracted from Bloomberg is based on the capital structure of the respective companies, we have un-levered the beta and re-levered it based on the expected capital structure of the Nylex Polymer Business (<i>with a debt-to-equity ratio of nil based on the Nylex Polymer Future Financials</i>). Based on our computation, the re-levered beta of the Nylex Polymer Business is 0.812.</p> <p><u>Note:-</u> (1) <i>There is no company listed on Bursa Securities which is identical to the Nylex Polymer Business. Whilst we noted that the Nylex Polymer Business is focused on the manufacture and marketing of polymer products, we view that the identified companies are adequately comparable to the Nylex Polymer Business and are reasonable to be adopted for the purposes of deriving the estimated beta of the industry. Our view is premised upon that the expected risks and rewards of the identified companies are broadly comparable to the Nylex Polymer Business in view that they are principally involved in the same economic sector.</i></p> <p style="text-align: right;">0.812</p>

No	Key bases and assumptions
(v)	<p>Beta (β) (cont'd) <i>The comparable companies identified and their market capitalisation as at the LTD are as follows:-</i> (i) Hextar Global Berhad (RM1,378.7 million); (ii) Hextar Industries Berhad (RM54.8 million); and (iii) Hexza Corporation Berhad (RM248.5 million).</p>
(vi)	<p>Perpetuity growth rate</p> <p>For the period beyond the FYE 31 May 2026, we have adopted a perpetuity growth rate (g) of 0.50% to 1.00% on the expected sustainable level of FCFF projected to be generated by the Nylex Polymer Business, which we view as reasonable after taking into consideration, amongst others, the projected inflation rate of 2.5% in 2021 (Source: Ministry of Finance, Economic Outlook 2021) as well as the historical trend of the earnings growth of the Nylex Polymer Business.</p> <p style="text-align: right;">0.50% - 1.00%</p>
(vii)	<p>Enterprise Value of the Nylex Polymer Business</p> <p>The formula used to derive the Enterprise Value of the Nylex Polymer Business is as follows:-</p> <p>Enterprise Value of the Nylex Polymer Business = Present value of projected FCFF based on the Nylex Polymer Future Financials⁽¹⁾ + Present value of terminal value⁽²⁾</p> <p><i>Note:-</i> (1) Computed based on the following formula:- $\text{Present value of FCFF} = \frac{\text{FCFF}}{(1 + \text{WACC})^n}$ whereby, n represents time, in years into the future.</p> <p>(2) Computed based on the following formula:- $\text{Present value of terminal value} = \frac{\text{Expected sustainable level of FCFF} \times (1 + g)}{(\text{WACC} - g) \times (1 + \text{WACC})^n}$ whereby, n represents the last financial year of the Nylex Polymer Future Financials in which the expected sustainable level of FCFF is derived from after making some adjustments based on the expected cash flow to perpetuity.</p> <p style="text-align: right;">Approximately RM130.6 million to RM137.7 million</p>

Based on the Enterprise Value of the Nylex Polymer Business above, we have then derived the Equity Value of the said business as follows:-

	Low Range RM'000	High Range RM'000
Enterprise Value of the Nylex Polymer Business	130,631	137,741
Add : Surplus cash	21,418	21,418
Less : Market value of existing debts ⁽¹⁾	-	-
Equity Value of the Nylex Polymer Business	152,050	159,159

Note:-

(1) Based on total borrowings of the Nylex Polymer Business as at 31 May 2021.

(C) Nylex Logistics Business and Nylex Investment Holding Business

We have not conducted any valuation on the Nylex Logistics Business and the Nylex Investment Holding Business as the resulting outcome is not expected to have a material impact to the valuation of the Nylex Group in view that the revenues from these 2 businesses constitute less than 5% of the audited consolidated revenue of Nylex for the FYE 31 May 2021.

In view of the above, we are satisfied that the latest audited NA of the Nylex Logistics Business and the Nylex Investment Holding Business provide a reasonable basis for us to arrive at the fair value of those businesses.

Accordingly, we have adopted the latest audited NA of the Nylex Logistics Business and the Nylex Investment Holding Business as at 31 May 2021 of RM49.9 million as the fair value of the said businesses.

(D) SOPV for the Nylex Business

Based on the SOPV method, we have derived an estimated value for the entire equity interest in Nylex of between RM411.24 million (representing RM2.2938 per Nylex Share) and RM429.71 million (representing RM2.3968 per Nylex Share) as follows:-

Business segments	Workings	Valuation method	Fair value	
			Low Range RM'000	High Range RM'000
Nylex Industrial Chemicals Business	A	DCF	209,276	220,633
Nylex Polymer Business	B	DCF	152,050	159,159
Nylex Logistics Business and Nylex Investment Holding Business	C	NA	49,917	49,917
Value of the Nylex Business		SOPV	411,243	429,709
Value of the Nylex Business per Nylex Share (RM)		Note (1)	2.2938	2.3968

Note:-

(1) Calculated based on the total number of 179,287,212 Nylex Shares in issue (excluding 15,050,648 treasury shares).

(2) Valuation of the enlarged Ancom Group

Currently, the Ancom Group is principally involved in the following business segments:-

- (i) the Nylex Business (undertaken via Ancom's existing 50.27% equity interest in Nylex);
- (ii) manufacture, formulation and sale of agricultural chemicals focusing on crop protection and timber preservatives ("**Ancom Agricultural Chemicals Business**");
- (iii) ship-owning, ship-operating, land transportation, container haulage, bulk cargo handling, chemicals warehousing and related services ("**Ancom Logistics Business**");
- (iv) provision of out-of-home and digital advertising media space ("**Ancom Media Business**"); and
- (v) other businesses such as education, information technology, manufacturing and sales of electrical component products as well as investment holding ("**Ancom Other Business**").

The revenue contribution of each business segment to the Ancom Group's consolidated revenue is as shown below:-

Segments	Audited for the FYE 31 May 2021		Audited for the FYE 31 May 2020	
	RM'000	%	RM'000	%
Nylex Business	1,133,866	74	1,115,603	76
Ancom Agricultural Chemical Business	332,028	21	241,241	16
Ancom Logistics Business	39,928	3	42,149	3
Ancom Media Business and Ancom Other Business	32,654	2	73,292	5
Total	1,538,476	100	1,472,285	100

In relation to the Nylex Business, while Ancom currently holds 50.27% equity interest in Nylex, we wish to highlight that the entire assets and liabilities of Nylex will be acquired by Ancom upon Completion. This effectively means that the enlarged Ancom Group will assume 100% ownership of the Nylex Business.

In arriving at the fair value of the enlarged Ancom Group, we have adopted the SOPV method as our sole valuation method in view that the enlarged Ancom Group comprises different business segments. The SOPV represents the aggregate valuation of these business segments which shall be valued based on the respective appropriate valuation methods as follows:-

Business segments

- (1) Nylex Business
- (2) Ancom Agricultural Chemical Business
- (3) Ancom Logistics Business
- (4) Ancom Media Business and Ancom Other Business

Valuation method

- Refer to Step 1(1) of Section 3.2.1 of this IAL
- DCF
- NA
- NA

We view the SOPV model to be the most appropriate method to derive the value of the enlarged Ancom Group for the following reasons:-

(A) Nylex Business

Currently, Nylex is a 50.27%-owned subsidiary of Ancom.

However, upon Completion, the entire assets and liabilities of Nylex will be acquired by Ancom. This effectively means that the enlarged Ancom Group will assume 100% ownership of the Nylex Business.

As set out in Step 1(1)(D) of Section 3.2.1 above, the fair value of 100% equity interest in the Nylex Business ranges from RM411.2 million to RM429.7 million.

(B) Ancom Agricultural Chemicals Business

We view the DCF valuation model as the most appropriate method to estimate the value of the Ancom Agricultural Chemicals Business as the method is able to effectively factor in the future earnings and cash flows of the business as well as the timing of such cash flows to be generated.

We have reviewed the future financial information of the Ancom Agricultural Chemicals Business ("**Ancom Agricultural Chemicals Future Financials**"), which was prepared by the management of Ancom based on their forecast on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Ancom Agricultural Chemicals Future Financials and we are satisfied that the key bases and assumptions used in the preparation of the Ancom Agricultural Chemicals Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The key bases and assumptions adopted in the preparation of the Ancom Agricultural Chemicals Future Financials are as follows:-

- (i) the Ancom Agricultural Chemicals Business will continue to operate on a going concern basis and is expected to sustain their operations in perpetuity;
- (ii) there will not be any major disruptions / interruptions to the operations of the Ancom Agricultural Chemicals Business (*whether due to acts of God, fire or other unforeseen circumstances*) which may have a material adverse effect on the financial results, cash flows or business prospects of the Ancom Agricultural Chemicals Business;
- (iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of the Ancom Agricultural Chemicals Business. The increase in operating costs is assumed to be in tandem with inflationary effects;
- (iv) sufficient funds will be available to finance the working capital requirements of the Ancom Agricultural Chemicals Business without any material adverse effect on the financial results, cash flows or business prospects of the Ancom Agricultural Chemicals Business;

- (v) there will not be any significant or material changes to the agreements, contracts, approvals, licenses, permits and regulations governing the Ancom Agricultural Chemicals Business;
- (vi) the current accounting policies adopted by the Group for the Ancom Agricultural Chemicals Business will remain relevant and there will not be any significant changes in the accounting policies which will have a material adverse effect on the financial performance and financial position of the Ancom Agricultural Chemicals Business;
- (vii) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the agricultural chemical industry in the countries in which the Ancom Agricultural Chemicals Business operates in subsequent to the LPD which may have a material adverse effect on the financial performance and financial position of the Ancom Agricultural Chemicals Business; and
- (viii) there will not be any major delays to the ongoing construction of a new agricultural chemical production plant together with 3 new customised agricultural chemical production lines in Klang, Selangor which, upon completion, would allow the Ancom Agricultural Chemicals Business to launch new agricultural chemical products and boost its revenue.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

In order to derive the Equity Value of the Ancom Agricultural Chemicals Business, we have first discounted the FCFF projected to be generated from the said business at an appropriate WACC to reflect the rate of return required by the providers of capital for the business. The resulting present value of FCFF is known as the Enterprise Value of the Ancom Agricultural Chemicals Business.

Our valuation, together with the key bases and assumptions adopted, are as follows:-

No		Key bases and assumptions	
(i)	FCFF	<p>FCFF is the free cash flows from operations available to the providers of capital for a business after taking into consideration all operating expenses, movement in working capital and net investing cash flows.</p> <p>We have reviewed the key bases and assumptions adopted in the Ancom Agricultural Chemicals Future Financials prepared by the management of Ancom in deriving the FCFF and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.</p>	<p>Based on the Ancom Agricultural Chemicals Future Financials from FYE 31 May 2022 to FYE 31 May 2026.</p>
(ii)	WACC	<p>WACC is derived using the formula below:-</p> $WACC = E (K_e) + D (K_d) (1 - T)$ <p>where:-</p> <p>E = Proportion of equity to the capital structure</p> <p>D = Proportion of debt to the capital structure</p> <p>K_e = Cost of equity, which represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for the Ancom Agricultural Chemicals Business, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity of between 8.51% and 9.38% with the following inputs:-</p> $K_e = R_f + \beta (R_m - R_f)$ <p>K_d = Cost of debt, which represents the rate of return required by a lender / financier on the cash flow streams generated by the business given the risks associated with the cash flows. Based on discussion with the management of Ancom, we have adopted a pre-tax cost of debt of 3.26%, based on the prevailing interest rates for facilities available to Ancom.</p> <p>T = Statutory corporate income tax rate</p>	<p>We derived a WACC of 10.28% to 10.70% based on the expected capital structure for the respective financial years.</p>

Key bases and assumptions	
(ii)	<p>WACC (cont'd)</p> <p>Based on the above, we have derived an estimated WACC of 7.91% to 8.23%.</p> <p>However, we have imputed an additional 30% risk premium to the WACC to factor in the inherent risk and probability of achieving the Ancom Agricultural Chemicals Future Financials. This is because the said future financials relied on a major assumption on the completion of a new agricultural chemical production plant as well as the completion of 3 new customised agricultural chemical production lines which, upon completion, would allow the launch and resulting commercialisation of various new agricultural chemical products and therefore boost its revenue.</p>
(iii)	<p>Risk-free rate of return ("R_f")</p> <p>Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities.</p> <p>As extracted from Bloomberg, the said yield is 3.14% per annum as at the LTD.</p> <p>3.14%</p>
(iv)	<p>Expected market rate of return (R_m)</p> <p>Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.</p> <p>In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 9.52% per annum for the past 10 years up to the LTD.</p> <p>9.52%</p>

No	Key bases and assumptions
(v)	<p data-bbox="177 1850 201 1951">Beta (β)</p> <p data-bbox="233 719 312 1951">Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa.</p> <p data-bbox="344 719 560 1951">In deriving the estimated beta of the Ancom Agricultural Chemicals Business, we have relied on the 5-year historical beta up to the LTD of companies listed on Bursa Securities which are principally involved in the chemicals manufacturing industry⁽¹⁾. A 5-year historical beta of the peers is appropriate as it will capture the characteristics and risk profiles of the companies that are comparable to the Ancom Agricultural Chemicals Business today and adequately estimate the systematic risks (relying on the beta of a longer time period may include covering a time period where a peer have materially different characteristics and risk profiles (e.g. due to, amongst others, being in a different industry life cycle, position in the value chain and/or different product mix) which would then declassify such peer from being comparable with the Ancom Agricultural Chemicals Business.</p> <p data-bbox="592 719 727 1951">As the historical beta extracted from Bloomberg is based on the capital structure of the respective companies, we have un-levered the beta and re-levered it based on the expected capital structure of the Ancom Agricultural Chemicals Business (with a debt-to-equity ratio ranging from 0.05 to 0.27 times based on the Ancom Agricultural Chemicals Future Financials). Based on our computation, the re-levered beta of the Ancom Agricultural Chemicals Business ranges from 0.842 to 0.979.</p> <p data-bbox="759 1883 783 1951"><u>Note:-</u></p> <p data-bbox="783 1917 807 1951">(1)</p> <p data-bbox="783 719 951 1850"><i>There is no company listed on Bursa Securities which is identical to the Ancom Agricultural Chemicals Business. Whilst we noted that the Ancom Agricultural Chemicals Business is focused on the manufacture, formulation and sale of agricultural chemicals focusing on crop protection and timber preservatives, we view that the identified companies are adequately comparable to the Ancom Agricultural Chemicals Business and are reasonable to be adopted for the purposes of deriving the estimated beta of the industry. Our view is premised upon that the expected risks and rewards of the identified companies are broadly comparable to the Ancom Agricultural Chemicals Business in view that they are principally involved in the same economic sector.</i></p> <p data-bbox="975 920 999 1850"><i>The comparable companies identified and their market capitalisation as at the LTD are as follows:-</i></p> <p data-bbox="999 1301 1078 1850"> (i) Hexstar Global Berhad (RM1,378.7 million); (ii) Hexstar Industries Berhad (RM54.8 million); and (iii) Hexza Corporation Berhad (RM248.5 million). </p>
(vi)	<p data-bbox="1110 1693 1134 1951">Perpetuity growth rate</p> <p data-bbox="1158 719 1326 1951">For the period beyond the FYE 31 May 2026, we have adopted a higher perpetuity growth rate (g) of 1.50% to 2.00% on the expected sustainable level of FCFF (as compared to 0.50% - 1.00% for both the Nylex Industrial Chemicals Business and Nylex Polymer Business), which we view as reasonable after taking into consideration, amongst others, the projected inflation rate of 2.5% in 2021 (Source: Ministry of Finance, Economic Outlook 2021) as well as the nature of business, the historical trend of the earnings growth and the long-term prospects of the Ancom Agricultural Chemicals Business.</p> <p data-bbox="1158 528 1182 696">1.50% - 2.00%</p>

No	Key bases and assumptions
(vii)	<p data-bbox="173 1211 201 1944">Enterprise Value of the Ancom Agricultural Chemicals Business</p> <p data-bbox="229 779 256 1944">The formula used to derive the Enterprise Value of the Ancom Agricultural Chemicals Business is as follows:-</p> <p data-bbox="284 779 368 1944">Enterprise Value of the Ancom Agricultural Chemicals Business = Present value of projected FCFF based on the Ancom Agricultural Chemicals Future Financials⁽¹⁾ + Present value of terminal value⁽²⁾</p> <p data-bbox="395 1883 443 1944">Note:- (1)</p> <p data-bbox="416 1435 443 1845">Computed based on the following formula:-</p> $Present\ value\ of\ FCFF = \frac{FCFF}{(1 + WACC)^n}$ <p data-bbox="544 1361 571 1845">whereby, n represents time, in years into the future.</p> <p data-bbox="592 1883 619 1944">(2)</p> <p data-bbox="592 1435 619 1845">Computed based on the following formula:-</p> $Present\ value\ of\ terminal\ value = \frac{Expected\ sustainable\ level\ of\ FCFF \times (1 + g)}{(WACC - g) \times (1 + WACC)^n}$ <p data-bbox="715 719 767 1845">whereby, n represents the last financial year of the Ancom Agricultural Chemicals Future Financials in which the expected sustainable level of FCFF is derived from after making some adjustments based on the expected cash flow to perpetuity.</p>

Approximately RM692.7 million to RM723.2 million

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Based on the Enterprise Value of the Ancom Agricultural Chemicals Business above, we have then derived the Equity Value of the said business as follows:-

	Low Range RM'000	High Range RM'000
Enterprise Value of the Ancom Agricultural Chemicals Business	692,671	723,224
Less : Cash deficit	(1,853)	(1,853)
Less : Market value of existing debts ⁽¹⁾	(17,019)	(17,019)
Equity Value of the Ancom Agricultural Chemicals Business	673,799	704,352

Note:-

(1) Based on total borrowings of the Ancom Agricultural Chemicals Business as at 31 May 2021.

(C) Ancom Logistics Business

The Ancom Logistics Business is represented by Ancom's holding of 160,746,862 ordinary shares (*representing 33.96% equity interest*) in Ancom Logistics Berhad ("**Ancom Logistics Shares**"), a company listed on the Main Market of Bursa Securities which is involved in building, owning, operating, leasing and managing a chemical tank farm as well as transportation of liquid chemical business in Malaysia and Singapore.

We have not conducted any valuation on the Ancom Logistics Business as the resulting outcome is not expected to have a material impact to the valuation of the enlarged Ancom Group in view that the revenue from the Ancom Logistics Business constitutes less than 5% of the audited consolidated revenue of Ancom for the FYE 31 May 2021.

In view of the above, we are satisfied that the latest audited NA of Ancom Logistics Berhad provide a reasonable basis for us to arrive at the fair value of the Ancom Logistics Business.

Accordingly, we have adopted the latest audited NA of Ancom Logistics Berhad as at 31 May 2021 of RM23.47 million as the fair value of the Ancom Logistics Business.

(D) Ancom Media Business and Ancom Other Business

We have not conducted any valuation on the Ancom Media Business and Ancom Other Business as the resulting outcome is not expected to have a material impact to the valuation of the enlarged Ancom Group in view that the revenues from these 2 businesses constitute less than 5% of the audited consolidated revenue of Ancom for the FYE 31 May 2021.

In view of the above, we are satisfied that the latest audited NA of the Ancom Media Business and the Ancom Other Business provide a reasonable basis for us to arrive at the fair value of those businesses.

Accordingly, we have adopted the latest audited NA of the Ancom Media Business and the Ancom Other Business as at 31 May 2021 of RM77.8 million as the fair value of the said businesses.

(E) SOPV for the enlarged Ancom Group

Based on the SOPV method, we have derived an estimated value for the entire equity interest in Ancom of between RM1,206.95 million (representing RM3.4294 per Ancom Share) and RM1,225.97 million (representing RM3.5687 per Ancom Share) as follows:-

Business Segments	Workings	Valuation method	Fair value	
			Low range RM'000	High range RM'000
Nylex Business	A	SOPV	411,243	429,709
Ancom Agricultural Chemicals Business	B	DCF	673,799	704,352
Ancom Logistics Business	C	NA	23,470	23,470
Ancom Media Business and Ancom Other Business	D	NA	77,828	77,828
Add: Cash proceeds from exercise of Ancom Warrants B ⁽¹⁾			50,298	50,298
Add: Cash proceeds from exercise of ESOS Options ⁽²⁾			12,771	12,771
Add: Ancom's 50.27% entitlement to the Retained Cash post-Completion ⁽³⁾			7,541	7,541
Less: Cash Distribution and Retained Cash ⁽⁴⁾			(50,000)	(50,000)
Value of the enlarged Ancom Group		SOPV	1,206,950	1,255,969
Value per Ancom Share⁽¹⁾⁽²⁾		Note (5)	3.4294	3.5687

Notes:-

- (1) As at the LPD, there are 59,878,790 outstanding Ancom warrants 2020/2025 ("**Ancom Warrants B**"). Each Ancom Warrant B carries the entitlement to subscribe for 1 new Ancom Share at the exercise price of RM0.84 per Ancom Warrant B.

For the purposes of our valuation, we have adopted a fully-diluted scenario and assumed that all 59,878,790 outstanding Ancom Warrants B as at the LPD will be exercised into new Ancom Shares in view that the exercise price of the Ancom Warrants B is lower than the current market prices of Ancom Shares as represented by the 5-day VWAMP of the Ancom Shares up to and including the LPD of RM1.5319 (i.e. the Ancom Warrants B are in-the-money).

- (2) As at the LPD, there are 16,694,042 outstanding options granted under Ancom's employees' share options scheme ("**ESOS**") ("**ESOS Options**"). Each ESOS Option carries the entitlement to subscribe for 1 new Ancom Share (subject to vesting conditions) at the exercise price of RM0.765 per ESOS Option.

For the purposes of our valuation, we have adopted a fully-diluted scenario and assumed that all 16,694,042 outstanding ESOS Options as at the LPD will be exercised into new Ancom Shares in view that the exercise price of the outstanding ESOS Options is lower than the current market prices of Ancom Shares as represented by the 5-day VWAMP of the Ancom Shares up to and including the LPD of RM1.5319 (i.e. the ESOS Options are in-the-money).

- (3) Post-Completion, Ancom will continue to hold its existing 90,133,977 Nylex Shares (representing 50.27% equity interest in Nylex) and thus will be entitled to its proportionate 50.27% interest in the Retained Cash of RM15,000,000.

- (4) Comprises the Cash Distribution of RM35,000,000 and Retained Cash of RM15,000,000 that will be distributed out from Ancom to the Nylex MI and Nylex respectively.

- (5) Calculated based on the enlarged total number of 351,944,623 Ancom Shares after the issuance of 31,129,508 Consideration Shares and assuming full exercise of the outstanding Ancom Warrants B and ESOS Options into new Ancom Shares.

Step 2: Compute the implied exchange ratio

Pursuant to the terms of the Proposals, Nylex MI shall be entitled to the MI Distribution Amount, which translates to RM0.9163 per Nylex Share, in the following manner:-

- (i) RM0.3926 shall be paid by Ancorm to Nylex MI in cash; and
- (ii) RM0.5238 shall be paid in the form of Consideration Shares to be issued by Ancorm to Nylex MI at the Issue Price of RM1.50 per Consideration Share. In turn, this translates to 0.3492 Consideration Share for every 1 Nylex Share held by Nylex MI on the Entitlement Date.

Furthermore, Nylex MI will continue to hold their Nylex Shares after Completion. However, save for the Retained Cash of RM15,000,000, Nylex will not have assets and liabilities after Completion. In turn, based on the existing total number of 179,287,212 Nylex Shares (excluding treasury shares), this translates to an NA of RM0.0837 per Nylex Share.

Based on the above, we have derived the following implied exchange ratios:-

	Cash Distribution per Nylex Share ⁽¹⁾	Fair value per 0.3492 Consideration Share ⁽²⁾	Post-Completion theoretical value per Nylex Share ⁽³⁾	Total consideration per Nylex Share (D) = (A) + (B) + (C)	Fair value per Nylex Share ⁽⁴⁾	Implied exchange ratio (F) = (D) / (E)
	RM	RM	RM	RM	RM	RM
Low range	0.3926	1.1974	0.0837	1.6737	2.2938	0.7297
High range	0.3926	1.2461	0.0837	1.7223	2.3968	0.7186

Notes:-

- (1) Computed based on the Cash Distribution of RM35,000,000 divided by 89,153,235 Nylex Shares held by Nylex MI, representing approximately 49.73% of the total number of issued Nylex Shares (excluding treasury shares).
- (2) Computed based on the fair value per Ancorm Share of between RM3.4294 and RM3.5687 (as derived in Step 1(2)(E) of Section 3.2.1 above) multiplied by 0.3492 Consideration Share.
- (3) Computed based on the Retained Cash of RM15,000,000 divided by the total number of 179,287,212 issued Nylex Shares (excluding treasury shares).
- (4) As derived in Step 1(1)(D) of Section 3.2.1 above).

Comments:-

Based on the above, the implied exchange ratios ranging from 0.7186 to 0.7297 are **lower than 1** indicating that the Nylex MI will effectively receive total consideration which is lower in terms of fair value than if the Proposals are not implemented.

3.2.2 Implied exchange ratio based on market price

We have also considered the implied exchange ratio based on market prices of the Consideration Shares against Nylex Shares based on the steps below:-

Step 1: Derive the theoretical value per Consideration Share

The theoretical value per Consideration Share is computed as follows:-

	Market price per Ancom Share	Implied current market value of Ancom Shares ⁽¹⁾	Less: Cash Distribution and Retained Cash ⁽²⁾	Add: Ancom's 50.27% entitlement to the Retained Cash post-Completion ⁽³⁾	Market price per Nylex Share	Add: Implied current market value of Nylex Shares not already held by Ancom ⁽⁴⁾	Add: Cash Proceeds from exercise of Warrants B and ESOS Options ⁽⁵⁾	Theoretical market value of the enlarged Ancom Group (F) = (A) + (B) + (C) + (D) + (E)	Theoretical value per Share ⁽⁶⁾
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Up to the LTD:-									
Last traded market price	1.6800	538,969,393	(50,000,000)	7,541,027	0.9050	80,683,678	63,069,126	640,263,224	1.8192
5-day VWAMP	1.6184	519,207,182	(50,000,000)	7,541,027	0.8608	76,743,105	63,069,126	616,560,440	1.7519
1-month VWAMP	1.4936	479,169,456	(50,000,000)	7,541,027	0.8329	74,255,729	63,069,126	574,035,338	1.6310
3-month VWAMP	1.3530	434,062,851	(50,000,000)	7,541,027	0.7845	69,940,713	63,069,126	524,613,716	1.4906
6-month VWAMP	1.1946	383,245,736	(50,000,000)	7,541,027	0.7268	64,796,571	63,069,126	468,652,460	1.3316
1-year VWAMP	0.9666	310,099,890	(50,000,000)	7,541,027	0.7604	67,792,120	63,069,126	398,502,163	1.1323
Up to the LPD:-									
Last traded market price	1.5400	494,055,277	(50,000,000)	7,541,027	0.8500	75,780,250	63,069,126	527,376,554	1.4985
5-day VWAMP	1.5319	491,456,675	(50,000,000)	7,541,027	0.8542	76,154,693	63,069,126	525,152,395	1.4921

Notes:-

- (1) Computed based on the respective last traded market price / VWAMP of Ancom Shares multiplied by the enlarged total number of 324,722,015 Ancom Shares (assuming full exercise of 59,878,790 outstanding Ancom Warrants B and 16,694,042 outstanding ESOS Options).
- (2) We have deducted the Cash Distribution and the Retained Cash as these will be distributed out from Ancom to the Nylex MI and Nylex respectively.
- (3) Post-Completion, Ancom will continue to hold its existing 90,133,977 Nylex Shares (representing 50.27% equity interest in Nylex) and thus will be entitled to its proportionate interest in the Retained Cash. Hence, we have added the Retained Cash of RM15,000,000 multiplied by the 90,133,977 Nylex Shares held by Ancom divided by the total number of 179,287,212 issued Nylex Shares (excluding treasury shares).

(4) While Ancom currently holds 90,133,977 Nylex Shares (representing 50.27% equity interest in Nylex), the entire assets and liabilities of Nylex will be acquired by Ancom upon Completion. This effectively means that the enlarged Ancom Group will assume 100% ownership of the Nylex Business. As such, we have added the implied market value of the 89,153,235 Nylex Shares not already held by Ancom (representing 49.73% equity interest in Nylex) based on the respective last traded market price / VWAMP of Nylex Shares.

(5) Computed based on the theoretical market value of the enlarged Ancom Group divided by the enlarged total number of 351,944,623 Ancom Shares (assuming full exercise of 59,878,790 outstanding Ancom Warrants B and 16,694,042 outstanding ESOS Options as well as the issuance of 31,129,508 Consideration Shares pursuant to the Proposals).

Step 2: Compute the implied exchange ratios

Based on the terms of the Proposals, we have derived the following implied exchange ratios:-

	Theoretical value of 0.3492 Consideration Share ⁽¹⁾	Cash Distribution ⁽²⁾	Post-Completion theoretical value per Nylex Share ⁽³⁾	Total (D) = (A) + (B) + (C)	Market price per Nylex Share (E)	Implied exchange ratio (F) = (D) / (E)
	RM	RM	RM	RM	RM	RM
Up to the LTD:- Last traded market price 5-day VWAMP 1-month VWAMP 3-month VWAMP 6-month VWAMP 1-year VWAMP	0.6352	0.3926	0.0837	1.1115	0.9050	1.2281
	0.6117	0.3926	0.0837	1.0879	0.8608	1.2639
	0.5695	0.3926	0.0837	1.0458	0.8329	1.2556
	0.5205	0.3926	0.0837	0.9967	0.7845	1.2705
	0.4650	0.3926	0.0837	0.9412	0.7268	1.2950
	0.3954	0.3926	0.0837	0.8716	0.7604	1.1462
Up to the LPD:- Last traded market price 5-day VWAMP	0.5232	0.3926	0.0837	0.9995	0.8500	1.1758
	0.5210	0.3926	0.0837	0.9973	0.8542	1.1675

Notes:-

(1) Computed based on the theoretical value per Consideration Share as calculated in Step 1 above multiplied by 0.3492 Consideration Share (representing Nylex MI's entitlement per Nylex Share pursuant to the Proposed Distribution).

(2) Computed based on the Cash Distribution of RM35,000,000 divided by the 89,153,235 Nylex Shares held by Nylex MI.

(3) Computed based on the Retained Cash of RM15,000,000 divided by the total number of 179,287,212 issued Nylex Shares (excluding treasury shares).

Comments:-

Based on the above, the implied exchange ratios are **higher than 1** indicating that the Nylex MI will effectively receive total consideration which is higher in terms of market price than if the Proposals are not implemented.

However, the above evaluation is based on the historical trading market prices of Ancom Shares and Nylex Shares. This should not be relied upon as an indication of the future trading market prices of Ancom Shares and Nylex Shares.

For information, save as disclosed below, there is no significant event being announced for the past 12 months before the date of the Proposal Letter up to the LPD which may have impacted the trading market prices of Ancom Shares and Nylex Shares during the said period:-

	Ancom	Nylex
14.05.2020	Announcement by RHB Investment Bank Berhad on behalf of the Board of the following proposals: (i) a private placement of up to 10% of the total number of issued shares of Ancom (excluding treasury shares) (" Private Placement 2020 "); and (ii) an issuance of up to 66,233,553 free warrants in Ancom (" Warrants B ") on the basis of 1 Warrant B for every 4 existing ordinary shares in Ancom.	16.07.2020 Execution of a Heads of Agreement between Ancom, ALB, S7, 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
16.07.2020	Execution of a Heads of Agreement between Ancom, ALB, S7, 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	28.04.2021 Receipt of the Proposal Letter by the Board
18.09.2020	Completion of the Private Placement 2020	24.05.2021 Execution of a sale and purchase agreement entered into between PKGV and TSV in respect of the proposed disposal of terminal assets for a cash consideration of USD6,250,000 (approximately RM25,700,000)
18.12.2020	Announcement of the offering of 23,769,000 employee share option scheme options to eligible employees (including Executive Directors) of Ancom and its subsidiaries	28.06.2021 Announcement by Maybank IB, on behalf of the Board that the Board (save for the Interested Director) has decided to accept the Offer, subject to, among others, the approvals of the Nylex MI and the relevant regulatory authorities, where required
28.04.2021	Announcement of the Proposals	29.07.2021 Execution of the Sale and Business Agreement
28.06.2021	Announcement that Ancom has received the duly accepted and executed Proposal Letter from Nylex	20.08.2021 PKGV and TSV mutually agreed to extend the long stop date or deadline for closing of the sale and purchase agreement in respect of the proposed disposal of terminal assets from 31 August 2021 to 31 December 2021
29.07.2021	Execution of the Sale and Business Agreement	

The principal activities of Ancom and Nylex have remained unchanged for the past 12 months before the date of the Proposal Letter up to the LPD.

3.3 No alternative proposal and level of control

As at the LPD, save for the Proposals, the Board has not received any competing offer for the Nylex Shares or any other offer to acquire the assets and liabilities of the Nylex Group.

In the absence of a competing offer, the Proposals presents an opportunity for Nylex MI to realise their investment in Nylex at a premium based on market price (in view that the implied exchange ratios based on market price are higher than 1) while continuing to participate in the future growth of Nylex via their shareholdings in Nylex as well as the enlarged Ancom Group (which will comprise the Nylex Business and other existing businesses of the Ancom Group) via their shareholdings in Ancom.

As at the LPD, Ancom has statutory control over Nylex, with an aggregate equity interest of 50.27%. With their current level of control, Ancom is able to influence the outcome of most of the resolutions sought at shareholders' general meetings of Nylex (*unless they are required to abstain from voting*), including the ability to approve any ordinary resolutions as well as to oppose any ordinary / special resolutions.

Further, in view that Ancom currently holds a controlling stake of 50.27% in Nylex, any competing offer will not be successful unless with the support of Ancom.

3.4 Listing status and future plans of Nylex

The Proposed Disposal is deemed a major disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements as it involves the disposal of all of Nylex's assets which may result in Nylex being no longer suitable for continued listing on the Official List of Bursa Securities.

In addition, the Company may be classified as a "Cash Company" pursuant to Paragraph 8.03(1) of the Listing Requirements as, post-Completion, 70% or more of the Company's assets, on a consolidated basis, would consist of cash or short-term investments, or a combination of both.

Additionally, the Company may be classified as an "Affected Listed Issuer" pursuant to Paragraph 8.03A(2) of the Listing Requirements as, post-Completion, the Company would have ceased its entire business operations.

Premised on the above, the Company will be required to regularise its condition by submitting a proposal to acquire a new core business to the SC for its approval within 12 months from the date of being classified as a "Cash Company" and/or "Affected Listed Issuer".

If the Company fails to regularise its condition within the stipulated timeframe, trading in the Company's listed securities may be suspended and the Company may be de-listed from the Official List of Bursa Securities.

Nevertheless, we note that the Board endeavours to take the necessary steps to identify new businesses and/or assets to be acquired by the Company in order to enable the Company to regularise its condition and maintain its listing status on the Main Market of Bursa Securities after the completion of the Proposals. In this regard, we note that the Company may pursue such potential acquisition(s) by utilising part of the Retained Cash as well as by way of issuance of new Nylex Shares.

3.5 Industry overview and prospects

The majority of the Nylex Group's revenue is contributed by the Nylex Industrial Chemicals Business (approximately 91% of the Nylex Group's total revenue for the audited FYE 31 May 2021). The Nylex Industrial Chemicals Business is involved in the trading, manufacture and sale of petrochemical and industrial chemical products, and its performance is dependent on the oil prices which have a direct impact on the average selling prices of the oil-related products traded and manufactured by the Nylex Industrial Chemicals Business. Further, the majority of the Nylex Group's revenue is derived in Malaysia (approximately 62% of the Nylex Group's total revenue for the audited FYE 31 May 2021).

Meanwhile, the majority of the Ancom Group's revenue is contributed by the Nylex Business (which in turn is mainly driven by the Nylex Industrial Chemicals Business) as well as the Ancom Agricultural Chemical Business (both contributed approximately 75% and approximately 21% of the Ancom Group's total revenue for the audited FYE 31 May 2021). The Ancom Agricultural Chemical Business is involved in the manufacture, formulation and sale of agricultural chemicals focusing on crop protection and timber preservatives, and its performance is dependent on the agricultural sector. Further, the majority of the Ancom Group's revenue is derived in Malaysia (approximately 60% of the Ancom Group's total revenue for the audited FYE 31 May 2021).

In light of the above, the overview and outlook of the Malaysian economy, the Malaysian manufacturing and agricultural sectors, oil prices as well as the prospects of the Nylex Group and the enlarged Ancom Group, are set out below:-

3.5.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was 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 second quarter of 2020. Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (FMCO). For the second quarter 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 second quarter 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.

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

Our commentaries:-

We noted that most economic sectors in Malaysia recorded double-digit growth and all economic sectors registered an improvement, particularly the manufacturing sector. Growth was supported by improved recovery in consumer-related activities but was partially reversed due to the imposition of FMCO. We also noted that labour market conditions are expected to improve following the easing of containment measures. Moving forward, we expect growth in the Malaysian economy to improve, premised on the gradual relaxation of lockdown measures since August 2021 as well as the ongoing progress of the national vaccination programme.

3.5.2 Overview and outlook of the Malaysian 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 the FMCO, which limited operations to only essential sectors and those in the global value chain.

The agriculture sector, however, contracted by 1.5% (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 sub-sector 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)

Our commentaries:-

We noted that growth in the manufacturing sector expanded by 26.6% as compared to the first quarter of 2021 while the agricultural sector contracted by 1.5% due to continued labour shortages. However, growth in manufacturing sector was impacted by the imposition of FMCO. Fortunately, the demand conditions for export-oriented industry remained resilient. Moving forward, we expect growth in the Malaysian manufacturing sector and agricultural sector to improve, premised on the gradual relaxation of lockdown measures since August 2021, the ongoing progress of the national vaccination programme, improvement in labour market conditions as well as the recovery in global growth which is expected to spur demand for exports of Malaysian manufactured goods.

3.5.3 Overview and outlook of the oil prices

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+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) 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, International Monetary Fund)

Our commentaries:-

We noted that oil prices increased by 39 percent between August 2020 and February 2021 and are expected to increase further moving forward, in view that the upside risks from large cuts in oil and gas upstream investments exceed the downside risks from a setback in global oil demand recovery.

3.5.4 Prospects of the Nylex Group and the enlarged Ancom Group

As set out in Section 3.1 of this IAL, the Proposals present an opportunity for Nylex MI to participate in the future growth of the enlarged Ancom Group, a fully integrated chemical group which will comprise the Nylex Business as well as the Ancom Agricultural Chemicals Business, Ancom Logistics Business, Ancom Media Business and Ancom Other Business (the descriptions of these businesses are set out in Section 3.2.1 of this IAL). As such, Nylex MI would be able to retain their participation in the prospects of the Nylex Business while extending their participation in the prospects of the other businesses of the Ancom Group. The diversified range of businesses of the enlarged Ancom Group would enable Nylex MI to diversify their investment risk in Nylex.

Further to that, after completion of the Proposals, Ancom will obtain full control of the Nylex Business and thus it will be able to establish a fully integrated chemical group. This is expected to provide greater flexibility for Ancom to plan and decide on the business strategy of these businesses. In turn, this may potentially enhance the future earnings potential of the enlarged Ancom Group as compared to the sum of its parts.

Nylex's wholly-owned subsidiary, Fermpro Sdn Bhd ("**Fermpro**") has obtained the approval of Malaysian Investment Development Authority to double its ethanol production capacity 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 plans to construct and invest in a new manufacturing plant, which is expected to contribute positively to the Nylex Group's earnings for the FYE 31 May 2023 onwards.

With regard to the Ancom Agricultural Chemical Business, Ancom is currently constructing a new agricultural chemical production plant together with 3 new customised agricultural chemical production lines in Klang, Selangor which, upon completion, would allow the Ancom Agricultural Chemicals Business to launch new agricultural chemical products and boost its revenue.

In terms of the industry overview and prospects, both the Nylex Industrial Chemicals Business and Ancom Agricultural Chemical Business are expected to benefit from improvement in the growth of the Malaysian economy and the Malaysian manufacturing and agricultural sectors as well as increase in oil prices moving forward as set out in Sections 3.5.1, 3.5.2 and 3.5.3 of this IAL.

Further to the above, the Proposals are not expected to result in any material changes to the competitive risks faced by the Nylex Industrial Chemicals Business and Ancom Agricultural Chemical Business as both businesses operate independently from one another and serve different customer segments.

Separately, after completion of the Proposals, Ancom 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 Paragraph 8.03(5) and 8.03A(3) of the Listing Requirements, which may include the acquisition of a new core business. If Nylex acquires a new core business and maintains its listing status, Ancom would be able to participate in the business and prospects of such new core business, thus further diversifying the Ancom Group's operations. In addition, Ancom would be able to retain the ability to monetize its investment in Nylex in the open market.

Given the above and subject to, amongst others, the effective and expeditious containment of the COVID-19 pandemic via the national vaccination programme, we are of the view that the future prospects of the enlarged Ancom Group appear favourable.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

3.6

Salient terms of the Sale of Business Agreement

Our commentaries on the salient terms of the Sale of Business Agreement as set out in Section 2.2, Part A of this Circular are as follows:-

Salient terms of the Sale of Business Agreement		Our commentaries
<p>(1) Sale and purchase of the Nylex Business</p> <p>1.1 Nylex agrees to sell and Ancom agrees to purchase together with all rights now and hereafter attaching thereto as at the date of Completion all of the Nylex Business, as a going concern on an 'as-is where-is' basis for the Disposal Consideration, subject to the terms and conditions of the Sale of Business Agreement.</p> <p>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 Sale of Business Agreement.</p>	<p>Fair and reasonable.</p> <p>These terms are reasonable and commonly featured in similar transactions.</p>	
<p>(2) Disposal Consideration</p> <p>2.1 The total 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.</p> <p>2.2 The Disposal Consideration shall be satisfied by Ancom on the date of Completion and such amount shall be applied by Nylex, in the following manner:</p> <p>(a) RM15,000,000 in cash shall be paid by Ancom into Nylex's designated account and retained by Nylex post-Completion and applied in such manner determined by Nylex.</p> <p>(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 90,133,997 Nylex Shares representing approximately 50.27% of the share capital of Nylex (excluding treasury shares) as at the Entitlement Date:</p> <p>(i) RM81,694,262 shall be distributed to all the Nylex MI in accordance with Section 2.3 below; and</p>	<p>Fair and reasonable.</p> <p>Please refer to our evaluation on the Disposal Consideration in Section 3.2 of this IAL in relation to the implied exchange ratios.</p>	

Salient terms of the Sale of Business Agreement	Our commentaries
<p>(ii) RM182,592,950 shall be distributed to the Interested Shareholders holding Nylex Shares as at the Entitlement Date and, to the extent that any such portion is distributable to Rhodemark, Rhodemark shall instruct that the said amount be made payable to Ancom, following which the entire amount receivable by Ancom in respect of the Proposed Distribution, shall be applied by Ancom to be set-off against an equivalent amount payable by Ancom to Nylex as part of the Disposal Consideration. Following the set-off, 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 Net Distribution Amount).</p> <p>2.3 The Net Distribution Amount shall be distributed via the Proposed Distribution to the Nylex MI in the following manner:</p> <p>(a) RM35,000,000 shall be paid by Ancom to Nylex in cash into Nylex's designated account on the date of Completion, and distributed by Nylex to the Nylex MI on the payment date to be announced by the Board.</p> <p>(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 Board, be issued by Ancom at the Issue Price to the Nylex MI.</p>	<p>Please refer to our commentaries above.</p>
<p>(3) Conditions precedent</p> <p>3.1 The obligation of the parties that are set out in the Sale of Business Agreement 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, being the day falling 6 months after the date of the Sale of Business Agreement, or such later date as the parties may mutually agree:</p> <p>(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 Sale of Business Agreement.</p> <p>(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.</p> <p>(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 Sale of Business Agreement, where required.</p>	<p>Fair and reasonable.</p> <p>These conditions precedent are reasonable as they represent the necessary approvals / procedures required to facilitate the completion of the Proposals.</p> <p>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 Sale of Business Agreement.</p>

Salient terms of the Sale of Business Agreement	Our commentaries
<p>(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.</p> <p>(e) Nylex obtaining the approval of its shareholders at an EGM to be convened for the disposal of the Nylex Business upon the terms and conditions of the Sale of Business Agreement.</p> <p>(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 Sale of Business Agreement, where required.</p> <p>(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 date of Completion the same remain to be completed or performed or remain in force.</p> <p>(h) Nylex obtaining the approval of its shareholders at an EGM to be convened for the Proposed Distribution.</p> <p>(i) Nylex obtaining the grant of an order of the High Court of Malaya pursuant to Section 116 of the Act.</p> <p>(j) Nylex obtaining the approval or consent of the financiers/creditors of Nylex for the Proposed Distribution, where required.</p> <p>(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.</p> <p>(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 for the Proposed Distribution.</p> <p>(m) 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.</p>	<p>Please refer to our commentaries above.</p>

Salient terms of the Sale of Business Agreement	Our commentaries
<p>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 Sale of Business Agreement by notice in writing, whereupon, the parties shall not have any further rights under the Sale of Business Agreement except in respect of:</p> <p>(a) any obligation under the Sale of Business Agreement which is expressed to apply after the termination of the Sale of Business Agreement; and</p> <p>(b) any rights or obligations which have accrued in respect of any breach of any of the provisions of the Sale of Business Agreement to the parties prior to such termination.</p> <p>3.3 The Sale of Business Agreement shall become unconditional on the date when all the conditions precedent have been obtained/fulfilled or waived.</p>	<p>Please refer to our commentaries above.</p>
<p>(4) Proposed Distribution</p> <p>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:</p> <p>(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.</p> <p>(b) A capital repayment exercise involving the distribution of the Gross Distribution Amount following completion to all the shareholders of Nylex, whereby the Interested Shareholders' entitlement will be set-off against an equivalent amount payable by Ancom to Nylex as part of the Disposal Consideration and the Net Distribution Amount will be distributed to the Nylex MI.</p>	<p>Fair and reasonable.</p> <p>The Proposed Distribution facilitates the distribution of the Consideration Shares and Cash Distribution to the Nylex MI.</p>

Salient terms of the Sale of Business Agreement	Our commentaries
<p>(5) Real property gains tax (“RPGT”) liabilities</p> <p>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 Sale of Business Agreement 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 real property gains tax payable under any of the provisions of the RPGT 1976 in connection with the disposal of the assets and Nylex’s properties pursuant to the Sale of Business Agreement, including any claims by the Director-General of Inland Revenue arising from any default in payment of real property gains tax.</p>	<p>Fair and reasonable.</p> <p>Generally, it is the obligation of the vendor to bear the associated RPGT in relation to a disposal of property assets.</p> <p>Hence, in this regard, the arrangement for Ancom to bear the RPGT is favourable to Nylex.</p>
<p>(6) Purchaser’s indemnity in respect of Liabilities</p> <p>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 below) as at and from Completion.</p> <p>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 date of Completion.</p> <p>6.3 The aggregate amount of indemnity by Ancom under Section 6.1 above shall in no event exceed 5% of the Disposal Consideration. For the avoidance of doubt, the limitation on the indemnity shall not derogate from Nylex’s obligation to assume all liabilities as at the date of Completion 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 date of Completion which quantum shall be as set out in the completion balance sheet prepared by Nylex.</p> <p>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 Completion as at and from Completion.</p>	<p>Fair and reasonable.</p> <p>This clause is a normal commercial term which sets out the indemnity given by Ancom and Nylex to each other to safeguard the interests of both parties.</p>

Salient terms of the Sale of Business Agreement	Our commentaries
<p>(7) Covenants pending completion</p> <p>7.1 In the period between the date of Sale of Business Agreement and completion, 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.</p> <p>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):</p> <p>(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 net assets of the Nylex Group in aggregate based on the latest consolidated financial statements of Nylex, otherwise than in the ordinary course of Nylex Business;</p> <p>(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;</p> <p>(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;</p> <p>(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.</p> <p>(e) create or permit to be created any encumbrance over any asset of Nylex Group otherwise than in the ordinary course of business;</p> <p>(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;</p> <p>(g) carry out any buyback or resale of Nylex Shares;</p> <p>(h) making any change in the share capital structure of Nylex or its subsidiaries;</p>	<p>Fair and reasonable.</p> <p>This clause is reasonable as it serves to safeguard the interest of Ancom as the purchaser before the completion of the Proposed Disposal.</p>

Salient terms of the Sale of Business Agreement	Our commentaries
<p>(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;</p> <p>(j) issue any shares, warrants, options or securities which are convertible or exchangeable into shares of any company within the Nylex Group;</p> <p>(k) undertake any other proposal that will result in issuance of new Nylex Shares;</p> <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(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> <p>(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;</p>	<p>Please refer to our commentaries above.</p>

Salient terms of the Sale of Business Agreement	Our commentaries
<p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(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</p> <p>(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.</p>	<p>Please refer to our commentaries above.</p>
<p>(8) Termination of the Sale of Business Agreement</p> <p>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 Sale of Business Agreement 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 Sale of Business Agreement.</p> <p>8.2 If the Sale of Business Agreement 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, 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 Disposal Consideration or held by or on behalf of Nylex pursuant to the terms of the Sale of Business Agreement. In exchange for the performance by Nylex of such obligations, Ancom 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 of 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).</p>	<p>Fair and reasonable.</p> <p>This clause is a normal commercial term which sets out the circumstances under which the Sale of Business Agreement may be terminated and the rights of the non-defaulting party.</p>

Salient terms of the Sale of Business Agreement	Our commentaries
<p>8.3 If the Sale of Business Agreement is terminated by Nylex pursuant to Section 8.1 above and Nylex elects not to pursue the remedy of specific performance, Ancom 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 Disposal Consideration or held by or on behalf of Nylex pursuant to the terms of the Sale of Business Agreement.</p>	<p>Please refer to our commentaries above.</p>
<p>(9) Change of name of Nylex</p> <p>Nylex undertakes that it shall following completion of the Sale of Business Agreement 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.</p>	<p>Fair and reasonable.</p> <p>This clause facilitates the transition or integration of the operations and businesses of Nylex to and with Nylex Holdings (a wholly-owned subsidiary of Ancom which has been nominated as the recipient of the Nylex Business pursuant to the Sale of Business Agreement). Upon the expiry of the stipulated period, Nylex shall cease to make use of any of the name 'Nylex', which shall all be assigned to Nylex Holdings.</p>

Salient terms of the Sale of Business Agreement	Our commentaries
<p>(10) Information on Nylex Business</p> <p>10.1 Nylex Holdings must accept the transfer or assumption of the assets and liabilities, including the following:</p> <ul style="list-style-type: none"> (a) the shares of each of the subsidiaries and associate companies, with the intent and agreement that at completion, 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; (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; 	<p>Fair and reasonable.</p> <p>This clause facilitates the transition or integration of the operations, businesses, as well as assets and liabilities of Nylex to and with the Nylex Holdings.</p>

Salient terms of the Sale of Business Agreement	Our commentaries
<p>(k) 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;</p> <p>(l) 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 and the benefit of all securities therefor and all guarantees, indemnities and rights in respect of the same;</p> <p>(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;</p> <p>(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</p> <p>(o) the benefit and assumption of all inter-company payables and other non-trade payables relating to the Nylex Business.</p> <p>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 Completion:</p> <p>(a) Nylex Shares held by the Nylex in treasury (if any);</p> <p>(b) the common seal, statutory records and corporate records of Nylex required by law to be retained by Nylex;</p> <p>(c) all rights of Nylex under the Sale of Business Agreement (including all rights in respect of the Disposal Consideration to be paid by Ancom); and</p> <p>(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.</p>	<p>Please refer to our commentaries above.</p>

Based on the above, we are of the view that the salient terms of the Sale of Business Agreement are not detrimental to the interests of the non-interested shareholders of Nylex.

3.7 Risks in relation to the Proposals

In considering the Proposals, the Nylex MI are advised to give careful consideration to the risks in relation to the Proposals as set out in Section 6, Part A of this Circular.

Notwithstanding the risks highlighted, the Proposals present an opportunity for Nylex MI to participate in the future growth of the enlarged Ancom Group, which would be a fully integrated chemical Group. In turn, this provides them with exposure to a more diversified range of businesses with a relatively lower risk profile.

In addition, after Completion, Nylex will be able to utilise the Retained Cash to acquire new businesses and/or assets as its new core business. This allows Nylex to submit a regularisation plan to the SC and implement the same within the stipulated timeframe as may be prescribed by the SC to ensure its continued listing on the Main Market of Bursa Securities. In turn, this effectively means that Nylex MI will have the opportunity to participate in the future growth of a new core business and be able to realise its investment in Nylex Shares on the stock exchange.

4. FINANCIAL RESOURCES OF ANCOM

As set out in Section 2.1.6, Part A of the Circular, the Board, premised on the confirmation and documents provided by Ancom to the Company dated 28 June 2021, is satisfied that Ancom has sufficient financial resources to undertake the Proposed Disposal.

We are of the view that Ancom has adequate financial resources to acquire the Company after taking into consideration, amongst others, the aforementioned confirmation and the audited statement of financial position of Ancom as at 31 May 2021.

5. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals, taking into consideration the various factors set out in Section 3 of this IAL. Before voting on the resolutions to give effect to the Proposals at the forthcoming EGM of the Company, you should carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors including those highlighted by the Board in its letter to the shareholders of the Company in relation to the Proposals, as set out in Part A of this Circular, as well as those set out in this IAL:-

Reference in IAL / Consideration factors	Our evaluation
Section 3.1 Rationale and benefits of the Proposals	<p><u>Opportunity for Nylex MI to participate in a fully integrated chemical group</u></p> <p>The Proposals present an opportunity for Nylex MI to participate in the future growth of the enlarged Ancom Group, a fully integrated chemical group which comprises, amongst others, agricultural chemicals segment, logistics segment and media segment. The diversified range of businesses of the enlarged Ancom Group would enable Nylex MI to diversify their investment risk in Nylex which mainly focuses on the manufacturing and trading of industrial chemical and polymer products.</p> <p><u>Avenue for Nylex MI to realise their investment at a premium</u></p> <p>The Proposals also provide an avenue for Nylex MI to realise their investment in Nylex at a premium based on market price (please see Section 3.2.2 of this IAL for our evaluation of the implied exchange ratio based on market price).</p>

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.1 Rationale and benefits of the Proposals (cont'd)</p>	<p><u>Opportunity for Nylex MI to participate in the prospects of any new businesses to be acquired and undertaken by Nylex</u></p> <p>Furthermore, since Nylex MI will be holding new Ancom Shares and will continue to maintain their equity interest in Nylex after the Proposals, they will also be able to participate in any new businesses to be acquired and undertaken by Nylex after Completion, both directly via their shareholdings in Nylex and indirectly via their shareholdings in Ancom.</p> <p>Based on the above, we are of the view that the rationale and benefits of the Proposals are fair and reasonable.</p>
<p>Section 3.2 Implied exchange ratios based on:- (i) fair value (ii) market price</p>	<ul style="list-style-type: none"> • The Offer is based on a combination of securities exchange and cash offer rather than a sole cash offer. As such, in evaluating the fairness of the Offer, the (i) fair value and (ii) market price of the Consideration Shares and the Nylex Shares in relative terms to one another must also be considered. • Based on fair value, the implied exchange ratios are <u>lower than 1</u> indicating that the Nylex MI will effectively receive total consideration which is lower in terms of fair value than if the Proposals are not implemented. • Based on market price, the implied exchange ratios are <u>higher than 1</u> indicating that the Nylex MI will effectively receive total consideration which is higher in terms of market price than if the Proposals are not implemented.
<p>Section 3.3 No alternative proposal and level of control</p>	<ul style="list-style-type: none"> • As at the LPD, save for the Proposals, the Board has not received any competing offer for the Nylex Shares or any other offer to acquire the assets and liabilities of the Nylex Group. • In the absence of a competing offer, the Proposals present an opportunity for Nylex MI to realise their investment in Nylex at a premium based on market price (in view that the implied exchange ratios based on market price are higher than 1) while continuing to participate in the future growth of Nylex via their shareholding in Nylex as well as the enlarged Ancom Group (which will comprise the Nylex Business and other businesses of the Ancom Group) via their new shareholdings in Ancom. • As at the LPD, Ancom has statutory control over Nylex, with an aggregate equity interest of 50.27%. With their current level of control, Ancom is able to influence the outcome of most of the resolutions sought at shareholders' general meetings of Nylex (<i>unless they are required to abstain from voting</i>), including the ability to approve any ordinary resolutions as well as to oppose any ordinary / special resolutions. • Further, in view that Ancom currently holds a controlling stake of 50.27% in Nylex, any competing offer will not be successful unless with the support of Ancom.

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.4 Listing status and future plans of Nylex</p>	<ul style="list-style-type: none"> • The Company may be classified as:- <ul style="list-style-type: none"> (a) a “Cash Company” pursuant to Paragraph 8.03(1) of the Listing Requirements as, post-Completion, 70% or more of the Company’s assets, on a consolidated basis, would consist 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, post-Completion, the Company would have ceased its entire business operations. • Premised on the above, the Company will be required to regularise its condition by submitting a proposal to acquire a new core business to the SC for its approval within 12 months from the date of being classified as a “Cash Company” and/or “Affected Listed Issuer”. • If the Company fails to regularise its condition within the stipulated timeframe, trading in the Company’s listed securities may be suspended and the Company may be de-listed from the Official List of Bursa Securities. • Nevertheless, we note that the Board endeavours to take the necessary steps to identify new businesses and/or assets to be acquired by the Company in order to enable the Company to regularise its condition and maintain its listing status on the Main Market of Bursa Securities after the completion of the Proposals. In this regard, we note that the Company may pursue such potential acquisition(s) by utilising part of the Retained Cash as well as by way of issuance of new Nylex Shares.
<p>Section 3.5 Industry overview and prospects</p>	<p>The Proposals would allow Nylex MI to retain their participation in the prospects of the Nylex Business while extending their participation in the prospects of the other businesses of the Ancom Group. The diversified range of businesses of the enlarged Ancom Group would enable Nylex MI to diversify their investment risk in Nylex.</p> <p>Further to that, after completion of the Proposals, Ancom will obtain full control of the Nylex Business and thus it will be able to establish a fully integrated chemical group. This is expected to provide greater flexibility for Ancom to plan and decide on the business strategy of these businesses. In turn, this may potentially enhance the future earnings potential of the enlarged Ancom Group as compared to the sum of its parts.</p> <p>Given the industry overview and outlook of the sectors in which the businesses of the Nylex Group and the Ancom Group are involved in as well their future expansion plans, we are of the view that the future prospects of the enlarged Ancom Group appear favourable.</p>
<p>Section 3.6 Salient terms of the Sale of Business Agreement</p>	<p>The salient terms of the Sale of Business Agreement are not detrimental to the interests of the non-interested shareholders of Nylex.</p>

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.7 Risks in relation to the Proposals</p>	<p>The risks in relation to the Proposals are set out in Section 6, Part A of this Circular.</p> <p>Notwithstanding the risks highlighted, the Proposals present an opportunity for Nylex MI to participate in the future growth of the enlarged Ancom Group, which would be a fully integrated chemical Group. In turn, this provides them with exposure to a more diversified range of businesses with a relatively lower risk profile.</p>

Premised on our evaluation of the Proposals in Section 3 of this IAL, we are of the view that, on the basis of the information available to us, the Proposals are **fair and reasonable** and are **not detrimental** to the interests of the non-interested shareholders of the Company.

Accordingly, we recommend that you **vote in favour** of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company.

Yours faithfully,
For and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN
Managing Director

DENIS LIM
Director / Head of Corporate Finance

APPENDIX I - SALIENT TERMS OF THE SALE OF BUSINESS AGREEMENT

1. Sale 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 Disposal Consideration, subject to the terms and conditions of the Sale of Business Agreement.

"Completion Date" means the business day falling after the Unconditional Date as may be agreed upon between the parties upon which the completion of the Sale of Business Agreement is to take place or, failing such agreement, the business day falling 30 days after the Unconditional Date.

"Unconditional Date" means the relevant date upon which the Sale of Business Agreement becomes unconditional or is deemed to have become unconditional in accordance with the terms and conditions of the Sale of Business Agreement.

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 Sale of Business Agreement.

2. Disposal Consideration

2.1 The Disposal 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 Disposal Consideration shall be satisfied by Ancom and such amount shall be applied by Nylex, in the following manner:

(a) RM15,000,000 in cash shall be paid by Ancom into Nylex's designated account on the Completion Date and retained by Nylex post-completion of the Sale of Business Agreement 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 by way of set-off against an equivalent amount payable by Ancom to Nylex as part of the Disposal Consideration. Following the set-off, 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).

APPENDIX I - SALIENT TERMS OF THE SALE OF BUSINESS AGREEMENT (Cont'd)

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 Sale of Business Agreement 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, being the day falling 6 months after the date of the Sale of Business Agreement, or such later date as the parties may mutually agree:

- (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 Sale of Business Agreement.
- (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 Sale of Business Agreement, 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 EGM to be convened for the disposal of the Nylex Business upon the terms and conditions of the Sale of Business Agreement.
- (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 Sale of Business Agreement, 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 EGM 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.

APPENDIX I - SALIENT TERMS OF THE SALE OF BUSINESS AGREEMENT (Cont'd)

- (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 Sale of Business Agreement by notice in writing, whereupon, the parties shall not have any further rights under the Sale of Business Agreement except in respect of:
- (a) any obligation under the Sale of Business Agreement which is expressed to apply after the termination of the Sale of Business Agreement; and
 - (b) any rights or obligations which have accrued in respect of any breach of any of the provisions of the Sale of Business Agreement to the parties prior to such termination.
- 3.3 The Sale of Business Agreement 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 Sale of Business Agreement to all the shareholders of Nylex in accordance with Section 2.2(b) above.

5. Real property gains tax ("RPGT") liabilities

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 Sale of Business Agreement 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 Sale of Business Agreement, 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 Sale of Business Agreement. 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 Sale of Business Agreement and any claim Ancom may have against Nylex for breach of the warranties made by Nylex in the Sale of Business Agreement.
- 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 Disposal 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 Sale of Business Agreement as at and from completion of the Sale of Business Agreement.

7. Covenants pending completion

- 7.1 In the period between the date of Sale of Business Agreement and completion of the Sale of Business Agreement, 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;

APPENDIX I - SALIENT TERMS OF THE SALE OF BUSINESS AGREEMENT (Cont'd)

- (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;

APPENDIX I - SALIENT TERMS OF THE SALE OF BUSINESS AGREEMENT (Cont'd)

- (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 the Sale of Business Agreement

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 Sale of Business Agreement 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 Sale of Business Agreement.

8.2 If the Sale of Business Agreement 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 Disposal Consideration or held by or on behalf of Nylex pursuant to the terms of the Sale of Business Agreement. 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 Sale of Business Agreement 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 revenue, 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 Disposal Consideration or held by or on behalf of Nylex pursuant to the terms of the Sale of Business Agreement.

9. Change of name of Nylex

Nylex undertakes that it shall following completion of the Sale of Business Agreement 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 Sale of Business Agreement, 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;
 - (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;

APPENDIX I - SALIENT TERMS OF THE SALE OF BUSINESS AGREEMENT *(Cont'd)*

- (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 Sale of Business Agreement:
- (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 Sale of Business Agreement (including all rights in respect of the Disposal Consideration to be paid by Ancom); and
 - (d) the interest-bearing bank account to be opened, maintained and designated by Nylex for the purpose of receiving payment of the Cash Proceeds and the balance thereof.

For information purposes only, there are no non-compete provisions in the Sale of Business Agreement which prohibits Nylex from being involved in any business which is similar to the Nylex Business.

APPENDIX II – INFORMATION ON NYLEX

1. HISTORY AND PRINCIPAL ACTIVITIES

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

Our Company commenced 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, disposal bins as well as property development.

Our subsidiaries 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, we own and operate five (5) manufacturing facilities. The annual production capacity and output for our industrial chemical and polymer divisions are as follows:

Industrial Chemical

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.

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

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.

	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 II – 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 our Company 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 our products is in Malaysia. Our Group's annual export revenue ranged from approximately 38% to 45% in which Southeast Asia is our main exporting region contributing between 68% to 79% of our total export revenue for the FYE 31 May 2019 to FYE 31 May 2021.

We source our 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 our Company is RM195,142,388, comprising 194,337,860 Nylex Shares (which includes 15,050,648 Nylex Shares held as treasury shares).

APPENDIX II – INFORMATION ON NYLEX (Cont'd)

3. BOARD OF DIRECTORS

As at the LPD, our Directors and their respective shareholdings in our Company 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.

4. SUBSTANTIAL SHAREHOLDERS

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

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

APPENDIX II – INFORMATION ON NYLEX (Cont'd)

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Name of company	Place / Date of incorporation	Share capital	Effective equity interest (%)	Principal activities
<i>Our direct subsidiaries</i>				
Nycon Manufacturing Sdn. Bhd.	Malaysia / 21.8.1984	RM150,000	100.0	Investment holding and manufacture and marketing of rotomoulded products.
Nylox 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 Nylox 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.
Nylox 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 II – INFORMATION ON NYLEX (Cont'd)

Name of company	Place / Date of incorporation	Share capital	Effective equity interest (%)	Principal activities
<u>Subsidiaries of PKG</u>				
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.
<u>Associated companies of our Group</u>				
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 Rimbum 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 II – INFORMATION ON NYLEX (Cont'd)

6. COST OF INVESTMENT

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

<u>Name of company</u>	<u>Number of ordinary shares</u>	<u>Cost of investment</u> (RM'000)	<u>Date of investment</u>
<u>Our direct subsidiaries</u>			
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
Fermpro 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
<u>Our direct associated company</u>			
One Chem Terminal Sdn. Bhd.	1,000,000	400	October 2016

APPENDIX II – INFORMATION ON NYLEX (Cont'd)

7. PROPERTIES HELD BY OUR GROUP

7.1. Properties held by our Company

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

<u>Location / Address</u>	<u>Title</u>	<u>Age of building as at 31 May 2021 (Years)</u>	<u>Land area (Sqm)</u>	<u>Existing use</u>	<u>Tenure</u>	<u>Date of investment</u>	<u>Original cost of investment (RM'000)</u>	<u>Audited NBV as at 31 May 2021 (RM'000)</u>
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
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 II – INFORMATION ON NYLEX (Cont'd)

7.2. Properties held by other subsidiaries within our Group

Details of the properties held by the other subsidiaries within our 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, expiring on 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 Kampar, Daerah Klang, Negeri Selangor	30	28,491	Office building and warehouse	Leasehold, expiring on 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, expiring on 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, expiring on 7.2.2059	759

APPENDIX II – 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)
Fermpro 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, expiring on 7.2.2059	318
Nylex Specialty Chemicals Sdn. Bhd.	Lot 593, Persiaran Raja Lumu, Kawasan Perusahaanan 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, expiring on 1.9.2074	1,439
Nylex Specialty Chemicals Sdn. Bhd.	Lot 624, Persiaran Raja Lumu, Kawasan Perusahaanan 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, expiring on 19.2.2076	1,622

APPENDIX II – INFORMATION ON NYLEX (Cont'd)

8. ASSETS OWNED

Based on the latest audited consolidated financial statements of our Company for the FYE 31 May 2021, our 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 OUR GROUP

The summary financial information of our Group based on the audited consolidated financial statements of our Company for the past three (3) FYEs from 31 May 2019 to 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 (loss)/profit attributable to owners of our Company	(3,332)	(23,207)	18,923
Weighted average no. of Nylex Shares in issue ('000)	185,132	176,071	177,061
(Loss)/earnings 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 our Company	329,639	297,804	313,223

APPENDIX II – INFORMATION ON NYLEX (Cont'd)

	FYE 31 May		
	2019	2020	2021
	Audited	Audited	Audited
	(RM'000)	(RM'000)	(RM'000)
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
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 our Company divided by weighted average number of Nylex Shares in issue.*
- (2) *Excluding treasury shares held by our Company.*
- (3) *Computed based on equity attributable to owners of our 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 our Company.*

FYE 31 May 2020 compared to FYE 31 May 2021

Our 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 our higher revenue and higher margins earned on some of our products, we 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

Our 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 our 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.

Our Group 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 our wholly-owned subsidiary in Singapore of RM10.9 million.

FYE 31 May 2019 compared to FYE 31 May 2018

Our 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 our 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, our PBT 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).

9.1 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 our Company which are peculiar to our Company due to the nature of our business or the industry in which we are involved in; and
- (iii) our external auditors had not issued any audit qualification on our financial statements.

APPENDIX III – INFORMATION ON ANCOM

1. HISTORY AND PRINCIPAL ACTIVITIES

Ancom was incorporated in Malaysia in 1969 under the Companies Act, 1965 under the name Ansul (Malaysia) Sdn. Bhd. and is deemed registered under the Act. Ancom assumed its present name, Ancom Berhad on 9 September 1989. Ancom was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as Main Market of Bursa Securities) on 29 March 1990. Ancom is also the holding company of ALB, which is currently listed on ACE Market of Bursa Securities.

Ancom began its operations in March 1969. The principal activities of Ancom are investment holding and provision of management services to its subsidiaries. Ancom Group is involved in a diversified range of businesses as mentioned in Section 3, Part A of this Circular, but is principally involved in agricultural and industrial chemicals as well as polymers and chemical logistics.

As at the LPD, other than via Nylex Business, the Ancom Group owns and operates two (2) manufacturing facilities for its agricultural chemical division. The annual production capacity and output are as follows:

Agricultural Chemical

Principal product manufactured: MSMA, Diuron, Cocktail/Flowable, Arsenic Acid

Location: Lot 5, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan

Land area: 2.22 hectares

	FYE 31 May		
	2019	2020	2021
Annual capacity (MT)	31,455	34,513	35,343
Annual output (MT)	25,454	20,973	23,716
Utilisation rate	80.9%	60.8%	67.1%

Principal product manufactured: Glyphosate

Location: Lot 1 Lingkar Sultan Hishamuddin, Kawasan 20, 42000 Pelabuhan Klang, Selangor Darul Ehsan

Land area: 2.52 hectares

	FYE 31 May		
	2019	2020	2021
Annual capacity (MT)	15,840	15,840	15,840
Annual output (MT)	3,414	3,390	5,206
Utilisation rate	21.6%	21.4%	33.0%

The annual production capacity and output for Nylex's polymer and industrial chemical divisions as well as the details of its manufacturing facilities are disclosed in Section 1 of **Appendix II** of this Circular.

The Ancom Group's principal markets include Malaysia, Indonesia and Singapore which contributed to 60.4%, 8.6% and 7.2% of the Ancom Group's revenue, respectively for the FYE 31 May 2021. The Ancom Group primarily sources its raw materials and supplies locally and abroad such as China, Korea, Japan, Taiwan, Saudi, Oman, Thailand and Singapore.

2. SHARE CAPITAL

As at the LPD, the issued share capital of Ancom is RM257,839,775, comprising 256,117,342 Ancom Shares (including 11,875,059 Ancom Shares held as treasury shares).

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

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

- (1) 59,878,790 outstanding Warrants B, which have an exercise price of RM0.84 each and are expiring on 9 September 2025; and
- (2) 16,694,042 outstanding options granted under Ancom's employees' share option scheme.

3. BOARD OF DIRECTORS

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

Name	Designation	Nationality	Direct		Indirect	
			No. of Ancom Shares	%	No. of Ancom Shares	%
Dato' Siew	Executive Chairman	Malaysian	30,382,320	12.44	⁽¹⁾ 22,556,221	9.24
Tan Sri Dato' Dr Lin	Independent Non-Executive Director	Malaysian	-	-	-	-
Tan Sri Dato' Seri Abdull Hamid bin Embong	Independent Non-Executive Director	Malaysian	-	-	-	-
Chan Thye Seng	Non-Independent Non-Executive Director	Malaysian	-	-	⁽²⁾ 47,077,140	19.27
Edmond Cheah	Independent Non-Executive Director	Malaysian	-	-	-	-
Lim Hock Chye	Independent Non-Executive Director	Malaysian	-	-	-	-
Datuk Dr Abd Hapiz bin Abdullah	Independent Non-Executive Director	Malaysian	-	-	-	-
Siew Ka Kheong	Alternate Director to Dato' Siew	Malaysian	460,000	0.19	⁽³⁾ 16,417,185	6.72

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

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

4. SUBSTANTIAL SHAREHOLDERS

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

Name	Nationality/ Country of incorporation	Direct		Indirect	
		No. of Ancom Shares	%	No. of Ancom Shares	%
Dato' Siew	Malaysian	30,382,320	12.44	⁽¹⁾ 22,556,221	9.24
Chan Thye Seng	Malaysian	-	-	⁽²⁾ 47,077,140	19.27
Pacific & Orient Berhad	Malaysia	35,065,775	14.36	⁽³⁾ 11,648,365	4.77
Siew Ka Kheong	Malaysian	460,000	0.19	⁽⁴⁾ 16,417,185	6.72
Siew Nim Chee & Sons Sdn. Bhd.	Malaysia	15,992,185	6.55	-	-

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 Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad, Tysim Holdings Sdn. Bhd. and Tan Soo Leng.*
- (3) *Deemed interested by virtue of its direct interests held through Pacific & Orient Insurance Co. Berhad.*
- (4) *Deemed interested by virtue of his direct and indirect interests held through Siew Nim Chee & Sons Sdn. Bhd. and Quek Lay Kheng.*

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES OF ANCOM

As at the LPD, the details of the subsidiaries, associated companies and joint ventures of Ancom are as follows:

Name of company	Place/ Date of incorporation	Share capital	Effective equity interest (%)	Principal activities
Ancom Management Services Sdn. Bhd.	Malaysia 6.11.2014	RM2,500,000	100.0	Provision of management services
Ancom Properties Sdn. Bhd. (“Ancom Properties”)	Malaysia 30.6.1989	RM100,000	100.0	Investment holding
Rhodemark Development Sdn. Bhd.	Malaysia 13.4.1999	RM60,000,000	100.0	Investment holding
Ancom Agrichemical Sdn. Bhd. (“Ancom Agrichemical”)	Malaysia 28.7.2017	RM96,500,002	100.0	Investment holding
HSO Business Systems Sdn. Bhd.	Malaysia 16.8.1997	RM2,601,800	48.0*	Dormant
iEnterprise Online Sdn. Bhd.	Malaysia 4.4.2000	RM1,800,000	97.3	Development of IT systems and providing IT related consultancy services
Entohealth Services Sdn. Bhd. (formerly known as WorldSOL.com Sdn. Bhd.) (“Entohealth”)	Malaysia 4.10.1994	RM8,000,000	100.0	Dormant
Redberry Sdn. Bhd. (“Redberry”)	Malaysia 12.1.2006	RM59,999,942	100.0	Investment holding and provision of media advertising
Redberry Holdings Sdn. Bhd. (“Redberry Holdings”)	Malaysia 5.10.2005	RM9,002,431	100.0	Investment holding
Genovasi Malaysia Sdn. Bhd. (“Genovasi Malaysia”)	Malaysia 26.7.2012	RM15,000,000	60.0	Provide education, training, advisory and consulting services
Synergy Tanker Sdn. Bhd.	Malaysia 23.4.1997	RM9,621,000	100.0	Investment holding
Ancom Power Solutions Sdn. Bhd. (formerly known as Kenanga Sepadu Sdn. Bhd.) (“Ancom Power Solutions”)	Malaysia 18.5.2021	RM1	100.0	Investment holding
Ancom Components Sdn. Bhd.	Malaysia 21.6.1966	RM2,000,000	66.7	Manufacturing and marketing of low voltage switchgear

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

Name of company	Place/ Date of incorporation	Share capital	Effective equity interest (%)	Principal activities
Nylex Holdings	Malaysia 5.7.2021	RM1	100.0	Dormant
Nylex	Malaysia 26.3.1970	RM195,142,388	50.3 [#]	Investment holding and manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other polymer products, including geotextiles and prefabricated sub-soil drainage systems as well as property development
ALB	Malaysia 14.4.1966	RM23,664,316	34.0* [^]	Investment holding
<u>Subsidiaries of Ancom Agrichemical</u>				
Ancom Crop Care Sdn. Bhd. (" Ancom Crop Care ")	Malaysia 6.12.1985	RM16,500,000	100.0	Manufacture and marketing of agricultural chemical products
Polytensides Sdn. Bhd. (" Polytensides ")	Malaysia 29.11.1971	RM3,750,000	100.0	Manufacture and sale of agricultural chemical products
Ancom Bioscience Sdn. Bhd.	Malaysia 29.10.1997	RM100,000	100.0	Trading of agricultural chemical products
Ancom Nutrifoods Sdn. Bhd.	Malaysia 21.4.2008	RM100,000	100.0	General trading and investment holding
Entopest Environmental Services Sdn. Bhd. (" Entopest ")	Malaysia 12.9.2003	RM1,500,000	90.0	Provision of pest control, hygiene and sanitation services
Common Feed Sdn. Bhd.	Malaysia 10.10.2018	RM500,000	100.0	Trading of animal feed products
<u>Subsidiaries of Ancom Crop Care</u>				
Timber Preservatives Sdn. Bhd.	Malaysia 23.8.1984	RM500,000	100.0	Manufacture and distribution of timber and preservatives related chemical products
Vanguard Express Sdn. Bhd.	Malaysia 25.10.2018	RM1	100.0	Freight and logistics services

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

Name of company	Place/ Date of incorporation	Share capital	Effective equity interest (%)	Principal activities
Ancom do Brasil Ltda	Brazil 27.10.1997	R\$1,000	99.9	Dormant. Holder of licenses for certain agricultural chemical products
Ancom Australia Pty. Ltd.	Australia 12.9.1997	A\$2	100.0	Dormant. Holder of licenses for certain agricultural chemical products
Malancom Agrochemicals (Pte) Limited	South Africa 30.6.1997	RAND100	100.0	Dormant. Holder of licenses for certain agricultural chemical products
ChemResources (Agencies) Limited	China Hong Kong 24.2.1988	HKD 39,656,680	100.0	Trading of chemical products
<u>Subsidiary of Entopest</u>				
Entopest Environmental Services (Penang) Sdn. Bhd.	Malaysia 10.11.2009	RM186,100	81.0	Provision of pest control, hygiene and sanitation services
PT Entopest Environmental Services	Indonesia 1.4.2019	IDR2,500,000,000	60.3	Dormant
Airefresh Marketing Sdn. Bhd.	Malaysia 20.4.2009	RM10	72.0	General trading
Airefresh Industries (M) Sdn. Bhd.	Malaysia 29.6.2004	RM50,000	18.0*	Manufacture, distribution, merchandise and sale of air fresh products.
<u>Subsidiary of Polytensides</u>				
Kemcom Sdn. Bhd.	Malaysia 4.5.1971	RM1,000,000	100.0	Manufacture and marketing of wood preservatives.
<u>Subsidiaries of Redberry Holdings</u>				
Redberry Contact Center Sdn. Bhd.	Malaysia 16.8.2000	RM5,335,000	100.0	Providing call centre services
Redberry Screens Sdn. Bhd.	Malaysia 7.8.2007	RM2	100.0	Provision of digital advertising
Redberry Animation Sdn. Bhd.	Malaysia 19.12.2000	RM100,000	51.0	Dormant

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

Name of company	Place/ Date of incorporation	Share capital	Effective equity interest (%)	Principal activities
Twinstar Synergy Sdn. Bhd.	Malaysia 18.4.2012	RM1,000,000	100.0	Printing of newspapers, journals, magazines, books and other literary works
Wheel Sport Management Sdn. Bhd.	Malaysia 19.9.2000	RM1,204,000	77.0	Promoters and organiser of motor sports and to buy, sell and deal in all kinds of motor
Redberry Retail Sdn. Bhd.	Malaysia 30.5.1996	RM3,600,000	70.0	Provision of digital advertising
Digital Showcase Sdn. Bhd. (“Digital Showcase”)	Malaysia 1.4.2017	RM1,000	95.0	Investment holding
<u>Subsidiaries of Digital Showcase</u>				
Redberry Ambient Sdn. Bhd.	Malaysia 17.8.2007	RM4,483,800	70.2	Provision of digital and cinema advertising
Redberry Media Sdn. Bhd.	Malaysia 25.9.2007	RM100,000	46.6*	Provision of media related services
Redberry Outdoors Sdn. Bhd.	Malaysia 22.8.2007	RM5,499,842	85.5	Provision of outdoor and transit advertising
Redberry Advertising Sdn. Bhd.	Malaysia 25.8.2008	RM2,500,000	95.0	Provision of digital advertising
Ten Plus Resources Sdn. Bhd.	Malaysia 10.12.2013	RM100,000	85.5	Dormant
<u>Subsidiaries of Redberry</u>				
Redberry Events Sdn. Bhd.	Malaysia 7.8.2007	RM10,000	90.0	Dormant
Hikmat Ikhlas Sdn. Bhd.	Malaysia 28.10.1996	RM1,000,000	35.0*	Dormant
Redberry Solutions Sdn. Bhd.	Malaysia 6.9.2012	RM1,283,000	51.0	Dormant
<u>Subsidiaries of Ancom Properties</u>				
Syarikat Wandeerfull Sdn. Bhd. (“Wandeerfull”)	Malaysia 28.3.1981	RM12,000,000	100.0	Investment holding, dealing in and subletting of properties

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

Name of company	Place/ Date of incorporation	Share capital	Effective equity interest (%)	Principal activities
<u>Subsidiaries of Wandeerfull</u>				
Wandeerfull Industries Sdn. Bhd.	Malaysia 16.6.1984	RM1,268,500	100.0	Property investment
Syarikat Wandeerfull (Kg Attap) Sdn. Bhd.	Malaysia 8.6.2016	RM2	100.0	Property investment
<u>Subsidiaries of Ancom Power Solutions</u>				
Ancom Energy & Services Sdn. Bhd.	Malaysia 15.1.1991	RM42,065,000	100.0	Marketing of low voltage switchgear
<u>Subsidiaries of Nylex</u>				
Please refer to Section 5, Appendix II of this Circular for the details of the subsidiaries of Nylex.				
<u>Subsidiaries of ALB</u>				
Synergy Trans-Link Sdn. Bhd.	Malaysia 22.3.2003	RM31,000,000	34.0*	Investment holding
Ancom-Chemquest Terminals Sdn. Bhd.	Malaysia 9.9.1995	RM12,000,000	17.3*	Build, own, operate, lease and manage chemical tank farm and warehouse
Pengangkutan Cogent Sdn. Bhd.	Malaysia 29.10.1996	RM1,000,000	34.0*	Providing transportation and related services
<u>Subsidiary of Entohealth</u>				
Pureplay Interactive Sdn. Bhd.	Malaysia 1.4.2008	RM100	100.0	Digital marketing, providing web software and consulting services related to information technology
<u>Subsidiaries of Genovasi Malaysia</u>				
Genovasi Malaysia DT Sdn. Bhd.	Malaysia 16.7.2019	RM1	60.0	Dormant
Genovasi University College Sdn. Bhd.	Malaysia 4.11.2019	RM100	60.0	Dormant
<u>Associates (Direct and Indirect)</u>				
iSpring Capital Sdn. Bhd.	Malaysia 11.5.2000	RM2,769,850	42.0	Dormant
Jirnexu Pte. Ltd.	Singapore 23.6.2015	S\$1,195,640	22.4	Investment holding

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

Name of company	Place/ Date of incorporation	Share capital	Effective equity interest (%)	Principal activities
MSTi Corporation Sdn. Bhd.	Malaysia 6.4.1982	RM10,600,000	20.0	Trading of computer hardware and software and rendering of IT related consultancy services
Tamco Chongqing Switchgear Company Limited	China 10.5.1999	RMB16,600,000	16.6	Under voluntary liquidation
ActMedia (M) Sdn. Bhd.	Malaysia 4.4.2006	RM10,600,000	30.0	Advertising media design and production
Puncak Berlian Sdn. Bhd.	Malaysia 18.3.2013	RM17,125,105	30.0	Investment holding
DJ Money Matters Sdn. Bhd.	Malaysia 4.5.2020	RM2,000,000	37.6	Money lending business
Advanced Technology Studies Centre Sdn. Bhd.	Malaysia 20.6.2002	RM10,002	32.4	Promoting knowledge and skills development in IT
One Chem Terminal Sdn. Bhd.	Malaysia 18.5.2016	RM1,000,000	20.1	To operate, lease and manage chemical tank farm and warehouse
PT Myindo Acqua Pura	Indonesia 15.1.2020	IDR2,500,000,000	15.1	Development of water treatment and waste treatment
Jasa Rimbun Sdn. Bhd.	Malaysia 22.9.2020	RM10,000	25.1	Marketing and distribution of industrial chemical.
<u>Joint venture companies</u>				
Senandung Sonik Sdn. Bhd.	Malaysia 22.12.2009	RM500,000	24.5	Holder of radio license
TeaFM Radio Sdn. Bhd.	Malaysia 26.2.2015	RM1,000,000	14.7	Internet radio broadcasting

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

Note:

- * *The Ancom Group considers that it controls these subsidiaries even though it owns less than 50% of voting rights. This is because the Ancom Group is the single largest shareholder of these companies. Since the date of acquisition of these subsidiaries, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Ancom Group.*
- # *The financial statements of Nylex were consolidated as a subsidiary of the Ancom Group as the Ancom Group has control over the Board of Nylex.*
- ^ *The financial statements of ALB were consolidated as a subsidiary as the Ancom Group has power to govern the financial and operating policies of ALB under a statute or an agreement.*

6. ASSETS OWNED

Based on the latest audited consolidated financial statements of Ancom for the FYE 31 May 2021, the Ancom Group's total assets stood at approximately RM1,068.3 million, which comprise the following:

Type of assets	Audited NBV as at 31 May 2021
	(RM'000)
Property, plant and equipment	189,690
Right-of-use assets	110,150
Intangible assets	5,778
Goodwill arising on consolidation	70,112
Deferred tax assets and current tax assets	31,253
Inventories	175,024
Trade and other receivables	355,233
Cash, bank balances and short-term deposits with licensed banks	105,803
Investment in associates and amounts owing by associates	14,826
Others ⁽¹⁾	10,440
Total	1,068,309

Note:

- (1) *Include investment properties, other investments and assets held for sale.*

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

7. HISTORICAL FINANCIAL INFORMATION OF THE ANCOM GROUP

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

	FYE 31 May		
	2019	2020	2021
	Audited	Audited	Audited
	(RM'000)	(RM'000)	(RM'000)
Revenue	1,986,891	1,472,285	1,538,476
PBT/(LBT)	21,479	(832)	50,977
Net profit/(loss) attributable to owners of the company	15,132	(9,696)	23,753
Weighted average no. of Ancom Shares in issue ('000)	234,814	225,184	238,352
Adjusted weighted average no. of Ancom Shares in issue ('000)	234,814	225,184	276,313
Earnings/(Loss) per Ancom Share (sen)			
- Basic ⁽¹⁾	6.44	(4.31)	9.97
- Diluted ⁽²⁾	6.44	(4.31)	8.60
Share capital	245,766	245,766	256,043
Total equity	454,905	423,561	482,396
Equity attributable to owners of the company	315,462	311,707	362,199
No. of Ancom Shares in issue ⁽³⁾ ('000)	230,961	222,366	242,616
NA per Ancom Share (RM) ⁽⁴⁾	1.37	1.40	1.49
Total borrowings	368,808	322,068	300,796
Current ratio ⁽⁵⁾	1.17	1.21	1.32
Gearing (times) ⁽⁶⁾	1.17	1.03	0.83

Notes:

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

FYE 31 May 2021 compared to FYE 31 May 2020

The Ancom Group's revenue increased by 4.5% to RM1.54 billion for the FYE 31 May 2021 (FYE 31 May 2020: RM1.47 billion) due to the higher contribution from the agricultural chemical and industrial chemicals divisions of the Ancom Group as a result of recovery in the overseas markets in FYE 31 May 2021 following the extreme weather phenomena in the previous financial year. In line with the increase in revenue, the Ancom Group recorded a PBT of RM51.0 million for the FYE 31 May 2021 (FYE 31 May 2020: LBT of RM0.8 million).

FYE 31 May 2020 compared to FYE 31 May 2019

The Ancom Group's revenue decreased by 25.9% to RM1.47 billion for the FYE 31 May 2020 (FYE 31 May 2019: RM1.99 billion) due to the significantly lower contribution from its industrial chemicals division as a result of suppressed demand and lower product prices. Ancom Group's operating activities, particularly industrial chemicals division in 2020 was adversely affected by several factors including the lock-down of countries 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. For the agricultural division of Ancom Group, the drop in revenue was due to the negative impact from the adverse weather as well as the COVID-19 pandemic in 2020.

As a result of the above factors, the Ancom Group's incurred a LBT of RM0.8 million for the FYE 31 May 2020, a significant decrease from the previous year (FYE 31 May 2019: PBT of RM21.5 million).

FYE 31 May 2019 compared to FYE 31 May 2018

The Ancom Group's revenue increased marginally by 1.6% to RM1.99 billion for the FYE 31 May 2019 (FYE 31 May 2018: RM1.95 billion) due to the higher revenue contribution from its industrial chemical division. The increase in contribution from the industrial chemical division was offset by the decrease in revenue from the agricultural chemical division due to the lower revenue contribution from the trading business.

Due to several adverse factors in 2019 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), weaker demand from the distribution arm of the industrial chemical division, the PBT contribution from the industrial chemicals division decreased significantly by 77.1% to RM5.7 million for the FYE 31 May 2019. However, the decrease in the PBT contribution from the industrial chemical division was partially offset by the increase in the PBT from its agricultural chemical division by 12.1% to RM47.1 million. As a result, the PBT of the Ancom Group for the FYE 31 May 2019 decreased significantly by 54.3% to RM21.5 million for the FYE 31 May 2019 (FYE 31 May 2018: RM47.0 million).

7.1 Accounting policies and audit qualification

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

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

APPENDIX III – INFORMATION ON ANCOM (Cont'd)

8. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**8.1. Material commitments**

Save as disclosed below, as at the LPD, the directors of Ancom are not aware of any material commitments incurred or known to be incurred by the Ancom Group which may have a material impact on the profits and/or NA of the Ancom Group:

Capital commitments	RM'000
In respect of purchase of property, plant and equipment:	
• Approved and contracted for	28,867
• Approved but not contracted for	31,104
	59,971

8.2. Contingent liabilities

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

9. MATERIAL CONTRACTS

Save for the Sale of Business Agreement as well as the material contracts as disclosed as below, the Ancom 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:

- (a) sale and purchase agreement dated 19 January 2021 entered into between Syarikat Wandeerfull (Kg Attap) Sdn. Bhd. and Pudu Ria Florist Trading Sdn. Bhd. in respect of the sale and purchase of a parcel of land held under issue document of title Pajakan Negeri 49034, Lot 285, Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL measuring approximately 1,892 square metres in area, together with a single storey detached factory annexed with a three storey office building erected thereon bearing the postal address of no. 41, Jalan 5, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur for purchase consideration of RM8,000,000. The sale and purchase transaction has yet to be completed as at the LPD;
- (b) offer to purchase agreement dated 1 September 2020 entered into between ALB, S7 Holdings Sdn. Bhd. ("**S7**") for the acquisition of 76.38% equity interest in S5 Holdings Inc. by ALB from S7; and
- (c) head of agreement dated 16 July 2020 entered into between Ancom, ALB, S7, Merrington Assets Limited, MY E.G. Capital Sdn. Bhd. and Avocat Sdn. Bhd. for acquisition of a new business by ALB and disposal of ALB's existing core business to Nylex, as part of ALB's group restructuring exercise.

10. MATERIAL LITIGATION

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

(i) High Court of Malaya at Kuala Lumpur Suit No. WA-22NCVC-87-02/2018

On 12 February 2018, Ancom Crop Care Sdn. Bhd. and Hamshi Plantation Sdn. Bhd. initiated a legal action at the High Court of Malaya at Kuala Lumpur as plaintiffs against Logix World (M) Sdn. Bhd. and Citra Semerbak Sdn. Bhd. as defendants to claim against and to hold defendants to be held jointly and severally liable for a principal sum of RM2,702,500, being the unpaid amount for goods sold and delivered by the plaintiffs to the defendants, and interest at the rate of 12.0% per annum from 24 October 2017 until full and final settlement.

On 21 May 2019, the plaintiffs filed the Substantive Application for Contempt against the directors of Logix World (M) Sdn. Bhd.. The court had on 13 July 2020 found the directors of Logix World (M) Sdn. Bhd. guilty of contempt and that the plaintiffs have proven their case against the aforesaid directors for interference with the administration of justice beyond reasonable doubt. The parties are in the midst of obtaining further direction from the court on fixing the date for mitigation and possibly sentencing and also any arguments on the issue of costs. The court has fixed the date for sentencing of the aforementioned contempt committed by the directors of Logix World (M) Sdn. Bhd. on 15 October 2021.

Full trials for the matter are ongoing and the parties are obtaining further directions from the court on the next trial dates. The solicitors for the plaintiffs are of the opinion that they can only evaluate the likelihood of the outcome of the case and the approximate amount which may be granted by the court after the evidence has been presented in the court later. The matter is not expected to have a material impact on the earnings, NA and gearing of the Ancom Group as the principal sum of RM2,702,500 has been fully provided and accounted for in prior years.

(ii) High Court of Malaya at Shah Alam Company Winding Up Petition No. BA-28NCC-7-01/2021

On 13 July 2020, Mobileads Marketing Sdn. Bhd. (“**MMSB**”) issued a statutory notice of demand to Redberry Outdoors Sdn. Bhd. (“**ROSB**”) pursuant to Section 465 and 466 of the Act in respect of an amount of RM111,510 owing by ROSB to MMSB for the outdoor transit advertising services provided by MMSB to ROSB. On 18 January 2021, MMSB filed a winding up petition against ROSB at the High Court of Malaya at Shah Alam for failure to pay the afore-mentioned amount.

ROSB did not contest again the winding up petition filed by MMSB and accordingly on 13 July 2021, MMSB obtained a winding-up order from the High Court of Malaya at Shah Alam against ROSB that:

- (a) ROSB be wound up by the court under the provisions of the Act;
- (b) the Official Receiver of Malaysia be appointed as liquidator of ROSB; and
- (c) the costs of RM5,000 of the winding-up petition subject to allocator fee to be paid out of the assets of ROSB.

As at the LPD, ROSB is in the process of liquidation. The matter is not expected to have a material impact on the earnings, NA and gearing of the Ancom Group.

(iii) **High Court of Malaya at Shah Alam Company Winding Up Petition No. BA-28NCC-292-05/2021**

On 18 February 2021, Prasarana Integrated Development Sdn. Bhd. (“**PIDSB**”) obtained a judgment in default from the High Court of Malaya against ROSB on 17 March 2021 in relation to an amount of RM3,766,250 payable by ROSB to PIDSB under a licence agreement dated 17 December 2020 entered into between PIDSB and ROSB, pursuant to which ROSB is ordered to pay the following to PIDSB:

- (a) the amount of RM3,766,250 and late payment penalty of RM1,859,795 calculated based on the rate of 8.0% per annum as at 31 January 2021;
- (b) late payment penalty charges upon the amount of RM3,766,250 calculated at a rate of 8.0% per annum from 31 January 2021 up to full settlement of such amount;
- (c) costs of bus repair expenses in the sum of RM86,521;
- (d) management fee for the bus repair at the rate of 10.0% upon the sum of RM86,521;
- (e) costs of action in the sum of RM1,597; and
- (f) any other reliefs as the court deems fair or reasonable.

On 3 May 2021, PIDSB issued a statutory notice of demand to ROSB pursuant to Section 465 and 466 of the Act in respect of the afore-mentioned judgement sum. On 28 May 2021, PIDSB filed a winding up petition against ROSB at the High Court of Malaya at Shah Alam for failure to pay the afore-mentioned judgement sum.

Ancom does not intend to contest against the winding up petition filed by PIDSB. The matter is not expected to have a material impact on the earnings, NA and gearing of the Ancom Group.

APPENDIX IV – REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021



Tel: +603 2616 2888
Fax: +603 2616 3190 / 2616 3191
www.bdo.my

Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Malaysia

The Board of Directors
Nylex (Malaysia) Berhad
Lot 16, Persiaran Selangor
Section 15
40200 Shah Alam
Selangor

Date: 1 October 2021

Dear Sirs

**NYLEX (MALAYSIA) BERHAD (“NYLEX” OR “THE COMPANY”) AND ITS SUBSIDIARIES
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION OF NYLEX AND ITS SUBSIDIARIES (“NYLEX GROUP” OR “THE GROUP”) AS AT 31
MAY 2021**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 May 2021 and its related notes prepared by the Board of Directors of Nylex.

The Pro Forma Consolidated Statements of Financial Position of the Group and its related notes as at 31 May 2021, as set out in Appendix I for which we have stamped for the purpose of identification, have been compiled by the Board of Directors of the Company for inclusion in the Circular to Shareholders (“Circular”) in connection with the proposed disposal of all the assets and liabilities of Nylex to Ancom Berhad (“Ancom”) for a total consideration of RM179,287,212 (“Proposed Disposal”) and proposed distribution of the proceeds from the Proposed Disposal amounting to RM164,287,212 to all the entitled shareholders of Nylex by way of a capital reduction and repayment exercise pursuant to Section 116 of the Companies Act 2016 (“Proposed Distribution”) (collectively known as “Proposals”).

The applicable criteria on the basis of which the Board of Directors of Nylex have compiled the Pro Forma Consolidated Statements of Financial Position of the Group are described in the notes to the Pro Forma Consolidated Statements of Financial Position of the Group in Appendix I.

The Pro Forma Consolidated Statements of Financial Position of the Group have been compiled by the Board of Directors of Nylex, for illustrative purposes only, to show the effects of the Proposals on the audited consolidated statements of financial position of the Group as at 31 May 2021 as if the Proposals had been effected at that date. As part of this process, information about the consolidated statements of financial position of the Group has been extracted by the Board of Directors of Nylex from the audited consolidated financial statements of the Group for the financial year ended 31 May 2021, of which an audit report has been issued.

Directors’ Responsibilities for the Pro Forma Consolidated Statements of Financial Position of the Group

The Board of Directors of Nylex are responsible for compiling the Pro Forma Consolidated Statements of Financial Position of the Group on the basis set out in the notes to the Pro Forma Consolidated Statements of Financial Position of the Group in Appendix I.

Our Independence and Quality Control

We are independent of the Group 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.

BDO PLT (LLP0018825-LCA & AF 0206), Chartered Accountants, a Limited Liability Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



**NYLEX (MALAYSIA) BERHAD (“NYLEX” OR “THE COMPANY”) AND ITS SUBSIDIARIES
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION OF NYLEX AND ITS SUBSIDIARIES (“NYLEX GROUP” OR “THE GROUP”) AS AT 31
May 2021(continued)**

Our Independence and Quality Control (continued)

The firm applies International Standard on Quality Control (“ISQC”) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position of the Group have been compiled, in all material respects, by the Board of Directors of Nylex on the basis described in the notes to the Pro Forma Consolidated Statements of Financial Position of the Group in Appendix I.

We conducted our engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3420 *Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of Nylex has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position of the Group on the basis set out in the notes to the Pro Forma Consolidated Statements of Financial Position of the Group in Appendix I. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinion were addressed by us at the date of its issue.

For the purposes of this engagement, we are not responsible for updating or reissuing any report or opinion on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position of the Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position of the Group.

The purpose of Pro Forma Consolidated Statements of Financial Position of the Group included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 31 May 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position of the Group have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of Nylex in the compilation of the Pro Forma Consolidated Statements of Financial Position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position of the Group reflect the proper application of those adjustments to the unadjusted consolidated financial information.



**NYLEX (MALAYSIA) BERHAD (“NYLEX” OR “THE COMPANY”) AND ITS SUBSIDIARIES
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION OF NYLEX AND ITS SUBSIDIARIES (“NYLEX GROUP” OR “THE GROUP”) AS AT 31
May 2021 (continued)**

Reporting Accountants' Responsibilities (continued)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position of the Group has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position of the Group.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position of the Group has been compiled, in all material respects, on the basis set out in the notes to the Pro Forma Consolidated Statements of Financial Position.

Other Matter

This report is issued for the sole purpose of inclusion in the Circular to be dated at a specified date in connection with the Proposals. It is not to be reproduced, or used or relied upon or circulated, quoted or otherwise referred to for any other purposes, including but not limited to the sale and purchase of securities, nor is it to be filed with or referred to in whole or in part in the Circular or any other document without our prior written consent. We accept no duty of responsibility and deny any liability to any party in respect of any use of, or reliance upon this report, other than for the purposes of the Proposals.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants
Kuala Lumpur

Lum Chiew Mun
03039/04/2023 J
Chartered Accountant

APPENDIX IV – REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021 (Cont'd)

Appendix I

**NYLEX (MALAYSIA) BERHAD (“NYLEX” OR “THE COMPANY”)
Pro forma Consolidated Statements of Financial Position as at 31 May 2021**

The Pro Forma Consolidated Statements of Financial Position of Nylex and its subsidiaries (“Nylex Group” or “the Group”) as at 31 May 2021 set out below is provided for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 31 May 2021 had the events as disclosed in the notes to the Pro Forma Consolidated Statements of Financial Position of the Group been effected on that date, and should be read in conjunction with the accompanying notes.

	Note	Audited as at 31.5.2021 RM'000	Pro forma Proposed Disposal and Distribution RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		115,357	-
Right-of-use assets		59,053	-
Investment in associates		2,991	-
Goodwill arising on consolidation		82,820	-
Deferred tax assets		24,255	-
		284,476	-
Current assets			
Inventories		122,148	-
Trade and other receivables		224,265	-
Investment securities		840	-
Income tax recoverable		4,124	941
Short term deposits with licenced banks		14,719	-
Cash and bank balances	4	79,532	12,500
		445,628	13,441
TOTAL ASSETS		730,104	13,441



APPENDIX IV – REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021 (Cont'd)

Appendix I

**NYLEX (MALAYSIA) BERHAD (“NYLEX” OR “THE COMPANY”)
Pro forma Consolidated Statements of Financial Position as at 31 May 2021 (continued)**

The Pro Forma Consolidated Statements of Financial Position of Nylex and its subsidiaries (“Nylex Group” or “the Group”) as at 31 May 2021 set out below is provided for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 31 May 2021 had the events as disclosed in the notes to the Pro Forma Consolidated Statements of Financial Position of the Group been effected on that date, and should be read in conjunction with the accompanying notes. (continued)

	Note	Audited as at 31.5.2021 RM'000	Pro forma Proposed Disposal and Distribution RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	5	195,143	30,856
Treasury shares	5	(10,011)	(10,011)
Exchange translation reserve	5	17,322	-
Retained earnings	5	110,769	⁽¹⁾ (7,404)
		313,223	13,441
Non-controlling interests	5	9,563	-
TOTAL EQUITY	5	322,786	13,441
LIABILITIES			
Non-current liabilities			
Borrowings		26,837	-
Lease liabilities		21,145	-
Provision for retirement benefits		4,679	-
Deferred tax liabilities		2,602	-
		55,263	-



APPENDIX IV – REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021 (Cont'd)

Appendix I

**NYLEX (MALAYSIA) BERHAD (“NYLEX” OR “THE COMPANY”)
Pro forma Consolidated Statements of Financial Position as at 31 May 2021 (continued)**

The Pro Forma Consolidated Statements of Financial Position of Nylex and its subsidiaries (“Nylex Group” or “the Group”) as at 31 May 2021 set out below is provided for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 31 May 2021 had the events as disclosed in the notes to the Pro Forma Consolidated Statements of Financial Position of the Group been effected on that date, and should be read in conjunction with the accompanying notes. (continued)

	Audited as at 31.5.2021 RM'000	Pro forma Proposed Disposal and Distribution RM'000
Current Liabilities		
Trade and other payables	150,551	-
Borrowings	186,717	-
Lease liabilities	13,323	-
Income tax payable	1,464	-
	352,055	-
TOTAL LIABILITIES	407,318	-
TOTAL EQUITY AND LIABILITIES	730,104	13,441
Number of ordinary shares in issue ('000)	194,338	194,338
Number of ordinary shares in issue (excluding treasury shares) ('000)	179,287	179,287
Net Assets per share (RM) ⁽²⁾	1.75	0.07
Total borrowings (RM'000)	213,554	-
Gearing (times) ⁽³⁾	0.68	-

(1) Inclusive of the estimated expenses relating to the Proposals of approximately RM2,500,000.

(2) Computed based on equity attributable to owners of the parent divided by the number of ordinary shares (excluding treasury shares) in issue.

(3) Computed based on total borrowings divided by the NA attributable to the owners of the Company.



NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2021

1. The Proposals

The Board of Directors of Nylex (Malaysia) Berhad ("Nylex") has decided to undertake the proposed disposal of the entire business and undertaking including all the assets and liabilities of Nylex ("Nylex Business") to Ancom Berhad ("Ancom") ("Proposed Disposal") and the proposed distribution of the proceeds from the Proposed Disposal amounting to RM164,287,212 to all the entitled shareholders of Nylex by way of a capital reduction and repayment exercise pursuant to Section 116 of the Companies Act 2016 ("Proposed Distribution") ("Proposed Disposal" and "Proposed Distribution" are collectively known as "Proposals"), in accordance with the terms of the sale of business agreement dated 29 July 2021 entered into by Nylex, Ancom and Nylex Holdings Sdn Bhd in respect of the Proposed Disposal ("Sale of Business Agreement") and subject to, among others, the approvals of the non-interested shareholders of Nylex and the relevant regulatory authorities, where required.

Pursuant to the Sale of Business Agreement, the Proposals shall be implemented in the following sequence:

(a) Proposed Disposal

The Proposed Disposal entails the disposal by Nylex of Nylex Business for a total consideration of RM179,287,212 ("Disposal Consideration"), which was arrived at after taking into consideration, among others, the deemed offer price per ordinary share of Nylex ("Nylex Share") of RM1.00 multiply by number of Nylex Shares in issue (excluding treasury shares) of 179,287,212 Nylex Shares.

Subject to the requisite approvals being obtained, the Disposal Consideration will be satisfied by Ancom, and such amount shall be applied by Nylex, in the following manner:

- (a) RM15,000,000 shall be payable to Nylex and to be retained by Nylex in cash on the completion date of the Proposed Disposal ("Completion");
- (b) RM164,287,212 shall be payable by Ancom to Nylex on Completion and thereafter distributed by Nylex to the shareholders of Nylex whose names appear on the Record of Depositors of Nylex as at an entitlement date to be determined by the Board of Directors of Nylex ("Entitlement Date") ("Distribution Amount") 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 as at the Entitlement Date:
 - (i) RM35,000,000 shall be distributed in cash by Nylex to all the entitled shareholders of Nylex (except for the Interested Shareholders) whose names appear on the Record of Depositors of Nylex as at the Entitlement Date ("Nylex MI"); and



APPENDIX IV – REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021 (Cont'd)

Appendix I

- (ii) RM46,694,262 shall be distributed in the form of 31,129,508 new ordinary shares in Ancom (“Consideration Shares”), which shall be issued directly by Ancom to the Nylex MI at an issue price of RM1.50 per Consideration Share,

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; and

- (iii) RM82,592,950 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 defined in the Circular),

following which, effectively, the amount which Ancom will be required to pay to Nylex for the purchase of the Nylex Business shall be RM96,694,262.

(b) Proposed Distribution

Subject to completion of the Proposed Disposal and Nylex having obtained all requisite approvals, in particular the order of the High Court of Malaya confirming the Proposed Distribution, Nylex will implement the Proposed Distribution by distributing the Distribution Amount of RM164,287,212 to the Nylex MI in accordance with Section 1(a)(b) above.

2. Basis of Preparation

The Pro Forma Consolidated Statements of Financial Position of the Group, for which the Board of Directors of Nylex is solely responsible, were prepared for illustrative purposes only to show the effects of the Proposals on the audited consolidated statements of financial position of the Group as at 31 May 2021 on the assumption that the Proposals was effected on 31 May 2021, and should be read in conjunction with the notes in this section.

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 May 2021 together with the notes have been prepared based on the Audited Consolidated Financial Statements of the Group as at 31 May 2021 prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group for its Audited Consolidated Financial Statements for the financial year ended 31 May 2021.

The Pro Forma Consolidated Statements of Financial Position of the Group, because of its nature, may not be reflective of the Group's actual financial position. Furthermore, such information does not purport to predict the Group's future financial position.



APPENDIX IV – REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021 (Cont'd)

Appendix I

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2021 (CONTINUED)

3. Effects on the Pro Forma Consolidated Statements of Financial Position

Pro forma is arrived after incorporating the effects of the following:

- (a) Proposed Disposal, estimated tax expenses in relation to the disposal of Nylex land, reversal of deferred tax assets and estimated expenses relating to the Proposals, which would result in a pro forma net loss on Proposed Disposal of approximately RM118.2 million as follows:

The Group	RM'000
Disposal Consideration	179,287
Less:	
De-recognition of the net assets of the Nylex Group*	(294,960)
Estimated expenses relating to the Proposals	(2,500)
Pro forma net loss on Proposed Disposal	(118,173)

* Consolidated net assets of Nylex Group as at 31 May 2021 after consolidation adjustments.

- (b) Proposed distribution of a Distribution Amount of RM164,287,212 to its entitled shareholders by way of capital reduction and repayment exercises pursuant to Section 116 of the Companies Act 2016.



APPENDIX IV – REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021 (Cont'd)

Appendix I

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2021 (CONTINUED)

4. Cash and Bank Balances

The movements in cash and bank balances as at 31 May 2021 are as follows:

	RM'000
Cash and bank balances as at 31 May 2021	79,532
Adjustments for the Proposals:	
- Proposed Disposal	(79,532)
- Retained Cash which is payable to Nylex by Ancom and to be retained by Nylex in cash	15,000
- Payment of estimated expenses relating to the Proposals	(2,500)
Pro Forma	12,500



APPENDIX IV – REPORTING ACCOUNTANTS’ REPORT ON THE PRO FOMCONSOLIDATEDSTATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021 (Cont’d)

Appendix I

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2021 (CONTINUED)

5. Share Capital, Reserves and Retained Earnings

The movements in share capital, reserves and retained earnings as at 31 May 2021 are as follows:

	Share capital RM'000	Treasury shares RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Audited as at 31 May 2021	195,143	(10,011)	17,322	110,769	313,223	9,563	322,786
Proposed Disposal	-	-	(17,322)	(118,173)	(135,495)	(9,563)	(145,058)
Proposed Distribution	(164,287)	-	-	-	(164,287)	-	(164,287)
Pro Forma	30,856	(10,011)	-	(7,404)	13,441	-	13,441

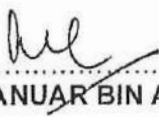


APPENDIX IV – REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MAY 2021 (Cont'd)

Appendix I

APPROVAL BY BOARD OF DIRECTORS OF NYLEX (MALAYSIA) BERHAD ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MAY 2021 IN CONNECTION WITH THE PROPOSALS

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 May 2021 as attached in Appendix I were approved and adopted by the Board of Directors of Nylex (Malaysia) Berhad in accordance with a Board of Directors Written Resolution dated **01 OCT 2021**



.....
DATUK ANUAR BIN AHMAD
Director



.....
DATO' SIEW KA WEI
Director

**APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR
THE FYE 31 MAY 2021**

Registration No:
197001000148 (9378 - T)

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

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

**APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR
THE FYE 31 MAY 2021 (Cont'd)**

Registration No:
197001000148 (9378 - T)

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

<u>CONTENTS</u>	<u>PAGE</u>
CORPORATE INFORMATION	i
DIRECTORS' REPORT	1 - 6
STATEMENT BY DIRECTORS	7
STATUTORY DECLARATION	7
INDEPENDENT AUDITORS' REPORT	8 - 14
STATEMENTS OF PROFIT OR LOSS	15
STATEMENTS OF COMPREHENSIVE INCOME	16
STATEMENTS OF FINANCIAL POSITION	17 - 18
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	19 - 20
COMPANY STATEMENT OF CHANGES IN EQUITY	21
STATEMENTS OF CASH FLOWS	22 - 24
NOTES TO THE FINANCIAL STATEMENTS	25 - 82

Registration No:
197001000148 (9378 - T)

i

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

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

1

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	18,753	6,716
Attributable to:		
Owners of the parent	18,923	6,716
Non-controlling interests	(170)	-
	18,753	6,716

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.

Registration No:
197001000148 (9378 - T)

2

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

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

3

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 31.5.2021
	Balance as at 1.6.2020	Share Dividend	Transferred	Acquired	Disposed	
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

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

4

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.

Registration No:
197001000148 (9378 - T)

5

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.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

6

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

Registration No:
197001000148 (9378 - T)


7


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



SUITE 9.03, TINGKAT 9
MENARA RAJA LAUT
NO. 288 JALAN RAJA LAUT
50350 KUALA LUMPUR

Registration No:
197001000148 (9378 - T)

8



Tel : +603 2616 2888
Fax : +603 2616 3190 / 3191
www.bdo.my

Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Malaysia

**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.

Registration No:
197001000148 (9378 - T)

9



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

Key Audit Matters (continued)

1. *Impairment assessment of the carrying amount of goodwill*

The carrying amount of goodwill arising on consolidation as at 31 May 2021 amounted to RM82,820,000 as disclosed in Note 15 to the financial statements.

We determined this to be a key audit matter because it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the cash generating units ("CGU") in determining the recoverable amount. These key assumptions include projected growth in future revenues and profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Audit response

Our audit procedures performed include the following:

- a. Compared cash flow projections against recent performance and historical accuracy of budgets/forecasts and assessed the assumptions used in projections to available sources of data, where applicable;
- b. Evaluated the reasonableness of projected profit margins and growth rates by assessing evidence available to support these assumptions;
- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing to the market data, weighted average cost of capital of the Group and relevant risk factors; and
- d. Assessed and evaluated sensitivity analysis performed by management on the cash flow projections to evaluate the impact on the impairment assessment.

2. *Recoverability of trade receivables*

As at 31 May 2021, the Group had trade receivables of RM176,344,000 as disclosed in Note 18 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

Registration No:
197001000148 (9378 - T)

10



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

Key Audit Matters (continued)

2. Recoverability of trade receivables (continued)

Audit response

Our audit procedures performed include the following:

- a. Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- b. Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and
- c. Inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

3. Impairment assessment of the carrying amounts of investments in subsidiaries

As at 31 May 2021, the Company had cost of investments in subsidiaries amounted to RM157,502,000, as disclosed in Note 13 to the financial statements.

Management performed impairment assessments of certain investments in subsidiaries which had impairment indicators. This is an area of focus as the recoverable amount of the investments in subsidiaries are determined based on discounted future cash flows projections, which require judgement on the part of management estimation of the future financial performance and key assumptions used, in particular profit margins, growth rates and pre-tax discount rate.

Audit response

Our audit procedures performed include the following:

- a. Compared cash flow projections against recent performance and historical accuracy of budgets/forecasts and assessed the key assumptions used in projections;
- b. Evaluated the reasonableness of projected profit margins and growth rates by assessing evidence available to support these assumptions;

Registration No:
197001000148 (9378 - T)

11



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

Key Audit Matters (continued)

3. *Impairment assessment of the carrying amounts of investments in subsidiaries (continued)*

Audit response (continued)

Our audit procedures performed include the following (continued):

- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing the market data and weighted average cost of capital of the Company; and
- d. Assessed and evaluated sensitivity analysis performed by management on the cash flow projections to evaluate the impact on the impairment assessment.

4. *Impairment assessment of the amounts due from subsidiaries*

As at 31 May 2021, the Company had amounts due from subsidiaries of the Company amounted to RM48,101,000, as disclosed in Note 18 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by subsidiaries, appropriate forward looking information and significant increase in credit risk.

Audit response

Our audit procedures performed include the following:

- a. Assessed probability of default using historical data and forward looking adjustments applied by the Company;
- b. Assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages;
- c. Evaluated basis used by management in determining cash flows recoverable, where applicable; and
- d. Assessed actual lost event subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

Registration No:
197001000148 (9378 - T)

12



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

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Registration No:
197001000148 (9378 - T)

13



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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Registration No:
197001000148 (9378 - T)

14



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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 13 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink that reads 'BDO PLT'.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

27 August 2021
Kuala Lumpur

A handwritten signature in black ink that reads 'Lum Chiew Mun'.

Lum Chiew Mun
03039/04/2023 J
Chartered Accountant

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

15

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	3	1,151,677	1,136,305	47,340	42,232
Cost of sales	3	<u>(1,026,698)</u>	<u>(1,034,761)</u>	<u>(41,021)</u>	<u>(37,669)</u>
Gross profit		124,979	101,544	6,319	4,563
Other income	4	2,569	3,719	18,759	21,007
Selling and distribution expenses		(57,949)	(60,157)	(5,170)	(4,958)
Administrative expenses		(33,911)	(39,149)	(7,260)	(10,508)
Other expenses		(2,017)	(13,505)	(1,528)	(24,390)
Write-back/(Impairment loss) on receivables		250	339	(14)	(839)
Profit/(Loss) from operations		33,921	(7,209)	11,106	(15,125)
Finance costs	5	(7,919)	(11,867)	(2,083)	(2,528)
Share of results of associates, net of tax		390	136	-	-
Profit/(Loss) before tax		26,392	(18,940)	9,023	(17,653)
Taxation	8	<u>(7,639)</u>	<u>(6,765)</u>	<u>(2,307)</u>	<u>(2,257)</u>
Net profit/(loss) for the year		<u>18,753</u>	<u>(25,705)</u>	<u>6,716</u>	<u>(19,910)</u>
Net profit/(loss) attributable to:					
Owners of the parent		18,923	(23,207)	6,716	(19,910)
Non-controlling interests		<u>(170)</u>	<u>(2,498)</u>	-	-
		<u>18,753</u>	<u>(25,705)</u>	<u>6,716</u>	<u>(19,910)</u>
Basic and diluted:					
Earnings/(Loss) per share (sen)	9	<u>10.7</u>	<u>(13.2)</u>		
Dividends per ordinary share (sen)	10	<u>1.7</u>	<u>1.0</u>		

The accompanying notes form an integral part of the financial statements.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

16

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit/(loss) for the year		18,753	(25,705)	6,716	(19,910)
Other comprehensive loss, net of tax Item to be reclassified subsequently to profit or loss					
Foreign currency translations		(3,850)	(3,733)	-	-
Item not to be reclassified subsequently to profit or loss					
Re-measurement of defined benefit liability	26	(22)	(58)	-	-
Total comprehensive income/(loss) for the year		<u>14,881</u>	<u>(29,496)</u>	<u>6,716</u>	<u>(19,910)</u>
Total comprehensive income/(loss) attributable to:					
Owners of the parent		15,419	(27,232)	6,716	(19,910)
Non-controlling interests		(538)	(2,264)	-	-
		<u>14,881</u>	<u>(29,496)</u>	<u>6,716</u>	<u>(19,910)</u>

The accompanying notes form an integral part of the financial statements.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

17

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	115,357	123,658	17,050	18,818
Right-of-use assets	12	59,053	48,734	11,070	11,111
Investments in subsidiaries	13	-	-	157,502	157,502
Investments in associates	14	2,991	2,361	400	400
Goodwill arising on consolidation	15	82,820	85,624	-	-
Deferred tax assets	16	24,255	25,854	20,861	22,261
		284,476	286,231	206,883	210,092
Current assets					
Inventories	17	122,148	87,947	7,572	9,746
Trade and other receivables	18	224,265	169,123	91,804	83,761
Investment securities	19	840	638	161	122
Income tax recoverable		4,124	3,050	941	590
Short-term deposits with licensed banks	20	14,719	16,943	-	-
Cash and bank balances	20	79,532	66,985	9,351	11,091
		445,628	344,686	109,829	105,310
TOTAL ASSETS		730,104	630,917	316,712	315,402

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

18

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2021 (continued)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent					
Share capital	21	195,143	195,143	195,143	195,143
Reserves	22	17,322	20,810	-	-
Retained earnings	23	110,769	94,767	68,537	64,726
Treasury shares, at cost	24	(10,011)	(12,916)	(10,011)	(12,916)
		313,223	297,804	253,669	246,953
Non-controlling interests		9,563	10,101	-	-
TOTAL EQUITY		322,786	307,905	253,669	246,953
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	16	2,602	2,695	-	-
Borrowings	25	26,837	34,767	-	-
Provision for retirement benefits	26	4,679	4,561	2,726	2,647
Lease liabilities	12	21,145	7,117	143	63
		55,263	49,140	2,869	2,710
Current liabilities					
Trade and other payables	27	150,551	80,507	14,654	15,223
Borrowings	25	186,717	175,798	45,400	50,400
Income tax payable		1,464	1,121	-	-
Derivative liabilities	28	-	8	-	-
Lease liabilities	12	13,323	16,438	120	116
		352,055	273,872	60,174	65,739
TOTAL LIABILITIES		407,318	323,012	63,043	68,449
TOTAL EQUITY AND LIABILITIES		730,104	630,917	316,712	315,402

The accompanying notes form an integral part of the financial statements.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

19

Registration No:
197001000148 (9378 - T)

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Attributable to owners of the parent				Total equity RM'000
	--- Non-distributable Share capital RM'000	Translation reserve RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	
Balance as at 1 June 2020	195,143	20,810	(12,916)	94,767	307,905
Net profit/(loss) for the year	-	-	-	18,923	18,753
Other comprehensive loss, net of tax	-	(3,488)	-	(16)	(3,872)
Total comprehensive (loss)/income for the year	-	(3,488)	-	18,907	14,881
Transactions with owners					
Dividends	-	-	2,905	(2,905)	-
Total transactions with owners	-	-	2,905	(2,905)	-
Balance as at 31 May 2021	195,143	17,322	(10,011)	110,769	322,786

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No: 197001000148 (9378 - T) 20

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)**

	Note	Attributable to owners of the parent					Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Non-distributable reserve RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total RM'000		
Balance as at 1 June 2019		195,143	24,805	(10,062)	119,753	329,639	11,216	340,855
Net loss for the year		-	-	-	(23,207)	(23,207)	(2,498)	(25,705)
Other comprehensive (loss)/income, net of tax		-	(3,995)	-	(30)	(4,025)	234	(3,791)
Total comprehensive loss for the year		-	(3,995)	-	(23,237)	(27,232)	(2,264)	(29,496)
Transactions with owners								
Dividends	10	-	-	-	(1,749)	(1,749)	-	(1,749)
Acquisition of a subsidiary	13(d)	-	-	-	-	-	1,149	1,149
Purchase of treasury shares	24	-	-	(2,854)	-	(2,854)	-	(2,854)
Total transactions with owners		-	-	(2,854)	(1,749)	(4,603)	1,149	(3,454)
Balance as at 31 May 2020		195,143	20,810	(12,916)	94,767	297,804	10,101	307,905

The accompanying notes form an integral part of the financial statements.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

21

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Note	Non-distributable Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Balance as at 1 June 2020		195,143	(12,916)	64,726	246,953
Net profit for the year		-	-	6,716	6,716
Total comprehensive income for the year		-	-	6,716	6,716
Transactions with owners					
Dividends	10	-	2,905	(2,905)	-
Total transactions with owners		-	2,905	(2,905)	-
Balance as at 31 May 2021		195,143	(10,011)	68,537	253,669
Balance as at 1 June 2019		195,143	(10,062)	86,385	271,466
Net loss for the year		-	-	(19,910)	(19,910)
Total comprehensive loss for the year		-	-	(19,910)	(19,910)
Transactions with owners					
Dividends	10	-	-	(1,749)	(1,749)
Purchase of treasury shares	24	-	(2,854)	-	(2,854)
Total transactions with owners		-	(2,854)	(1,749)	(4,603)
Balance as at 31 May 2020		195,143	(12,916)	64,726	246,953

The accompanying notes form an integral part of the financial statements.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

22

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash Flows From Operating Activities					
Profit/(Loss) before tax		26,392	(18,940)	9,023	(17,653)
Adjustments for:					
Bad debts written off		3	-	-	-
Depreciation of property, plant and equipment	11	10,392	11,121	2,346	2,321
Depreciation of right-of-use assets	12	16,349	16,300	250	244
Dividend income	4	(14)	(28)	(15,279)	(16,134)
Finance costs	5	7,919	11,867	2,083	2,528
Fair value (gain)/ loss on investment securities		(202)	190	(39)	44
Loss on disposal of property, plant and equipment		573	289	547	311
Inventories written down	17	728	562	678	46
Interest income	4	(2,322)	(2,889)	(3,297)	(3,634)
Provision for retirement benefits	26	180	513	262	326
Share of results of associates		(390)	(136)	-	-
Unrealised loss/(gain) on foreign exchange		1,891	(1,662)	291	(988)
Gain on derivatives (net)	4	-	(8)	-	-
Gain on remeasurement of previously retained interest	4	-	(259)	-	-
Impairment loss on investment in a subsidiary	13(e)	-	-	-	24,000
Impairment loss on investment in an associate	14(e)	-	613	-	-
Impairment loss on goodwill	15	-	10,941	-	-
Termination of lease		(2)	-	-	-
Write-back of impairment loss on trade receivables	18(a)	(237)	(128)	(28)	(52)
(Write-back)/Impairment loss on other receivables	18(b)	(13)	(211)	42	891
Operating cash flows before working capital changes		61,247	28,135	(3,121)	(7,750)
Working Capital Changes					
Receivables		(55,832)	75,481	(1,717)	3,481
Inventories		(36,896)	43,291	1,496	1,169
Payables		70,930	(43,000)	(502)	(1,798)
Related companies		(1,866)	4,908	(5,874)	(3,723)
Associates		(121)	(8,224)	(52)	(788)
Cash flows generated from/(used in) operations		37,462	100,591	(9,770)	(9,409)
Tax paid		(6,169)	(7,076)	(1,257)	(1,600)
Retirement benefits paid	26	(224)	(775)	(183)	(669)
Net Cash Flows From/(Used In) Operating Activities (carried forward)		31,069	92,740	(11,210)	(11,678)

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

23

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net Cash Flows From/(Used In) Operating Activities (brought forward)		31,069	92,740	(11,210)	(11,678)
Cash Flows from Investing Activities					
Acquisition of interest in associates		(240)	-	-	-
Dividends received from equity instruments		14	28	3	4
Dividends received from subsidiaries		-	-	14,324	14,943
Interest received		2,322	2,889	3,297	3,634
Withdrawal/(Placement) of short-term deposits					
- with maturity of more than three months		421	(1,576)	-	-
Proceeds from disposal of property, plant and equipment		1,589	34	1,550	1
Purchase of property, plant and equipment	11(b)	(4,810)	(6,210)	(2,675)	(706)
Net cash inflow on acquisition of a subsidiary	13(d)	-	152	-	-
Net Cash Flows (Used In)/From Investing Activities		(704)	(4,683)	16,499	17,876
Cash Flows From Financing Activities					
Dividends paid to shareholders of the Company	10	-	(1,749)	-	(1,749)
Drawdowns of borrowings		161,914	94,434	45,500	33,300
Repayments of borrowings		(155,035)	(137,241)	(50,500)	(29,400)
Payments of lease liabilities		(16,312)	(15,835)	(125)	(115)
Purchase of treasury shares	24	-	(2,854)	-	(2,854)
Lease interest paid		(639)	(1,234)	(7)	(10)
Interest paid		(7,280)	(10,633)	(2,076)	(2,518)
Net Cash Flows Used In Financing Activities		(17,352)	(75,112)	(7,208)	(3,346)
Net Increase/(Decrease) In Cash And Cash Equivalents		13,013	12,945	(1,919)	2,852
Effects of Exchange Rate Changes		(2,585)	2,050	-	-
Cash and Cash Equivalents at Beginning of Year		80,269	65,983	11,091	8,045
Effects of Exchange Rate Changes		316	(709)	179	194
Cash and Cash Equivalents at End of Year	20	80,585	65,274	11,270	8,239
		91,013	80,269	9,351	11,091

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

24

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Borrowings					
As at 1 June 2020/2019		210,565	250,285	50,400	46,500
Cash flows		6,879	(42,807)	(5,000)	3,900
Non-cash flows:					
- Effect of foreign exchange		(3,890)	3,087	-	-
As at 31 May	25	<u>213,554</u>	<u>210,565</u>	<u>45,400</u>	<u>50,400</u>
Lease liabilities					
As at 1 June 2020/2019		23,555	37,519	179	204
Cash flows		(16,951)	(17,069)	(132)	(125)
Non-cash flows:					
- Additions		27,627	1,305	209	90
- Unwinding of interest		639	1,234	7	10
- Termination of lease		(208)	-	-	-
- Effect of foreign exchange		(194)	566	-	-
As at 31 May	12	<u>34,468</u>	<u>23,555</u>	<u>263</u>	<u>179</u>

The accompanying notes form an integral part of the financial statements.

Registration No:
197001000148 (9378 - T)

25

NYLEX (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

1. CORPORATE INFORMATION

Nylex (Malaysia) Berhad (“the Company”) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”). The registered office of the Company is located at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, while the principal place of business is located at Lot 16, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor Darul Ehsan.

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

The Company 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 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 August 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 2(b) to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The financial statements are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (“RM’000”) except when otherwise indicated.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

26

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New MFRSs adopted during the financial year

On 1 June 2020, the Group and the Company adopted the following applicable MFRS and amendments to MFRS which are mandatory for financial periods beginning on or after 1 January 2020.

MFRSs and amendments to MFRSs	Effective date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

(c) Applicable MFRS and amendments to MFRS that are not yet effective and not adopted

MFRSs and amendments to MFRSs	Effective date
<i>Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)</i>	1 April 2021
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>Amendments to MFRS 101 Disclosure of Accounting Policies</i>	1 January 2023
<i>Amendments to MFRS 108 Definition of Accounting Estimates</i>	1 January 2023
<i>Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company do not expect the adoption of the above Standards to have a significant impact on the financial statements.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

27

3. REVENUE AND COST OF SALES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers:				
Sales of goods	1,134,122	1,115,834	47,340	42,232
Services rendered	17,555	20,471	-	-
	<u>1,151,677</u>	<u>1,136,305</u>	<u>47,340</u>	<u>42,232</u>

- (a) Revenue from sale of products and services rendered is recognised at a point in time when the products have been transferred or the services have been rendered to the customer and coincides with the delivery of products and services and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of products and services rendered.

There is no significant financing component in the revenue arising from sale of products and services rendered as the sales or services are made on the normal credit terms not exceeding twelve months.

- (b) Revenue from contracts with customers is disaggregated in Note 36(b) to the financial statements by geographical area.

Cost of sales represents the cost of products sold or services rendered.

4. OTHER INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	2,322	2,889	3,297	3,634
Dividend income from:				
- equity instruments (quoted in Malaysia)	14	28	3	4
- subsidiaries	-	-	15,276	16,130
Fair value gains on financial instruments				
- held for trading investments	202	-	39	-
Gain on derivatives	-	8	-	-
Gain on remeasurement of previously retained interest	-	259	-	-
Realised gain on foreign exchange	-	-	-	251
Unrealised gain on foreign exchange	31	535	144	988
	<u>2,569</u>	<u>3,719</u>	<u>18,759</u>	<u>21,007</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

28

5. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Borrowings	7,280	10,633	2,076	2,518
Lease interest	639	1,234	7	10
	<u>7,919</u>	<u>11,867</u>	<u>2,083</u>	<u>2,528</u>

6. STAFF COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term employee benefits	32,189	33,910	9,471	11,272
Defined contribution plan and social security costs	3,487	3,743	1,104	1,339
Provision for retirement benefits (Note 26)	180	513	262	326
Other staff related expenses	920	903	150	137
	<u>36,776</u>	<u>39,069</u>	<u>10,987</u>	<u>13,074</u>

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM2,003,000 (2020: RM2,114,000) and RM1,274,000 (2020: RM899,000) respectively as further disclosed in Note 7 to the financial statements.

7. DIRECTORS' REMUNERATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Executive Directors				
Salaries	630	701	525	584
Bonuses	1,300	1,336	700	280
Defined contribution plan	73	77	49	35
	<u>2,003</u>	<u>2,114</u>	<u>1,274</u>	<u>899</u>
Benefits-in-kind	28	28	28	28
	<u>2,031</u>	<u>2,142</u>	<u>1,302</u>	<u>927</u>
Non-Executive Directors				
Fees	379	440	379	440
Allowances	17	17	17	17
	<u>396</u>	<u>457</u>	<u>396</u>	<u>457</u>
Benefits-in-kind	15	17	15	17
	<u>411</u>	<u>474</u>	<u>411</u>	<u>474</u>
Total directors' remuneration	<u>2,442</u>	<u>2,616</u>	<u>1,713</u>	<u>1,401</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

29

8. TAXATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current income tax:				
- Malaysian income tax	(5,508)	(4,073)	(907)	(1,257)
- Foreign income tax	(1,953)	(2,399)	-	-
	<u>(7,461)</u>	<u>(6,472)</u>	<u>(907)</u>	<u>(1,257)</u>
Over/(Under) provision in prior years:				
- Malaysian income tax	987	21	-	-
- Foreign income tax	(1)	27	-	-
	<u>(6,475)</u>	<u>(6,424)</u>	<u>(907)</u>	<u>(1,257)</u>
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	(954)	(324)	(1,400)	(1,000)
Under provision in prior years	(210)	(17)	-	-
	<u>(1,164)</u>	<u>(341)</u>	<u>(1,400)</u>	<u>(1,000)</u>
Tax expense for the year	<u>(7,639)</u>	<u>(6,765)</u>	<u>(2,307)</u>	<u>(2,257)</u>

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated taxable profit for the fiscal year.
- (b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.
- (c) A reconciliation of the income tax expense applicable to profit/(loss) before tax at the statutory income tax rate against the income tax expenses at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(Loss) before tax	<u>26,392</u>	<u>(18,940)</u>	<u>9,023</u>	<u>(17,653)</u>
Tax at Malaysian statutory tax rate of 24% (2020: 24%)	(6,334)	4,546	(2,166)	4,237
Effects of different tax rates in other countries	703	(695)	-	-
Effects of changes in tax rate	(7)	(440)	-	-
Utilisation of tax incentives	369	55	-	-
Income not subject to tax	658	473	3,823	4,221
Utilisation of previously unrecognised tax losses	1,439	-	-	-
Expenses not deductible for tax purposes	(2,164)	(5,314)	(1,537)	(7,683)
Deferred tax assets not recognised	(3,079)	(5,421)	(2,427)	(3,032)
Under provision of deferred tax in prior years	(210)	(17)	-	-
Over provision of tax expense in prior years	986	48	-	-
	<u>(7,639)</u>	<u>(6,765)</u>	<u>(2,307)</u>	<u>(2,257)</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

30

8. TAXATION (continued)

(d) Tax savings during the financial year arising from:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Utilisation of tax incentives	<u>369</u>	<u>55</u>	<u>-</u>	<u>-</u>

(e) Tax on each component of other comprehensive income is as follows:

	Group		
	Before tax	Tax effect	After tax
	RM'000	RM'000	RM'000
2021			
Item to be reclassified subsequently to profit or loss			
Foreign currency translation	(3,850)	-	(3,850)
Item not to be reclassified subsequently to profit or loss			
Re-measurement of defined benefit liability	<u>(22)</u>	<u>-</u>	<u>(22)</u>
	<u>(3,872)</u>	<u>-</u>	<u>(3,872)</u>
2020			
Item to be reclassified subsequently to profit or loss			
Foreign currency translation	(3,733)	-	(3,733)
Item not to be reclassified subsequently to profit or loss			
Re-measurement of defined benefit liability	<u>(58)</u>	<u>-</u>	<u>(58)</u>
	<u>(3,791)</u>	<u>-</u>	<u>(3,791)</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

31

9. EARNINGS/(LOSS) PER SHARE

Earnings/(Loss) per share is calculated by dividing the profit for the year attributable to owners of the parent of RM18,923,000 (2020: loss attributable to owners of the parent RM23,207,000) by the weighted average number of ordinary shares in issue during the financial year of 177,061,135 shares (2020: 176,070,830 shares).

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings/(loss) per share equals to basic earnings/(loss) per share.

There have been no other transactions involving ordinary shares or potential shares since the reporting date and before the completion of these financial statements.

10. DIVIDENDS

	Amount		Dividends per ordinary share	
	2021 RM'000	2020 RM'000	2021 sen	2020 sen
Final single-tier dividend in the form of distribution of one (1) treasury share for every forty (40) existing ordinary shares held in respect of the financial year ended 31 May 2020, paid on 4 December 2020 (2020: final single-tier dividend in respect of the financial year ended 31 May 2019, paid on 5 December 2019)	<u>2,905</u>	<u>1,749</u>	<u>1.7</u>	<u>1.0</u>

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

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No: 197001000148 (9378 - T) 32

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Buildings RM'000	Vessel, equipment and docking machinery RM'000	Plant and machinery and fittings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost									
As at 1 June 2019	32,330	32,899	77,820	150,457	2,627	10,971	6,891	5,329	319,324
Effects of adoption of MFRS 16	(32,330)	-	-	-	-	-	-	-	(32,330)
Additions	-	6,715	876	2,005	47	433	518	2,316	12,910
Acquisition of a subsidiary (Note 13(d))	-	-	-	-	-	1	174	-	175
Disposals	-	-	-	(43)	(1)	(188)	(687)	-	(919)
Reclassification	-	-	-	5,965	-	-	-	(5,965)	-
Exchange differences	-	118	-	522	16	41	23	-	720
As at 31 May 2020	-	39,732	78,696	158,906	2,689	11,258	6,919	1,680	299,880
As at 1 June 2020	-	39,732	78,696	158,906	2,689	11,258	6,919	1,680	299,880
Additions	-	52	42	1,015	69	214	83	3,335	4,810
Disposals	-	(25)	-	(67,263)	(26)	(97)	(799)	-	(68,210)
Reclassification	-	-	-	-	-	2,194	-	(2,194)	-
Exchange differences	-	(222)	-	(946)	(23)	(74)	(27)	-	(1,292)
As at 31 May 2021	-	39,537	78,738	91,712	2,709	13,495	6,176	2,821	235,188

Registration No:
197001000148 (9378 - T)

II. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Leasehold land RM'000	Buildings RM'000	Vessel, equipment and docking RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation									
As at 1 June 2019	6,724	17,111	9,103	125,350	1,479	8,963	3,254	-	171,984
Effects of adoption of MFRS 16	(6,724)	-	-	-	-	-	-	-	(6,724)
Charge for the year	-	1,186	4,035	4,073	232	673	922	-	11,121
Disposals	-	-	-	(39)	(1)	(187)	(369)	-	(596)
Exchange differences	-	33	-	346	9	31	18	-	437
As at 31 May 2020	-	18,330	13,138	129,730	1,719	9,480	3,825	-	176,222
As at 1 June 2020	-	18,330	13,138	129,730	1,719	9,480	3,825	-	176,222
Charge for the year	-	1,144	3,338	4,043	219	629	1,019	-	10,392
Disposals	-	(25)	-	(65,339)	(26)	(89)	(569)	-	(66,048)
Exchange differences	-	(60)	-	(602)	(13)	(41)	(19)	-	(735)
As at 31 May 2021	-	19,389	16,476	67,832	1,899	9,979	4,256	-	119,831
Carrying amount									
As at 31 May 2020	-	21,402	65,558	29,176	970	1,778	3,094	1,680	123,658
As at 31 May 2021	-	20,148	62,262	23,880	810	3,516	1,920	2,821	115,357

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No: 197001000148 (9378 - T) 34

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital Work-in-Progress RM'000	Total RM'000
Cost								
As at 1 June 2019	15,045	16,294	102,019	1,017	4,049	3,026	-	141,450
Effects of adoption of MFRS 16	(15,045)	-	-	-	-	-	-	(15,045)
Additions	-	6,700	200	7	34	465	-	7,406
Disposals	-	-	(31)	(1)	(46)	(382)	-	(460)
As at 31 May 2020	-	22,994	102,188	1,023	4,037	3,109	-	133,351
As at 1 June 2020	-	22,994	102,188	1,023	4,037	3,109	-	133,351
Additions	-	-	745	63	19	-	1,848	2,675
Disposals	-	-	(67,263)	(26)	(33)	(412)	-	(67,734)
As at 31 May 2021	-	22,994	35,670	1,060	4,023	2,697	1,848	68,292

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

35

Registration No:
197001000148 (9378 - T)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital Work-in-Progress RM'000	Total RM'000
Accumulated depreciation								
As at 1 June 2019	3,984	10,378	96,697	711	3,669	905	-	116,344
Effects of adoption of MFRS 16	(3,984)	-	-	-	-	-	-	(3,984)
Charge for the year	-	469	1,241	41	137	433	-	2,321
Disposals	-	-	(31)	(1)	(45)	(71)	-	(148)
As at 31 May 2020	-	10,847	97,907	751	3,761	1,267	-	114,533
As at 1 June 2020	-	10,847	97,907	751	3,761	1,267	-	114,533
Charge for the year	-	493	1,131	41	124	557	-	2,346
Disposals	-	-	(65,338)	(26)	(33)	(240)	-	(65,637)
As at 31 May 2021	-	11,340	33,700	766	3,852	1,584	-	51,242
Carrying amount								
As at 31 May 2020	-	12,147	4,281	272	276	1,842	-	18,818
As at 31 May 2021	-	11,654	1,970	294	171	1,113	1,848	17,050

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

36

11. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) Property, plant and equipment are measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation of all property, plant and equipment is computed on the straight-line method based on the estimated useful life of the various assets, at the following annual rates:

	%
Buildings	1.1 - 5.0
Vessel, equipment and docking	3.8 - 50.0
Plant and machinery	6.7 - 33.3
Furniture and fittings	10.0 - 33.3
Office equipment	7.0 - 33.3
Motor vehicles	15.0 - 25.0

Capital work-in-progress are not depreciated until such time when the asset is available for use.

- (b) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Additions of property, plant and equipment	4,810	12,910	2,675	7,406
Other receivables	-	(6,700)	-	(6,700)
	<u>4,810</u>	<u>6,210</u>	<u>2,675</u>	<u>706</u>
Cash payments on purchase of property, plant and equipment	<u>4,810</u>	<u>6,210</u>	<u>2,675</u>	<u>706</u>

- (c) The Group's vessel with carrying amount of RM61,809,000 (2020: RM64,722,000) have been charged as security for borrowings as disclosed in Note 25 to the financial statements.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

37

12. LEASES

The Group as lessee

Right-of-use assets	Land RM'000	Storage tanks RM'000	Buildings RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group						
Cost						
As at 1 June 2019	-	-	-	-	-	-
Effects of adoption of MFRS 16	32,330	35,265	1,870	-	384	69,849
Additions	-	53	1,162	90	-	1,305
Exchange differences	57	893	52	-	5	1,007
As at 31 May 2020	32,387	36,211	3,084	90	389	72,161
As at 1 June 2020	32,387	36,211	3,084	90	389	72,161
Additions	-	27,083	335	-	209	27,627
Termination	-	-	(209)	-	(204)	(413)
Exchange differences	(108)	(1,262)	(7)	-	(8)	(1,385)
As at 31 May 2021	32,279	62,032	3,203	90	386	97,990
Accumulated depreciation						
As at 1 June 2019	-	-	-	-	-	-
Effects of adoption of MFRS 16	6,724	-	-	-	-	6,724
Charge for the year	326	15,066	745	12	151	16,300
Exchange differences	-	383	19	-	1	403
As at 31 May 2020	7,050	15,449	764	12	152	23,427
As at 1 June 2020	7,050	15,449	764	12	152	23,427
Charge for the year	329	14,951	901	18	150	16,349
Termination	-	-	(3)	-	(204)	(207)
Exchange differences	-	(601)	(30)	-	(1)	(632)
As at 31 May 2021	7,379	29,799	1,632	30	97	38,937
Carrying amount						
As at 31 May 2020	25,337	20,762	2,320	78	237	48,734
As at 31 May 2021	24,900	32,233	1,571	60	289	59,053

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

38

12. LEASES (continued)

The Group as lessee (continued)

Company	Land	Office	Motor	Total
	RM'000	equipment RM'000	vehicles RM'000	RM'000
Cost				
As at 1 June 2019	-	-	-	-
Effects of adoption of MFRS 16	15,045	-	204	15,249
Additions	-	90	-	90
As at 31 May 2020	15,045	90	204	15,339
As at 1 June 2020	15,045	90	204	15,339
Additions	-	-	209	209
Termination	-	-	(204)	(204)
As at 31 May 2021	15,045	90	209	15,344
Accumulated depreciation				
As at 1 June 2019	-	-	-	-
Effects of adoption of MFRS 16	3,984	-	-	3,984
Charge for the year	126	12	106	244
As at 31 May 2020	4,110	12	106	4,228
As at 1 June 2020	4,110	12	106	4,228
Charge for the year	126	18	106	250
Termination	-	-	(204)	(204)
As at 31 May 2021	4,236	30	8	4,274
Carrying amount				
As at 31 May 2020	10,935	78	98	11,111
As at 31 May 2021	10,809	60	201	11,070

Lease liabilities

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As at 1 June 2020/2019	23,555	-	179	-
Effects of adoption of MFRS 16	-	37,519	-	204
Additions	27,627	1,305	209	90
Lease payments	(16,951)	(17,069)	(132)	(125)
Interest expenses	639	1,234	7	10
Termination of lease	(208)	-	-	-
Exchange differences	(194)	566	-	-
As at 31 May	34,468	23,555	263	179

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

39

12. LEASES (continued)

The Group as lessee (continued)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Represented by:				
Current				
Lease liabilities owing to non-financial institutions	13,323	16,438	120	116
Non-current				
Lease liabilities owing to non-financial institutions	21,145	7,117	143	63
	<u>34,468</u>	<u>23,555</u>	<u>263</u>	<u>179</u>

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases with incremental borrowing rates per annum ranging from 3.5% to 5.5% (2020: 3.5% to 5.5%).

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

- (b) The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Land	20 to 99 years
Storage tanks	3 to 8 years
Buildings	2 to 5 years
Office equipment	5 years
Motor vehicles	2 to 4 years

- (c) The Group has certain leases such as buildings and office equipment with lease term of 12 months or less and low value leases of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.

- (d) The following are the amounts recognised in profit or loss:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Depreciation charge of right-of-use assets	16,349	16,300	250	244
Interest expense on lease liabilities	639	1,234	7	10
Expense relating to short-term leases and lease of low-value assets	200	422	38	28
	<u>17,188</u>	<u>17,956</u>	<u>295</u>	<u>282</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

40

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021	2020
	RM'000	RM'000
Unquoted shares - at cost	206,702	206,702
Accumulated impairment losses	(49,200)	(49,200)
	<u>157,502</u>	<u>157,502</u>

- (a) Investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

All components of non-controlling interests shall be initially measured at fair value on the acquisition date, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of the non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) Details of subsidiaries

Name of Company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group*	
			2021	2020
			%	%
Direct subsidiaries				
Nycon Manufacturing Sdn. Bhd.	Malaysia	Investment holding and manufacture and marketing of rotomoulded products.	100	100
Nylex Polymer Marketing Sdn. Bhd.	Malaysia	Investment holding and marketing of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets, geosynthetic and general trading.	100	100
PT Nylex Indonesia**	Indonesia	Manufacture, marketing and distribution of PU and PVC leathercloth.	100	100
Perusahaan Kimia Gemilang Sdn. Bhd.	Malaysia	Trading in petrochemicals and industrial chemicals.	100	100
Fermpro Sdn. Bhd.	Malaysia	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products.	100	100

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

41

13. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Details of subsidiaries (continued)

Name of Company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group*	
			2021 %	2020 %
Direct subsidiaries (continued)				
Kumpulan Kesuma Sdn. Bhd.	Malaysia	Manufacture and marketing of sealants and adhesive products.	100	100
Wedon Sdn. Bhd.	Malaysia	Marketing of sealants and adhesive products.	100	100
Nylex Specialty Chemicals Sdn. Bhd.	Malaysia	Manufacture and sale of phosphoric acid.	100	100
Speciality Phosphates (Malaysia) Sdn. Bhd.	Malaysia	Manufacture and sale of chemicals.	51	51
CKG Chemicals Pte. Ltd.***	Singapore	Trading and distribution of industrial chemicals and gasoline blending components.	100	100
Subsidiaries of Perusahaan Kimia Gemilang Sdn. Bhd.				
Dynamic Chemical Pte. Ltd.***	Singapore	Blending, trading and distribution of industrial chemicals.	100	100
Perusahaan Kimia Gemilang (Vietnam) Company Ltd.**	Vietnam	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals.	100	100
PT PKG Lautan Indonesia**	Indonesia	Importation and distribution of industrial chemicals.	51	51
Ancom Kimia Sdn. Bhd.	Malaysia	Distribution of petrochemicals and industrial chemicals.	60	60
ALB Marine Sdn. Bhd.	Malaysia	Carrying out business of ship owning, ship management and charter hire of tanker.	100	100

* Equals to the proportion of voting rights held.

** The financial statements of these subsidiaries are audited by member firms of BDO PLT.

*** The financial statements of these subsidiaries are audited by firms other than BDO PLT.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

42

13. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Financial information of subsidiaries with non-controlling interests

The summarised financial information of PT PKG Lautan Indonesia (“PKI”), Speciality Phosphates (Malaysia) Sdn. Bhd. (“SPM”) and Ancom Kimia Sdn. Bhd. (“AKM”) which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before intercompany elimination.

(i) Summarised statements of financial position

	PKI	SPM	AKM	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Non-current assets	1,301	35	103	1,439
Current assets	<u>28,121</u>	<u>5,804</u>	<u>9,144</u>	<u>43,069</u>
Total assets	<u>29,422</u>	<u>5,839</u>	<u>9,247</u>	<u>44,508</u>
Current liabilities	16,556	309	7,330	24,195
Non-current liabilities	<u>444</u>	<u>-</u>	<u>-</u>	<u>444</u>
Total liabilities	<u>17,000</u>	<u>309</u>	<u>7,330</u>	<u>24,639</u>
Net assets	<u>12,422</u>	<u>5,530</u>	<u>1,917</u>	<u>19,869</u>
Equity attributable to:				
Owners of the parent	6,336	2,820	1,150	10,306
Non-controlling interests	<u>6,086</u>	<u>2,710</u>	<u>767</u>	<u>9,563</u>
	<u>12,422</u>	<u>5,530</u>	<u>1,917</u>	<u>19,869</u>
2020				
Non-current assets	1,526	97	138	1,761
Current assets	<u>28,755</u>	<u>5,366</u>	<u>7,576</u>	<u>41,697</u>
Total assets	<u>30,281</u>	<u>5,463</u>	<u>7,714</u>	<u>43,458</u>
Current liabilities	15,873	208	6,102	22,183
Non-current liabilities	<u>359</u>	<u>5</u>	<u>-</u>	<u>364</u>
Total liabilities	<u>16,232</u>	<u>213</u>	<u>6,102</u>	<u>22,547</u>
Net assets	<u>14,049</u>	<u>5,250</u>	<u>1,612</u>	<u>20,911</u>
Equity attributable to:				
Owners of the parent	7,166	2,677	967	10,810
Non-controlling interests	<u>6,883</u>	<u>2,573</u>	<u>645</u>	<u>10,101</u>
	<u>14,049</u>	<u>5,250</u>	<u>1,612</u>	<u>20,911</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

43

13. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Financial information of subsidiaries with non-controlling interests (continued)

(ii) Summarised statements of profit or loss

	PKI	SPM	AKM	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Revenue	<u>25,775</u>	<u>2,979</u>	<u>92,734</u>	<u>121,488</u>
Net (loss)/profit for the year	<u>(877)</u>	<u>279</u>	<u>304</u>	<u>(294)</u>
Net (loss)/profit attributable to:				
Owners of the parent	(448)	142	182	(124)
Non-controlling interests	<u>(429)</u>	<u>137</u>	<u>122</u>	<u>(170)</u>
	<u>(877)</u>	<u>279</u>	<u>304</u>	<u>(294)</u>
2020				
Revenue	<u>41,149</u>	<u>3,208</u>	<u>102,267</u>	<u>146,624</u>
Net (loss)/profit for the year	<u>(4,512)</u>	<u>441</u>	<u>(1,259)</u>	<u>(5,330)</u>
Net (loss)/profit attributable to:				
Owners of the parent	(2,302)	225	(755)	(2,832)
Non-controlling interests	<u>(2,210)</u>	<u>216</u>	<u>(504)</u>	<u>(2,498)</u>
	<u>(4,512)</u>	<u>441</u>	<u>(1,259)</u>	<u>(5,330)</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

44

13. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Financial information of subsidiaries with non-controlling interests (continued)

(iii) Summarised statements of comprehensive income

	PKI RM'000	SPM RM'000	AKM RM'000	Total RM'000
2021				
Net (loss)/profit for the year	<u>(877)</u>	<u>279</u>	<u>304</u>	<u>(294)</u>
Other comprehensive loss attributable to:				
Owners of the parent	(383)	-	-	(383)
Non-controlling interests	<u>(368)</u>	<u>-</u>	<u>-</u>	<u>(368)</u>
Other comprehensive loss, net of tax	<u>(751)</u>	<u>-</u>	<u>-</u>	<u>(751)</u>
Total comprehensive (loss)/income for the year	<u>(1,628)</u>	<u>279</u>	<u>304</u>	<u>(1,045)</u>
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(831)	142	182	(507)
Non-controlling interests	<u>(797)</u>	<u>137</u>	<u>122</u>	<u>(538)</u>
	<u>(1,628)</u>	<u>279</u>	<u>304</u>	<u>(1,045)</u>
2020				
Net (loss)/profit for the year	<u>(4,512)</u>	<u>441</u>	<u>(1,259)</u>	<u>(5,330)</u>
Other comprehensive loss attributable to:				
Owners of the parent	(244)	-	-	(244)
Non-controlling interests	<u>234</u>	<u>-</u>	<u>-</u>	<u>234</u>
Other comprehensive loss, net of tax	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(10)</u>
Total comprehensive (loss)/income for the year	<u>(4,522)</u>	<u>441</u>	<u>(1,259)</u>	<u>(5,340)</u>
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(2,546)	225	(755)	(3,076)
Non-controlling interests	<u>(1,976)</u>	<u>216</u>	<u>(504)</u>	<u>(2,264)</u>
	<u>(4,522)</u>	<u>441</u>	<u>(1,259)</u>	<u>(5,340)</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

45

13. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Financial information of subsidiaries with non-controlling interests (continued)

(iv) Summarised statements of cash flows

	PKI RM'000	SPM RM'000	AKM RM'000	Total RM'000
2021				
Net cash flows from operating activities	1,390	401	766	2,557
Net cash flows (used in)/from investing activities	(48)	78	(2)	28
Net cash flows from/(used in) financing activities	<u>7,763</u>	<u>(60)</u>	<u>-</u>	<u>7,703</u>
Net increase in cash and cash equivalents	9,105	419	764	10,288
Cash and cash equivalents at beginning of year	8,195	4,398	1,088	13,681
Effects of exchange rate changes	<u>(2,046)</u>	<u>(78)</u>	<u>(2)</u>	<u>(2,126)</u>
	<u>6,149</u>	<u>4,320</u>	<u>1,086</u>	<u>11,555</u>
Cash and cash equivalents at end of year	<u>15,254</u>	<u>4,739</u>	<u>1,850</u>	<u>21,843</u>
2020				
Net cash flows from operating activities	527	504	932	1,963
Net cash flows from investing activities	19	118	4	141
Net cash flows used in financing activities	<u>(2,797)</u>	<u>(60)</u>	<u>-</u>	<u>(2,857)</u>
Net (decrease)/increase in cash and cash equivalents	(2,251)	562	936	(753)
Cash and cash equivalents at beginning of year	10,116	3,808	152	14,076
Effects of exchange rate changes	<u>330</u>	<u>28</u>	<u>-</u>	<u>358</u>
	<u>10,446</u>	<u>3,836</u>	<u>152</u>	<u>14,434</u>
Cash and cash equivalents at end of year	<u>8,195</u>	<u>4,398</u>	<u>1,088</u>	<u>13,681</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No: 46
197001000148 (9378 - T)

13. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Acquisition of a subsidiary – Ancom Kimia Sdn. Bhd. (“AKM”)

On 14 June 2019, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn. Bhd. (“PKG”) has entered into a share sale agreement with Retromark Solutions Sdn. Bhd. for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM for a total consideration of RM1,000,000 (“Proposed Acquisition”). Upon completion of the Proposed Acquisition on 8 July 2019, AKM became a 60% owned subsidiary of PKG.

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the acquisition were as follows:

	RM'000
Property, plant and equipment	175
Trade and other receivables	11,524
Investment securities	166
Income tax recoverable	550
Cash and bank balances	152
Deferred tax liabilities	(7)
Trade and other payables	(9,688)
Net assets	2,872
Non-controlling interests at the date of acquisition	(1,149)
Goodwill (Note 15)	277
Total deemed purchase consideration	2,000
Less: Fair value of interests retained	(1,000)
Cost of acquisition	<u>1,000</u>
<u>Cash inflow on acquisition:</u>	
Cash and bank balances of subsidiary acquired	<u>152</u>
Net cash inflow of the Group	<u>152</u>

If the acquisition occurred on 1 June 2019, the revenue and profit after tax of the Group for the financial year ended 31 May 2020 would have been increased by RM1,862,129 and RM131,416 respectively.

(e) Impairment loss recognised

In the previous financial year, an impairment loss was recognised to write down the carrying amount attributable to investment in CKG Chemicals Pte Ltd amounted to RM24,000,000 in the Statement of Profit or Loss of the Company due to decline in operation. Adverse adjustments were made to the forecasted operating cash flows included in the value in use calculations due to the COVID-19 pandemic. The recoverable amounts were determined using pre-tax discount rate of 3.6% and average growth rate of 3.3%.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No: 47
197001000148 (9378 - T)

14. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares, at cost	1,640	2,650	400	400
Share of post-acquisition reserves, net of dividends received	1,351	324	-	-
	2,991	2,974	400	400
Less: Accumulated impairment losses	-	(613)	-	-
	2,991	2,361	400	400

(a) Investments in associates are measured at cost in the separate financial statements and accounted for using the equity method in the consolidated financial statements.

(b) Details of associates

Name of Company	Country of incorporation	Principal activities	Effective % ownership interest held by the Group	
			2021 %	2020 %
One Chem Terminal Sdn. Bhd.*	Malaysia	To operate, lease and manage chemical tank farm and warehouse.	40	40
Retromark Solutions Sdn. Bhd.	Malaysia	Marketing, promoting, distribution and supporting petrochemical and petroleum related products including industrial chemicals.	-	30
DJ Money Matters Sdn. Bhd.*	Malaysia	Money lending business.	25	25
PT Myindo Acqua Pura	Indonesia	Developing high technology products, in particular micro water treatment and waste treatment.	30	-
Jasa Rimbun Sdn. Bhd.	Malaysia	Marketing and distribution of industrial chemical.	50	-

* The financial statements of these associates are audited by firms other than BDO PLT.

(c) One Chem Terminal Sdn. Bhd. ("OCT") has a financial year end of 31 December. Therefore, the financial statements of OCT are not coterminous with the Group. In applying the equity method of accounting, the unaudited financial statements of OCT for financial period ended 31 May 2021 have been used. The use of the unaudited financial statements is not expected to have any significant effects on the consolidated financial statements of the Group.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

48

14. INVESTMENTS IN ASSOCIATES (continued)

- (d) On 14 June 2019, a wholly-owned subsidiary of the Company, Perusahaan Kimia Gemilang Sdn. Bhd. (“PKG”) has entered into a share sale agreement with Retromark Solutions Sdn. Bhd. for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in Ancom Kimia Sdn. Bhd. (“AKM”) for a total consideration of RM1,000,000 (“Proposed Acquisition”). Upon completion of the Proposed Acquisition on 8 July 2019, AKM ceased to be the associate of PKG and became a 60% owned subsidiary of PKG.
- (e) Impairment loss on investment in an associate of the Group amounted to RM613,000 was recognised as Retromark Solutions Sdn. Bhd. (“RSSB”) became dormant during the previous financial year. The Group has disposed the entire equity holding in RSSB during the financial year.
- (f) In July 2020, a wholly-owned subsidiary of the Company, Nylex Polymer Marketing Sdn. Bhd. has acquired 30% of the paid up capital of PT Myindo Acqua Pura, a company incorporated in the Republic of Indonesia for a cash consideration of IDR750,000,000 (equivalent to RM234,750).
- (g) During the financial year, a wholly-owned subsidiary of the Company, Fermpro Sdn. Bhd. has invested in 50% of the issued and paid up capital of Jasa Rimbun Sdn. Bhd. for a cash consideration of RM5,000.
- (h) The summarised financial information of the associates are not disclosed as it is immaterial to the Group.

15. GOODWILL ARISING ON CONSOLIDATION

	Group	
	2021	2020
	RM'000	RM'000
As at 1 June 2020/2019	85,624	100,661
Acquisition of a subsidiary (Note 13(d))	-	277
Impairment loss on goodwill	-	(10,941)
Exchange differences	<u>(2,804)</u>	<u>(4,373)</u>
As at 31 May	<u>82,820</u>	<u>85,624</u>

Registration No:
197001000148 (9378 - T)

49

15. GOODWILL ARISING ON CONSOLIDATION (continued)

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy for foreign currencies.

Impairment loss on goodwill amounted to RM10,941,000 was recognised in the previous financial year due to adverse adjustments made to the forecasted operating cash flows included in the value in use calculations due to the COVID-19 pandemic.

(a) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs which have been identified according to business segments as follows:

	Polymer RM'000	Industrial chemical RM'000	Total RM'000
31 May 2021	<u>95</u>	<u>82,725</u>	<u>82,820</u>
31 May 2020	<u>97</u>	<u>85,527</u>	<u>85,624</u>

(b) Key assumptions used in value in use calculations

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount. As the Directors are of the opinion that all the CGUs are held on a long-term basis, the value in use would best reflect its recoverable amount.

The value in use is determined by discounting future cash flows over a five-year period. The future cash flows are based on management's business plan, which is the best estimate of future performance. Cash flows beyond the five-year period are extrapolated using the growth rate stated below. The ability to achieve the business plan targets is a key assumption in determining the recoverable amount for each CGU.

There remains a risk that the ability to achieve management's business plan will be adversely affected due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions. In computing the value in use for each CGU, the management has applied a pre-tax discount rate of 6.2% (2020: 3.6%) and average growth rate of 1.5% (2020: 3.3%).

Registration No:
197001000148 (9378 - T)

50

15. GOODWILL ARISING ON CONSOLIDATION (continued)

(b) Key assumptions used in value in use calculations (continued)

The following describes each key assumption on which the management has based its cash flow projections for the purposes of the impairment test for goodwill:

- (i) The discount rate used for cash flows discounting purpose is the pre-tax discount rate of the Group plus a reasonable risk premium at the date of assessment of the CGU.
- (ii) Growth rate used has been based on historical trend of each segment taking into account industry outlook for that segment.
- (iii) The profit margin applied to the projections are the average gross margins achieved in the year immediately before the budgeted year adjusted for expected efficiency improvements or deficiency.

(c) Sensitivity to changes in assumptions

With regard to the assessment of value in use of the polymer segment, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the industrial chemical segment, the estimated recoverable amount is higher than its carrying value for the remaining goodwill assessed during the year. The implication of the key assumption for the recoverable amount is discussed below:

(i) Discount rate assumptions

The discount rate calculation is based on the specific circumstances of the Group and its operating segments which takes into account both debt and equity of the Group. The management has considered the possibility of greater than forecasted discount rate. Based on the sensitivity analysis performed by the management, increase of 100 basis point in the discount rate used would result in an additional impairment of RM7,983,000 (2020: Nil).

(ii) Growth rate assumptions

Management has considered the possibility of a weaker than the anticipated growth rate which may occur if the Group and its segments do not perform as per expected results. The effect of bearish future growth performance is not expected to have an adverse impact on forecasts included in the budget, where a reduction in 100 basis point of the growth rate used would result in an additional impairment of RM5,465,000 (2020: Nil).

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

51

16. DEFERRED TAX

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As at 1 June 2020/2019	(23,159)	(23,390)	(22,261)	(23,261)
Recognised in profit or loss (Note 8)	1,164	341	1,400	1,000
Exchange differences	342	(117)	-	-
Acquisition of a subsidiary (Note 13(d))	-	7	-	-
As at 31 May	(21,653)	(23,159)	(20,861)	(22,261)
<i>Presented after appropriate offsetting as follows:</i>				
Deferred tax assets	(24,255)	(25,854)	(20,861)	(22,261)
Deferred tax liabilities	2,602	2,695	-	-
	(21,653)	(23,159)	(20,861)	(22,261)

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities

Group	Property, plant and equipment	Offsetting	Total
	RM'000	RM'000	RM'000
As at 1 June 2020	3,156	(461)	2,695
Recognised in profit or loss	(336)	243	(93)
Exchange differences	78	(78)	-
As at 31 May 2021	2,898	(296)	2,602
As at 1 June 2019	2,895	(515)	2,380
Recognised in profit or loss	263	48	311
Acquisition of a subsidiary (Note 13(d))	4	-	4
Exchange differences	(6)	6	-
As at 31 May 2020	3,156	(461)	2,695
Company			
As at 1 June 2020	1,291	(1,291)	-
Recognised in profit or loss	(579)	579	-
As at 31 May 2021	712	(712)	-
As at 1 June 2019	1,433	(1,433)	-
Recognised in profit or loss	(142)	142	-
As at 31 May 2020	1,291	(1,291)	-

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

52

16. DEFERRED TAX (continued)

The components and movements of deferred tax liabilities and assets during the financial year are as follows (continued):

Deferred tax assets

Group	Retirement benefit obligations RM'000	Provision for liabilities RM'000	Tax losses and unabsorbed capital allowances RM'000	Offsetting RM'000	Total RM'000
As at 1 June 2020	(1,114)	(2,577)	(22,624)	461	(25,854)
Recognised in profit or loss	(7)	(697)	2,204	(243)	1,257
Exchange differences	33	33	198	78	342
As at 31 May 2021	(1,088)	(3,241)	(20,222)	296	(24,255)
As at 1 June 2019	(1,137)	(2,155)	(22,993)	515	(25,770)
Recognised in profit or loss	62	(436)	452	(48)	30
Exchange differences	(39)	11	(83)	(6)	(117)
Acquisition of a subsidiary (Note 13(d))	-	3	-	-	3
As at 31 May 2020	(1,114)	(2,577)	(22,624)	461	(25,854)
Company					
As at 1 June 2020	(635)	(2,382)	(20,535)	1,291	(22,261)
Recognised in profit or loss	(19)	(28)	2,026	(579)	1,400
As at 31 May 2021	(654)	(2,410)	(18,509)	712	(20,861)
As at 1 June 2019	(718)	(2,176)	(21,800)	1,433	(23,261)
Recognised in profit or loss	83	(206)	1,265	(142)	1,000
As at 31 May 2020	(635)	(2,382)	(20,535)	1,291	(22,261)

Registration No:
197001000148 (9378 - T)

53

16. DEFERRED TAX (continued)

Unrecognised tax losses

At the reporting date, the Group and the Company have tax losses of approximately RM72,670,000 (2020: RM65,835,000) and RM30,651,000 (2020: RM20,537,000) respectively that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its realisation.

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to guidelines issued by the tax authority.

The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

The amounts of unrecognised tax losses are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
No expiry date	30,840	33,760	-	-
Expires by year of assessment 2021	-	582	-	-
Expires by year of assessment 2022	-	313	-	-
Expires by year of assessment 2023	-	136	-	-
Expires by year of assessment 2024	424	1,205	-	-
Expires by year of assessment 2025	18,915	19,752	11,915	11,915
Expires by year of assessment 2026	3,885	3,885	3,865	3,865
Expires by year of assessment 2027	5,778	6,202	4,757	4,757
Expires by year of assessment 2028	12,828	-	10,114	-
	<u>72,670</u>	<u>65,835</u>	<u>30,651</u>	<u>20,537</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

54

17. INVENTORIES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cost				
Finished goods	30,848	27,721	-	-
Work-in-progress	2,667	4,268	2,335	3,939
Raw materials and consumable stores	16,840	16,912	3,171	3,794
Inventory-in-transit	189	1,108	-	-
	<u>50,544</u>	<u>50,009</u>	<u>5,506</u>	<u>7,733</u>
Net realisable value				
Finished goods	64,855	34,483	2,066	2,013
Raw materials and consumable stores	6,749	3,455	-	-
	<u>71,604</u>	<u>37,938</u>	<u>2,066</u>	<u>2,013</u>
	<u>122,148</u>	<u>87,947</u>	<u>7,572</u>	<u>9,746</u>

Raw materials and consumable stores, work-in-progress, finished goods and inventory-in-transit are valued at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials determined using weighted average cost, standard cost and an applicable portion of labour and manufacturing overheads for work-in-progress and finished goods.

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company was RM975,804,000 (2020: RM982,659,000) and RM26,761,000 (2020: RM22,001,000) respectively.

The Group and the Company also wrote down inventories to net realisable value by RM728,000 (2020: RM562,000) and RM678,000 (2020: RM46,000) respectively.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

55

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade receivables				
Third parties	180,502	122,767	6,438	3,729
Related companies	52	2,177	-	-
	<u>180,554</u>	<u>124,944</u>	<u>6,438</u>	<u>3,729</u>
Less: Impairment loss	(4,210)	(4,400)	(126)	(195)
	<u>176,344</u>	<u>120,544</u>	<u>6,312</u>	<u>3,534</u>
Other receivables				
Amounts due from related companies	1,376	830	12	36
Amounts due from associates	3,513	4,193	2,970	3,718
Amounts due from subsidiaries	-	-	48,101	44,162
Amount due from holding company	24,902	23,541	24,902	23,541
Sundry receivables	6,835	4,109	598	1,312
Deposits	12,409	12,340	13,897	13,847
Prepayments	3,507	8,602	114	112
	<u>52,542</u>	<u>53,615</u>	<u>90,594</u>	<u>86,728</u>
Less: Impairment loss	(4,621)	(5,036)	(5,102)	(6,501)
	<u>47,921</u>	<u>48,579</u>	<u>85,492</u>	<u>80,227</u>
	<u>224,265</u>	<u>169,123</u>	<u>91,804</u>	<u>83,761</u>
Trade and other receivables	224,265	169,123	91,804	83,761
Less: Prepayments	(3,507)	(8,602)	(114)	(112)
Add: Short-term deposits with licensed banks (Note 20)	14,719	16,943	-	-
Add: Cash and bank balances (Note 20)	79,532	66,985	9,351	11,091
Total financial assets, measured at amortised cost	<u>315,009</u>	<u>244,449</u>	<u>101,041</u>	<u>94,740</u>

Registration No:
197001000148 (9378 - T)

56

18. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 to 90 days (2020: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Impairment for trade receivables that do not contain significant financing component are recognised based on the simplified approach using the lifetime expected credit losses. The Group uses an allowance matrix to measure the expected credit loss of trade receivables based on grouping of receivables sharing the same credit risk characteristics and past due days. Expected loss rates are calculated using the roll rate method.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information (i.e. gross domestic products growth rate) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Management exercised significant judgement in determining the probability of default by trade receivables and appropriate forward looking information, including the effects of COVID-19 pandemic.

Lifetime expected loss provision for trade receivables are as follows:

	Group			Company		
	Gross carrying amount RM'000	Loss allowance RM'000	Carrying amount RM'000	Gross carrying amount RM'000	Loss allowance RM'000	Carrying amount RM'000
31 May 2021						
Current	132,166	(217)	131,949	5,001	(12)	4,989
Past due						
1 to 30 days	34,931	(235)	34,696	1,095	(6)	1,089
31 to 60 days	7,169	(197)	6,972	202	(4)	198
61 to 90 days	554	(196)	358	27	(3)	24
91 to 120 days	608	(107)	501	-	-	-
More than 120 days	3,049	(1,181)	1,868	113	(101)	12
	46,311	(1,916)	44,395	1,437	(114)	1,323
Past due and impaired	2,077	(2,077)	-	-	-	-
	<u>180,554</u>	<u>(4,210)</u>	<u>176,344</u>	<u>6,438</u>	<u>(126)</u>	<u>6,312</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

57

18. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Lifetime expected loss provision for trade receivables are as follows (continued) :

	Group			Company		
	Gross carrying amount RM'000	Loss allowance RM'000	Carrying amount RM'000	Gross carrying amount RM'000	Loss allowance RM'000	Carrying amount RM'000
31 May 2020						
Current	82,440	(210)	82,230	1,774	(9)	1,765
Past due						
1 to 30 days	21,382	(240)	21,142	1,117	(11)	1,106
31 to 60 days	11,357	(204)	11,153	286	(11)	275
61 to 90 days	5,194	(257)	4,937	345	(64)	281
91 to 120 days	1,131	(124)	1,007	83	(17)	66
More than 120 days	559	(484)	75	70	(29)	41
	39,623	(1,309)	38,314	1,901	(132)	1,769
Past due and impaired	2,881	(2,881)	-	54	(54)	-
	<u>124,944</u>	<u>(4,400)</u>	<u>120,544</u>	<u>3,729</u>	<u>(195)</u>	<u>3,534</u>

The movements in impairment loss of trade receivables are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As at 1 June 2020/2019	4,400	4,519	195	247
Write-back for the year	(237)	(128)	(28)	(52)
Written off	(41)	(8)	(41)	-
Exchange differences	88	17	-	-
As at 31 May	<u>4,210</u>	<u>4,400</u>	<u>126</u>	<u>195</u>

(b) Other receivables

Related companies refer to companies within the Ancom Berhad group.

The amounts due from related companies, associates, subsidiaries and holding company are non-trade balances which arose mainly from intercompany advances, expenses paid on behalf and other intercompany charges which are negotiated on a mutually agreed basis. All advances to holding company, subsidiaries and associates are unsecured, repayable within next twelve months in cash and cash equivalents and bore interest at rates ranging from 3.5% to 6.3% (2020: 4.7% to 7.5%) per annum.

Registration No:
197001000148 (9378 - T)

58

18. TRADE AND OTHER RECEIVABLES (continued)

(b) Other receivables (continued)

Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk as twenty percent (20%) on relative basis and including operating performance of the receivables, payment delays and past due information. It requires management to exercise significant judgement in determining the probability of default by receivables, appropriate forward looking information (i.e. unemployment rate, gross domestic product growth rate and inflation rate) and significant increase in credit risk.

The movements in impairment loss of other receivables are as follows:

	12 month ECL RM'000	Lifetime ECL - credit impaired RM'000	Total RM'000
2021			
Group			
As at 1 June 2020	264	4,772	5,036
Write-back of other receivables	-	(28)	(28)
Charge for the financial year	15	-	15
Written off	-	(402)	(402)
As at 31 May 2021	279	4,342	4,621
Company			
As at 1 June 2020	690	5,811	6,501
Write-back of other receivables	-	(28)	(28)
Charge for the financial year	70	-	70
Written off	-	(1,441)	(1,441)
As at 31 May 2021	760	4,342	5,102
2020			
Group			
As at 1 June 2019	247	5,000	5,247
Write-back of other receivables	-	(1,029)	(1,029)
Charge for the financial year	17	801	818
As at 31 May 2020	264	4,772	5,036
Company			
As at 1 June 2019	600	5,010	5,610
Charge for the financial year	90	801	891
As at 31 May 2020	690	5,811	6,501

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

59

19. INVESTMENT SECURITIES

	Group		Company	
	Carrying amount	Market value of quoted investments	Carrying amount	Market value of quoted investments
	RM'000	RM'000	RM'000	RM'000
As at 31 May 2021				
Current				
<i>Held for trading</i>				
Equity instrument (quoted in Malaysia)	<u>840</u>	<u>840</u>	<u>161</u>	<u>161</u>
As at 31 May 2020				
Current				
<i>Held for trading</i>				
Equity instrument (quoted in Malaysia)	<u>638</u>	<u>638</u>	<u>122</u>	<u>122</u>

Investment securities are classified as financial assets measured at fair value through profit or loss.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Short-term deposits with licensed banks (Note 18)	14,719	16,943	-	-
Cash and bank balances (Note 18)	<u>79,532</u>	<u>66,985</u>	<u>9,351</u>	<u>11,091</u>
	94,251	83,928	9,351	11,091
Short-term deposits with maturity of more than three months	<u>(3,238)</u>	<u>(3,659)</u>	<u>-</u>	<u>-</u>
	<u>91,013</u>	<u>80,269</u>	<u>9,351</u>	<u>11,091</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates.

The average interest rate of deposits as at the reporting date is 1.7% (2020: 1.9%) per annum.

No expected credit losses were recognised on the deposits with financial institutions because the probabilities of default by these financial institutions were negligible.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

60

21. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid:				
As at 31 May	<u>194,338</u>	<u>194,338</u>	<u>195,143</u>	<u>195,143</u>

Owners of the parent of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank *pari passu* with regard to the residual assets of the Company.

Of the total 194,337,860 (2020: 194,337,860) issued and paid-up ordinary shares as at 31 May 2021, 15,050,648 (2020: 19,419,024) shares are held as treasury shares by the Company (Note 24). Consequently, as at 31 May 2021, the number of ordinary shares in issue after deduction of the treasury shares is 179,287,212 (2020: 174,918,836) ordinary shares.

22. RESERVES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-distributable				
Translation reserves	<u>17,322</u>	<u>20,810</u>	<u>-</u>	<u>-</u>

The movements of the above reserves are disclosed in the consolidated statement of changes in equity.

The translation reserve is used to record foreign currency exchange differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

23. RETAINED EARNINGS

The balance of the entire retained earnings of the Company may be distributed as dividends under the single-tier system. Dividends paid under this system are tax-exempt in the hands of shareholders.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

61

24. TREASURY SHARES

	Group/Company			
	Number of ordinary shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
As at 1 June 2020/2019	19,419	14,689	12,916	10,062
Purchases during the year	-	4,730	-	2,854
Distribution of share dividend	(4,368)	-	(2,905)	-
As at 31 May	<u>15,051</u>	<u>19,419</u>	<u>10,011</u>	<u>12,916</u>

There were no shares purchased, resold or cancelled during the financial year.

25. BORROWINGS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term borrowings				
<i>Secured</i>				
Trust receipts	19,308	6,752	-	-
Term loans	4,955	5,215	-	-
<i>Unsecured</i>				
Short-term loans	<u>162,454</u>	<u>163,831</u>	<u>45,400</u>	<u>50,400</u>
	186,717	175,798	45,400	50,400
Long-term borrowings				
<i>Secured</i>				
Term loans	<u>26,837</u>	<u>34,767</u>	<u>-</u>	<u>-</u>
	213,554	210,565	45,400	50,400
<i>Maturity of borrowings</i>				
On demand or within one year	<u>187,174</u>	<u>177,978</u>	<u>45,400</u>	<u>50,400</u>
One to five years	<u>30,911</u>	<u>39,765</u>	<u>-</u>	<u>-</u>
Total undiscounted borrowings	<u>218,085</u>	<u>217,743</u>	<u>45,400</u>	<u>50,400</u>

The borrowings bore interest at rates ranging from 1.9% to 5.6% (2020: 1.9% to 5.8%) per annum at the reporting date.

The secured term loans and trust receipts are for subsidiaries and secured by the mortgage of vessel, assignment of insurance policies covering stock in trade in favour of the bank and/or corporate guarantees by their shareholders as disclosed in Note 11(c) to the financial statements.

The unsecured short-term loans were in relation to bankers' acceptance, trust receipts, revolving credits and onshore foreign currency loan obtained from various financial institutions.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

62

26. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As at 1 June 2020/2019	4,561	4,666	2,647	2,990
Benefits paid	(224)	(775)	(183)	(669)
Expense recognised in profit or loss (Note 6)	180	513	262	326
Actuarial loss from re-measurement	22	58	-	-
Exchange fluctuation	140	99	-	-
As at 31 May	<u>4,679</u>	<u>4,561</u>	<u>2,726</u>	<u>2,647</u>

Retirement benefits obligation is a post-employment benefit plan under which the Company and certain subsidiaries are obligated to pay eligible employees a fixed percentage on the average annual salary for each completed year of service. For the Company, the retirement benefits obligation is payable to employees employed prior to 1 July 2005 who has more than 10 years of continuous working experience with the Company.

- (a) The Group provides retirement benefit obligations for qualifying employees of its overseas subsidiaries, PT Nylex Indonesia and PT PKG Lautan Indonesia., in accordance with the legislations established in Indonesia.

The principal actuarial assumptions used are as follows:

	Discount rate %	Annual salary increase %
For the reporting period		
2021		
Indonesia	<u>7.8 - 8.0</u>	<u>8.0 - 10.0</u>
2020		
Indonesia	<u>8.1 - 8.5</u>	<u>8.0 - 10.0</u>

The management believes that no reasonably possible changes in any of the above key assumptions would lead to significant changes to the present value of the retirement benefit obligations.

- (b) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit obligation by the amounts shown below.

	2021 RM'000	2020 RM'000
Discount rate:		
- if increase 1%	(268)	(238)
- if decrease 1%	319	247
Annual salary:		
- if increase 1%	312	245
- if decrease 1%	<u>(268)</u>	<u>(238)</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

63

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables				
Third parties	122,469	56,011	3,453	2,269
Related companies	1,091	1,195	-	-
	<u>123,560</u>	<u>57,206</u>	<u>3,453</u>	<u>2,269</u>
Other payables				
Amounts due to related companies	6	5	3	5
Amounts due to subsidiaries	-	-	40	106
Other payables	15,239	11,329	4,733	4,982
Accruals	11,746	11,967	6,425	7,861
	<u>26,991</u>	<u>23,301</u>	<u>11,201</u>	<u>12,954</u>
	<u>150,551</u>	<u>80,507</u>	<u>14,654</u>	<u>15,223</u>
Trade and other payables	<u>150,551</u>	<u>80,507</u>	<u>14,654</u>	<u>15,223</u>
Borrowings (Note 25)	<u>213,554</u>	<u>210,565</u>	<u>45,400</u>	<u>50,400</u>
Total financial liabilities, measured at amortised cost	<u>364,105</u>	<u>291,072</u>	<u>60,054</u>	<u>65,623</u>

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 90 days (2020: 30 to 90 days).

(b) Amounts due to related companies and subsidiaries

Related companies refer to companies within the Ancom Berhad group.

The amounts due to related companies and subsidiaries are trade and non-trade transactions. The trade transactions are granted with normal credit terms and non-interest bearing, and non-trade transactions are mainly intercompany advances and expenses paid on behalf. All balances are unsecured, repayable on demand, and non-interest bearing as at reporting date.

(c) Maturity profile of trade and other payables of the Group and of the Company at the end of the reporting period is based on contractual undiscounted repayment obligations and is repayable within twelve months.

Registration No:
197001000148 (9378 - T)

64

28. DERIVATIVE LIABILITIES

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

Derivative liabilities of the Group are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

As at the reporting date, the Group has entered into forward currency contracts with the following notional amounts:

<u>Group</u>	2021		2020	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
Forward currency contracts				
United States Dollar	-	-	1,730	8
Total derivatives		-		8

Registration No:
197001000148 (9378 - T)

65

29. COMMITMENTS

(a) Capital commitments

Capital expenditures as at the reporting date are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<i>Approved and contracted</i>				
Property, plant and equipment	307	87	80	59
<i>Approved but not contracted</i>				
Property, plant and equipment	<u>8,184</u>	<u>7,704</u>	<u>27</u>	<u>4</u>
	<u>8,491</u>	<u>7,791</u>	<u>107</u>	<u>63</u>

(b) Guarantees

The Company has provided the following guarantees:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unsecured				
Corporate guarantees given to financial institutions in respect of credit facilities guarantee	<u>-</u>	<u>-</u>	<u>109,077</u>	<u>129,390</u>
Guarantees given by financial institutions in respect of third parties	<u>45,299</u>	<u>24,990</u>	<u>2,074</u>	<u>1,667</u>

The Group designates corporate guarantees given to financial institutions for credit facilities granted to certain subsidiaries and associate as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Company monitors on an ongoing basis the results of the subsidiaries and associate and repayment made by the subsidiaries and associate. As at the end of the reporting period, there were no indication that the subsidiaries and associate would default on repayment and no values are ascribed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries and associate. The Directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

Registration No:
197001000148 (9378 - T)

66

30. CONTINGENT LIABILITIES

There are no material contingent liabilities as at the reporting date.

31. RELATED PARTY DISCLOSURES

(a) Significant related party transactions

Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 13 to the financial statements;
- (ii) Associates as disclosed in Note 14 to the financial statements; and
- (iii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Executive Directors of the Group.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<i>Sales to a related company</i>	(i)				
Ancom Crop Care Sdn. Bhd.		256	231	30	17
<i>Purchases from subsidiaries, related party and associates</i>	(i)				
Perusahaan Kimia Gemilang Sdn. Bhd.		-	-	375	765
Fermpro Sdn. Bhd.		-	-	2	2
Ancom Crop Care Sdn. Bhd.		3,000	24	-	-
Ancom Kimia Sdn. Bhd.		-	5,046	-	-
<i>Freight/transport charges paid to a related company</i>	(i)				
Pengangkutan Cogent Sdn. Bhd.		2,813	4,258	-	-
Vanguard Express Sdn Bhd		5	-	-	-

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

67

31. RELATED PARTY DISCLOSURES (continued)

(a) Significant related party transactions (continued)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<i>Pest control service paid to a related company</i>	(i)				
Entopest Environmental Services Sdn. Bhd.		23	15	12	12
<i>Storage rental income from an associate and a related party</i>	(i)				
One Chem Terminal Sdn. Bhd.		859	719	-	-
Pengangkutan Cogent Sdn. Bhd.		11	11	-	-
<i>Storage lease paid to a related company</i>	(i)				
Ancom-ChemQuest Terminals Sdn. Bhd.		5,513	5,058	-	-
<i>IT hardware paid to related companies</i>	(i)				
MSTI Corporation Sdn. Bhd.		-	13	-	13
iEnterprise Online Sdn. Bhd.		-	1,550	-	-
Redberry Media Sdn Bhd		7	-	-	-
<i>Office rental paid to holding company</i>	(i)				
Ancom Berhad		29	16	15	-
<i>Interest income from holding company, subsidiaries and an associate</i>	(ii)				
Ancom Berhad		1,640	1,758	1,640	1,758
CKG Chemicals Pte. Ltd.		-	-	362	468
ALB Marine Sdn. Bhd.		-	-	1,094	1,132
One Chem Terminal Sdn. Bhd.		158	158	158	158
Retromark Solutions Sdn. Bhd.		-	26	-	26
<i>Bulk sponsorship and advertisement expenses paid to related parties</i>	(iii)				
Malay Mail Sdn. Bhd.		-	683	-	-
Redberry Sdn. Bhd.		1,060	2,002	-	500
<i>Gross dividend from subsidiaries</i>					
Kumpulan Kesuma Sdn. Bhd.		-	-	2,563	-
Perusahaan Kimia Gemilang Sdn. Bhd.		-	-	-	2,213
PT Nylex Indonesia		-	-	9,513	11,865
Fermpo Sdn. Bhd.		-	-	3,200	-
Nylex Specialty Chemicals Sdn. Bhd.		-	-	-	2,052

Registration No:
197001000148 (9378 - T)

68

31. RELATED PARTY DISCLOSURES (continued)

(a) Significant related party transactions (continued)

- (i) The Directors are of the opinion that the sales, purchases and other charges to/from subsidiaries and related companies are entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. The outstanding balances as at 31 May 2021 are disclosed in Note 18 and Note 27 to the financial statements respectively.
- (ii) Interest income arose from advances or loan to holding company, subsidiaries and an associate. The outstanding balances as at 31 May 2021 are disclosed in Note 18 to the financial statements.
- (iii) Bulk sponsorship and advertisement expenses are contracted for certain period or incurred upon each advertisement. The expenses incurred and utilised for the financial year were recognised in the profit or loss.

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Directors of the Company and its subsidiaries.

The remuneration of Directors and other members of key management personnel was as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fees	379	440	379	440
Short-term employee benefits	8,456	9,429	2,383	2,459
Defined contribution plan and social security costs	755	823	259	223
Other emoluments	566	573	89	97
	<u>10,156</u>	<u>11,265</u>	<u>3,110</u>	<u>3,219</u>

Included in the total remuneration of key management personnel are:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors' remuneration (Note 7)	<u>2,442</u>	<u>2,616</u>	<u>1,713</u>	<u>1,401</u>

Registration No:
197001000148 (9378 - T)

69

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximate their fair values.

The following methods and assumptions are used to estimate fair values of the following classes of financial instruments:

(i) Current receivables, cash and bank balances and current payables

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

(ii) Borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

(iii) Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

(iv) Derivatives

Fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

(b) Fair value hierarchy

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Registration No:
197001000148 (9378 - T)

70

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Fair value hierarchy (continued)

As at the financial year end, the Group and the Company held the following financial instruments carried at fair value in the statements of financial position:

	Level	2021 RM'000	2020 RM'000
Group			
<i>Financial assets at fair value through profit or loss:</i>			
Equity instruments (quoted in Malaysia)	1	840	638
<i>Financial liabilities at fair value through profit or loss:</i>			
Derivative liabilities	2	-	8
Company			
<i>Financial assets at fair value through profit or loss:</i>			
Equity instruments (quoted in Malaysia)	1	161	122

During the financial years ended 31 May 2021 and 31 May 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their risks. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative transactions.

It is the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

Registration No:
197001000148 (9378 - T)

71

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The interest profile of the financial assets and liabilities of the Group and of the Company as at the reporting date are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets				
Fixed rate	31,584	31,632	56,991	52,545
Floating rate	27,946	20,048	-	-
Interest free	256,319	193,407	44,211	42,317
	<u>315,849</u>	<u>245,087</u>	<u>101,202</u>	<u>94,862</u>
Financial liabilities				
Fixed rate	34,467	24,016	263	180
Floating rate	213,555	210,104	45,400	50,400
Interest free	150,551	80,515	14,654	15,222
	<u>398,573</u>	<u>314,635</u>	<u>60,317</u>	<u>65,802</u>

The weighted average interest rates on the financial assets and liabilities are as follows:

	Group		Company	
	2021 %	2020 %	2021 %	2020 %
Financial assets				
Fixed rate	4.8	5.0	4.3	5.3
Floating rate	5.5	4.1	-	-
Financial liabilities				
Fixed rate	3.8	4.2	5.0	5.0
Floating rate	3.4	4.1	3.4	4.3

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's net profit for the year would have been lower/ higher by approximately RM141,000 (2020: RM144,000) arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate deposits and savings with licensed banks.

Registration No:
197001000148 (9378 - T)

72

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to various currencies, mainly United States Dollar (“USD”), Singapore Dollar (“SGD”), Japanese Yen (“JPY”), Indonesian Rupiah (“IDR”) and Vietnamese Dong (“VND”). Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward currency contracts.

At the reporting date, if the functional currency strengthened/weakened by 3% against the other currencies, with all other variables held constant, the Group’s and the Company’s net profit for the year would have been higher/lower as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
USD/RM	(459)	(546)	90	27
SGD/RM	47	35	48	35
JPY/RM	16	19	-	-
USD/SGD	(668)	(278)	-	-
USD/VND	-	(201)	-	-
USD/IDR	297	407	-	-

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

73

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

The net unhedged financial assets and financial liabilities of the Group and of the Company that are not denominated in their functional currencies are as follows:

	Functional currency of group companies				Total RM'000
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Vietnamese Dong RM'000	
As at 31 May 2021					
Receivables					
United States Dollar	11,237	-	-	-	11,237
Singapore Dollar	119	-	2,312	-	2,431
Japanese Yen	223	-	-	-	223
Indonesian Rupiah	-	-	5,920	-	5,920
	11,579	-	8,232	-	19,811
Cash and bank balances					
Ringgit Malaysia	-	-	15	-	15
United States Dollar	11,847	2,467	-	13	14,327
Singapore Dollar	1,966	-	210	-	2,176
Japanese Yen	491	-	2	-	493
Indonesian Rupiah	-	-	6,607	-	6,607
	14,304	2,467	6,834	13	23,618
Borrowings					
United States Dollar	31,792	-	-	-	31,792
Lease liabilities					
Ringgit Malaysia	-	-	1,109	-	1,109
United States Dollar	-	-	-	1,362	1,362
Singapore Dollar	-	-	28,168	-	28,168
	-	-	29,277	1,362	30,639
Payables					
Ringgit Malaysia	-	-	353	-	353
United States Dollar	9,988	46	-	22	10,056
Singapore Dollar	4	-	3,656	-	3,660
Japanese Yen	-	-	-	-	-
Indonesian Rupiah	-	-	1,905	-	1,905
New Zealand Dollar	20	-	-	-	20
	10,012	46	5,914	22	15,994

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

74

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

The net unhedged financial assets and financial liabilities of the Group and of the Company that are not denominated in their functional currencies are as follows (continued):

	Functional currency of group companies				Total RM'000
	Ringgit Malaysia RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Vietnamese Dong RM'000	
As at 31 May 2020					
Receivables					
United States Dollar	7,413	165	-	-	7,578
Singapore Dollar	78	-	1,081	-	1,159
Japanese Yen	161	-	-	-	161
Indonesian Rupiah	-	-	15,953	-	15,953
	<u>7,652</u>	<u>165</u>	<u>17,034</u>	<u>-</u>	<u>24,851</u>
Cash and bank balances					
Ringgit Malaysia	-	-	39	-	39
United States Dollar	18,184	2,172	-	11	20,367
Singapore Dollar	1,505	-	1,203	-	2,708
Japanese Yen	732	-	2	-	734
Indonesian Rupiah	-	-	2,312	-	2,312
	<u>20,421</u>	<u>2,172</u>	<u>3,556</u>	<u>11</u>	<u>26,160</u>
Borrowings					
United States Dollar	<u>40,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,445</u>
Lease liabilities					
Ringgit Malaysia	-	-	2,959	-	2,959
United States Dollar	-	-	-	8,806	8,806
Singapore Dollar	-	-	10,472	-	10,472
	<u>-</u>	<u>-</u>	<u>13,431</u>	<u>8,806</u>	<u>22,237</u>
Payables					
Ringgit Malaysia	-	-	366	-	366
United States Dollar	5,804	8	-	23	5,835
Singapore Dollar	47	-	3,993	-	4,040
Japanese Yen	65	-	-	-	65
Indonesian Rupiah	-	-	2,754	-	2,754
New Zealand Dollar	3	-	-	-	3
	<u>5,919</u>	<u>8</u>	<u>7,113</u>	<u>23</u>	<u>13,063</u>

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

75

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

The net unhedged financial assets and financial liabilities of the Group and of the Company that are not denominated in their functional currencies are as follows (continued):

	Company	
	2021	2020
	RM'000	RM'000
Receivables		
United States Dollar	1,455	583
Singapore Dollar	119	78
	<u>1,574</u>	<u>661</u>
Cash and bank balances		
United States Dollar	2,479	1,792
Singapore Dollar	1,965	1,504
	<u>4,444</u>	<u>3,296</u>
Payables		
United States Dollar	-	1,080
New Zealand Dollar	20	52
	<u>20</u>	<u>1,132</u>

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and short-term borrowings.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

76

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
As at 31 May 2021				
Group				
Financial liabilities				
Trade and other payables	150,551	-	-	150,551
Loans and borrowings	187,174	30,911	-	218,085
Lease liabilities	14,227	21,762	260	36,249
Total undiscounted financial liabilities	<u>351,952</u>	<u>52,673</u>	<u>260</u>	<u>404,885</u>
Company				
Financial liabilities				
Trade and other payables	14,654	-	-	14,654
Loans and borrowings	45,400	-	-	45,400
Lease liabilities	130	148	-	278
Financial guarantee contract	67,090	-	-	67,090
Total undiscounted financial liabilities	<u>127,274</u>	<u>148</u>	<u>-</u>	<u>127,422</u>
As at 31 May 2020				
Group				
Financial liabilities				
Trade and other payables	80,507	-	-	80,507
Loans and borrowings	177,978	39,765	-	217,743
Lease liabilities	17,087	6,947	550	24,584
Total undiscounted financial liabilities	<u>275,572</u>	<u>46,712</u>	<u>550</u>	<u>322,834</u>
Company				
Financial liabilities				
Trade and other payables	15,223	-	-	15,223
Loans and borrowings	50,400	-	-	50,400
Lease liabilities	123	68	-	191
Financial guarantee contract	88,995	-	-	88,995
Total undiscounted financial liabilities	<u>154,741</u>	<u>68</u>	<u>-</u>	<u>154,809</u>

Registration No:
197001000148 (9378 - T)

77

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(d) Credit risk

Credit risk is the risk of loss on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk is controlled by the application of credit approvals, limits and monitoring procedures and are minimised by limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments. Information regarding trade and other receivables is disclosed in Note 18 to the financial statements. Deposits with banks and other financial institutions and investment securities are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

A nominal amount of RM109,077,000 (2020: RM129,390,000) relating to corporate guarantees is provided by the Company to financial institutions for credit facilities granted to its subsidiaries. Nominal amount for guarantees given by financial institutions in respect of third parties for the Group and for the Company was RM45,299,000 (2020: RM24,990,000) and RM2,074,000 (2020: RM1,667,000) respectively.

34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain a strong capital base and safeguard the Group's ability to continue in operations as a going concern in order to provide fair returns for shareholders and to maintain an optimal capital structure.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may, from time to time, adjust the dividend pay-out to shareholders, issue new shares, return capital to shareholders, redeem debt or sell assets to reduce debts, where necessary.

The Group monitors capital using a net gearing ratio, which is net debt (borrowings net of cash and bank balances) divided by total equity attributable to owners of the parent.

The Group's net gearing ratio as at 31 May is computed as follows:

		Group	
	Note	2021 RM'000	2020 RM'000
Borrowings	25	213,554	210,565
Short-term deposits with licensed banks	20	(14,719)	(16,943)
Cash and bank balances	20	(79,532)	(66,985)
		<u>119,303</u>	<u>126,637</u>
Total equity attributable to owners of the parent		<u>313,223</u>	<u>297,804</u>
Net gearing ratio		<u>38.1%</u>	<u>42.5%</u>

Registration No:
197001000148 (9378 - T)

78

34. CAPITAL MANAGEMENT *(continued)*

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of more than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement for the financial years ended 31 May 2021 and 31 May 2020.

The Group is not subject to any other externally imposed capital requirements.

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

- (a) The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into various phases of the MCO.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next 12 months after the end of the reporting period. The Group does not anticipate significant supply disruptions and would continuously monitor its fund and operational needs.

- (b) In July 2020, a wholly-owned subsidiary of the Company, Nylex Polymer Marketing Sdn. Bhd. has acquired 30% of the paid up capital of PT Myindo Acqua Pura, a company incorporated in the Republic of Indonesia for a cash consideration of IDR750,000,000 (equivalent to RM234,750).
- (c) On 16 July 2020, the holding company of the Company, Ancom Berhad ("Ancom") and Ancom Logistic Berhad ("ALB") (a 45.06% owned subsidiary of Ancom, listed on ACE Market of Bursa Malaysia Securities Berhad) had entered into a Heads of Agreement ("HOA") with shareholders of S7 Holdings Sdn. Bhd., Merrington Assets Limited, MY E.G. Capital Sdn. Bhd. and Avocat Sdn. Bhd. where the Company is involved in the proposed acquisition of Synergy Trans-Link Sdn. Bhd. (a wholly owned subsidiary of ALB), and its subsidiaries at a valuation to be agreed by the Company and ALB. The Board has on 15 July 2020 approved in principle on the proposed acquisition subject to the terms and conditions to be determined by the Company and ALB at later date.
- (d) During the financial year, a wholly-owned subsidiary of the Company, Fermpro Sdn. Bhd. has invested in 50% of the issued and paid-up capital of Jasa Rimbun Sdn. Bhd. for a cash consideration of RM5,000.

Registration No:
197001000148 (9378 - T)

79

35. SIGNIFICANT EVENTS DURING THE YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

- (e) (i) **Proposed disposal of all the assets and liabilities of the Company to Ancom Berhad (“Ancom”) (“Proposed Disposal”); and**
(ii) **Proposed distribution of the proceeds from the Proposed Disposal amounting to RM164.3 million to all the entitled shareholders of the Company by way of a capital reduction and repayment exercise pursuant to Section 116 of the Companies Act 2016 (“Proposed Distribution”)**
(Collectively to be referred to as “Proposals”)

On 28 April 2021, the Company had received a letter dated 28 April 2021 from Ancom (“Proposal Letter”) offering to acquire all its assets and liabilities for a total consideration of RM179,287,212, out of which RM15,000,000 is proposed to be paid and retained by the Company in cash and RM164,287,212 is proposed to be distributed to the shareholders of the Company pursuant to the Proposed Distribution, upon the terms and conditions as set out in the Proposal Letter and subject to the execution of a sale of business agreement to effect the Proposed Disposal (“Offer”).

On 28 June 2021, Nylex Board (save for Dato’ Siew Ka Wei, being an interested director via his direct and indirect interest in Ancom and the Company) has decided to accept the Offer, subject to, among others, the approvals of the non-interested shareholders of Nylex and the relevant regulatory authorities, where required.

On 29 July 2021, Nylex has entered into the Sale of Business Agreement with Ancom and its wholly owned subsidiary, Nylex Holdings Sdn. Bhd. in respect of the Proposed Disposal. As at the date of this report, the Proposals are yet to be completed.

- (f) On 24 May 2021, sale and purchase agreement 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 RM26,390,625). The sale and purchase transaction has yet to be completed as at the date of this report.

36. SEGMENT INFORMATION

Segment information is presented in respect of the Group’s business and geographical segments. The primary format, business segments, is based on the Group’s management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

(a) **Business segments**

The Group comprises the following main business segments:

(i) **Polymer**

Manufacture and marketing of polyurethane and vinyl-coated fabrics, calendered film and sheeting, and other plastic products, including geotextiles and prefabricated sub-soil drainage systems, and rotomoulded plastic products.

(ii) **Industrial chemical**

Trading, manufacture and sale of petrochemicals and industrial chemical products.

(iii) **Logistics**

Carrying out business of transport, cartage and haulage contractors and agencies, ship owning, ship management and charter hire of tanker.

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - F)

80

36. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

2021	Polymer RM'000	Industrial chemical RM'000	Logistics RM'000	Investment holding RM'000	Adjustments and eliminations RM'000	Note Consolidated RM'000
Revenue						
External sales	91,768	1,042,354	17,555	-	-	1,151,677
Inter-segment sales	-	377	698	-	(1,075)	(i) -
Total revenue	91,768	1,042,731	18,253	-	(1,075)	1,151,677
Results						
Interest income	181	344	-	1,797	-	2,322
Depreciation	4,840	18,224	3,350	327	-	26,741
Unrealised gain/(loss) on foreign exchange	76	(3,160)	1,634	(441)	-	(1,891)
Inventories written down	(678)	(50)	-	-	-	(728)
Provision for retirement benefits	(190)	70	-	(60)	-	(180)
Loss on disposal of property, plant and equipment	(547)	(26)	-	-	-	(573)
Segment profit/(loss)	5,411	25,800	(1,026)	(3,793)	-	26,392
Assets						
Investments in associates	-	-	-	2,991	-	(iii) 2,991
Goodwill arising on consolidation	95	82,725	-	-	-	(iii) 82,820
Additions to non-current assets	3,041	29,281	52	63	-	(ii) 32,437
Segment assets	91,072	422,490	70,986	119,688	(59,943)	(iii) 644,293
Segment liabilities	17,609	308,895	83,816	56,941	(59,943)	(iv) 407,318

APPENDIX V – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
197001000148 (9378 - T)

81

36. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Polymer RM'000	Industrial chemical RM'000	Logistics RM'000	Investment holding RM'000	Adjustments and eliminations RM'000	Note Consolidated RM'000
2020						
Revenue						
External sales	86,935	1,028,899	20,471	-	-	1,136,305
Inter-segment sales	-	767	1,551	-	(2,318)	(i)
Total revenue	86,935	1,029,666	22,022	-	(2,318)	1,136,305
Results						
Interest income	397	550	-	1,942	-	2,889
Depreciation	(4,910)	(18,223)	(4,046)	(242)	-	(27,421)
Unrealised gain/(loss) on foreign exchange	236	1,897	(1,259)	788	-	1,662
Inventories written back/(written down)	245	(807)	-	-	-	(562)
Provision for retirement benefits	(351)	(102)	-	(60)	-	(513)
Impairment loss on investment in an associate	-	-	-	(613)	-	(613)
Impairment loss on goodwill	-	-	-	(10,941)	-	(10,941)
Segment profit/(loss)	6,183	(6,017)	(2,269)	(16,837)	-	(18,940)
Assets						
Investments in associates	-	-	-	2,361	-	(iii) 2,361
Goodwill arising on consolidation	97	85,527	-	-	-	(iii) 85,624
Additions to non-current assets	616	5,663	885	7,051	-	(ii) 14,215
Segment assets	94,469	314,746	73,284	114,108	(53,675)	(iii) 542,932
Segment liabilities	12,926	216,304	85,088	62,369	(53,675)	(iv) 323,012

Registration No:
197001000148 (9378 - T)

82

36. SEGMENT INFORMATION (continued)

(a) **Business segments** (continued)

Note

- (i) Inter-segment sales are eliminated on consolidation.
- (ii) Additions to non-current assets consist of property, plant and equipment and right-of-use assets.
- (iii) The inter-segment assets are added to segment assets to arrive at total assets reported in the consolidated statement of financial position.
- (iv) The inter-segment liabilities are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.
- (v) There are no major customers with revenue equal to or more than ten percent (10%) of Group revenue.

(b) **Geographical segments**

Revenue and segment assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Segment assets	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	714,598	664,231	418,125	376,780
Indonesia	125,305	142,210	76,617	78,192
Singapore	97,430	84,180	130,277	72,622
Vietnam	50,474	51,240	19,274	15,338
Bangladesh	45,486	20,823	-	-
Philippines	40,199	35,824	-	-
Australia	16,236	16,489	-	-
Thailand	11,736	7,880	-	-
Sri Lanka	10,549	8,967	-	-
Africa	10,207	6,490	-	-
Germany	7,624	73,174	-	-
Other Europe	7,159	3,062	-	-
New Zealand	4,620	3,836	-	-
Taiwan	2,743	5,584	-	-
Japan	2,292	3,081	-	-
Hong Kong	1,721	1,657	-	-
Brunei	1,185	393	-	-
Middle East	879	4,001	-	-
India	566	1,078	-	-
Pakistan	233	1,253	-	-
Other North and South East Asia	243	326	-	-
Nepal	142	468	-	-
The Americas	50	58	-	-
	1,151,677	1,136,305	644,293	542,932

Registration No:
196901000122 (8440 - M)

**ANCOM BERHAD (196901000122 (8440 - M))
(Incorporated in Malaysia)**

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

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

Registration No:
196901000122 (8440 - M)

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

<u>CONTENTS</u>	<u>PAGE</u>
DIRECTORS' REPORT	1 - 9
STATEMENT BY DIRECTORS	10
STATUTORY DECLARATION	10
INDEPENDENT AUDITORS' REPORT	11 - 17
STATEMENTS OF FINANCIAL POSITION	18 - 19
STATEMENTS OF PROFIT OR LOSS	20
STATEMENTS OF COMPREHENSIVE INCOME	21
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	22 - 23
STATEMENT OF CHANGES IN EQUITY	24 - 25
STATEMENTS OF CASH FLOWS	26 - 29
NOTES TO THE FINANCIAL STATEMENTS	30 - 110

Registration No: 196901000122 (8440 - M) 1

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities and the details of the subsidiaries are disclosed in Note 42 to the financial statements. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	<u>32,559</u>	<u>8,437</u>
Attributable to:		
Owners of the parent	23,753	8,437
Non-controlling interests	<u>8,806</u>	<u>-</u>
	<u>32,559</u>	<u>8,437</u>

DIVIDEND

No dividend has been paid, declared or proposed since the end of the previous financial year other than the following:

On 21 September 2020, the Company proposed a final dividend for the financial year ended 31 May 2020 by way of dividend-in-specie via a share dividend distribution of up to 25,294,284 ordinary shares in Ancom Logistics Berhad ("ALB"), representing approximately 5.34% equity interest in ALB to the Company's shareholders on the basis of one (1) ALB share for every ten (10) existing shares held in the Company ("Dividend-in-Specie").

The Dividend-in-Specie was approved by the Company's shareholders at the 51st Annual General Meeting held on 21 October 2020 and completed on 4 December 2020 by crediting 23,922,795 ALB shares to the Central Depository System accounts of the Company's shareholders.

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

RESERVES AND PROVISIONS

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

Registration No:
196901000122 (8440 - M)

2

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary shares of the Company was increased from 240,849,284 to 254,491,472 by way of issuance of 13,642,188 new ordinary shares pursuant to the following:

- i. private placement of 12,100,000 new ordinary shares of RM0.71 each for cash totalling RM8,591,000; and
- ii. 1,542,188 options exercised under the Employees' Share Option Scheme ("ESOS") at exercise price of RM0.765 each for cash totalling of RM1,179,774.

The newly issued ordinary share of the Company rank pari passu in all respects with the existing ordinary shares of the Company.

The Company did not issue any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year apart from the issuance of options pursuant to the ESOS.

At the Extraordinary General Meeting of the Company held on 18 October 2018, the Company's shareholders approved the establishment of an ESOS of up to ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the eligible Executive Directors and employees of the Group.

The salient features and other terms of the ESOS are disclosed in Note 41 to the financial statements.

WARRANTS B (2020/2025)

The Warrants B are constituted by the deed poll dated 21 August 2020.

The Company issued 59,878,790 free Warrants B on the basis of one (1) Warrant for every four (4) existing shares held, which were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 18 September 2020.

The salient terms of the Warrants B are as follows:

- i. Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at any time on or before the maturity date, 9 September 2025, falling five (5) years from the date of issue of the Warrants. Unexercised Warrants after the exercise period will thereafter lapse and cease to be valid;
- ii. The exercise price of the Warrants is fixed at RM0.84 per Warrant B; and
- iii. The new ordinary shares to be issued upon the exercise of the Warrants shall rank pari passu in all respects with the existing ordinary shares of the Company.

As at the date of this report, 59,878,790 Warrants B remained unexercised.

Registration No:
196901000122 (8440 - M)

3

REPURCHASE OF SHARES

At the 51st Annual General Meeting held on 21 October 2020, the Company's shareholders approved the proposed renewal of shareholders' mandate for the Company to repurchase up to ten per centum (10%) of its own ordinary shares.

During the financial year, the Company:

- i. repurchased 100,000 of its issued ordinary shares from the open market of Bursa Securities at an average price of RM0.79 per share; and
- ii. resold 6,708,300 of its treasury shares with price ranging from RM0.71 to RM1.44.

As at 31 May 2021, a total of 11,875,059 (2020: 18,483,359) treasury shares at a total cost of RM6,248,000 (2020: RM9,688,000) are held by the Company. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016 and the Main Market Listing Requirements and applicable guideline of Bursa Securities.

The number of ordinary shares as at 31 May 2021 net of treasury shares is 242,616,413 (2020: 222,365,925). Further details are disclosed in Note 22(c) to the financial statements.

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Dato' Siew Ka Wei	(Executive Chairman)
Siew Ka Kheong	(Alternate to Dato' Siew Ka Wei)
Tan Sri Dato' Dr Lin See Yan	
Tan Sri Dato' Seri Abdull Hamid Bin Embong	
Datuk Dr Abd Hapiz Bin Abdullah	
Chan Thye Seng	
Edmond Cheah Swee Leng	
Lim Hock Chye	

Subsidiaries of Ancom Berhad (excluding those Directors listed above)

Abdul Latif Bin Mahamud	
Akio Hatakeyama	
Anthony Tan Swee Hock	(Appointed on 1 January 2021)
Aznur Bin Azizuddin	(Appointed on 3 August 2020)
Asmariah Binti Ismail	(Appointed on 17 December 2020)
Carina Lee Ling Tze	(Appointed on 17 December 2020)
Chai Hann Lin	
Cheah Yoke Yin	(Resigned on 8 June 2021)
Chen Tai Ngoh	
Chin Kok Wooi	
Chua Choo Oon	
Dato' Abdul Latif Bin Abdullah	
Dato' Lee Yeow Chor	(Resigned on 25 February 2021)
Dato' Lim Wee Sern	(Resigned on 31 December 2020)
Dato' Ng How Hon	
Dato' Sri Tong Seech Wi	
Datuk Abdul Rashid Bin Hashim	
Datuk Anuar Bin Ahmad	

Registration No:
196901000122 (8440 - M)

4

DIRECTORS (continued)

Subsidiaries of Ancom Berhad (excluding those Directors listed above) (continued)

Datuk Hasnul Bin Hassan	
Datuk Mohd Farid Bin Mohd Adnan	(Appointed on 3 May 2021)
Datuk Serin Bin Sudah @ Masree	(Resigned on 15 April 2021)
Datuk Wong Sai Wan	(Deceased on 14 May 2021)
Francis Quah Chuan Hoe @ Quah Chuan Hoe	(Alternate to Chin Kok Wooi)
Hasdi Bin Husain	
Idris Bin Pilus	
Indrawan Masrin	
Jimmy Masrin	
Khamis Bin Awal	
Kong Hwai Ming	
Lee Cheun Wei	
Lee Nan Phin	
Liew Tet Seng	
Lim Chang Meng	
Lim Lay Chin	
Lim Liang Tan	
Lim Wee Beng	
Low Huoi Seong	
Masahiko Otomo	
Mohamad Abdul Naser Bin Md. Jaafar @ Yunus	(Resigned on 1 December 2020)
Mohamad Ruslan Bin Ali	
Mohd Azlan Bin Mohammed	
Norzain Bin Abdul Wahab	
Rama Krishnan A/L Ayam Pillai	
Robin Ling Seng Chiong	
Sabli Bin Sibil	
Safrizal Bin Mohd Said	
Shamsudin Bin Basri	
Shigeo Fuji	
Siew Yuen Tuck	
Somsak Chatteerapat	(Alternate to Surasak Suwannapasri)
Surasak Suwannapasri	
Suzuki Masayuki	
Tan Sri Abd Ghafar Bin Mahmud	(Resigned on 1 December 2020)
Tan Sri Datuk Dr Ampikaipakan A/L S.Kandiah	
Tan Wee Lian	
Tho Tuck Woh	(Deceased on 13 April 2021)
Toh Puan Norella Binti Talib	
Wong Kah Pun	
Wong Siut Yin	
Wong Yew Mum	(Appointed on 1 September 2020)
Yim Suet Lai	(Appointed on 4 September 2020)
YM Datin Paduka Raja Nor Mazli Binti Raja Mohar	
YM Dato' Paduka Tengku Shaharin Abu Bakar Tengku Suleiman	
YM Tengku Mahamad Bin Tengku Mahamut	(Resigned on 16 July 2021)
Yuhei Sogabe	(Resigned on 31 December 2020)

Registration No:
196901000122 (8440 - M)

5

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares, options over ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 May 2021 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	----- Number of ordinary shares -----				
	As at 1.6.2020	Bought	Sold	As at 31.5.2021	
Shares in the Company					
<u>Direct interests:</u>					
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)	-	
Siew Ka Kheong	-	660,000	-	660,000	
<u>Indirect interests:</u>					
Dato' Siew Ka Wei	22,596,221	660,000	(700,000)	22,556,221	
Chan Thye Seng	47,077,140	-	-	47,077,140	
Siew Ka Kheong	16,917,185	-	(700,000)	16,217,185	
----- Number of options over ordinary shares -----					
	As at 1.6.2020	Granted	Exercised	As at 31.5.2021	
The Company					
<u>Direct interests:</u>					
Dato' Siew Ka Wei	-	1,200,000	-	1,200,000	
Siew Ka Kheong	-	500,000	-	500,000	
<u>Indirect interest:</u>					
Dato' Siew Ka Wei	-	500,000	-	500,000	
----- Number of Warrants B (2020/2025) -----					
	As at 1.6.2020	Bonus issue	Bought	Sold	As at 31.5.2021
The Company					
<u>Direct interests:</u>					
Dato' Siew Ka Wei	-	6,985,954	1,597,200	(865,000)	7,718,154
Siew Ka Kheong	-	-	165,000	(65,000)	100,000
Tan Sri Dato' Dr Lin See Yan	-	100,000	-	(100,000)	-
<u>Indirect interests:</u>					
Dato' Siew Ka Wei	-	5,599,053	165,000	(1,366,896)	4,397,157
Chan Thye Seng	-	11,769,283	76,300	(206,850)	11,638,733
Siew Ka Kheong	-	4,179,295	-	(1,182,250)	2,997,045

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

Registration No:
196901000122 (8440 - M)

6

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares, options over ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 May 2021 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows: (continued)

	----- Number of ordinary shares -----					As at 31.5.2021
	As at 1.6.2020	Share dividend received	Transfer	Bought	Sold	
Subsidiary, Nylex (Malaysia) Berhad						
<u>Direct interests:</u>						
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)	-
Siew Ka Kheong	-	-	64,478	-	-	64,478
<u>Indirect interests:</u>						
Dato' Siew Ka Wei	93,980,259	2,349,504	64,478	-	-	96,394,241
Chan Thye Seng	87,967,041	2,199,175	-	-	-	90,166,216
Siew Ka Kheong	5,503,392	137,584	-	-	-	5,640,976
Subsidiary, ALB						
<u>Direct interests:</u>						
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)	-
Siew Ka Kheong	-	-	-	96,000	-	96,000
<u>Indirect interests:</u>						
Dato' Siew Ka Wei	214,194,996	2,239,620	-	96,000	(54,914,116)	161,616,500
Chan Thye Seng	213,284,557	(23,889,795)	-	-	(28,600,500)	160,794,262
Siew Ka Kheong	667,302	1,671,717	-	-	(1,721,210)	617,809

By virtue of his interests in the ordinary shares of the Company, Dato' Siew Ka Wei is deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares, options over ordinary shares and warrants of the Company and of its related corporations during the financial year.

Registration No:
196901000122 (8440 - M)

7

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received and receivable by the Directors) by reason of a contract made by the Company or a related corporation with the 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 other than the following:

- (a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and
- (b) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 37 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

Fees and other benefits of the Directors of the Company who held office during the financial year ended 31 May 2021 were as follows:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Executive Directors				
- salaries, bonus and allowances	3,122	3,861	265	919
- defined contribution plan	84	115	11	38
- other emoluments	-	408	-	408
- share options granted under ESOS	224	-	224	-
	<u>3,430</u>	<u>4,384</u>	<u>500</u>	<u>1,365</u>
Non-Executive Directors				
- fees	779	831	428	478
- other emoluments	214	284	20	19
	<u>993</u>	<u>1,115</u>	<u>448</u>	<u>497</u>
Total remuneration of Directors	<u><u>4,423</u></u>	<u><u>5,499</u></u>	<u><u>948</u></u>	<u><u>1,862</u></u>

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM98,000 (2020: RM127,000) and RM70,000 (2020: RM99,000) respectively.

Registration No:
196901000122 (8440 - M)

8

INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS AND AUDITORS

The Group and the Company 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 effected for any Director and officer of the Group and of the Company was RM14,000.

No indemnity was given to or insurance effected for the auditors of the Group and of the Company.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) 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.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) 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) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature 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; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Registration No:
196901000122 (8440 - M)

9

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY
(continued)**

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

Significant events during the financial year and subsequent events between the end of the reporting period and the date when the financial statements are authorised for issue are disclosed in Note 44 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 were as follows:

	Group RM'000	Company RM'000
Statutory audit	913	118
Other services	24	10
	<u>937</u>	<u>128</u>

Signed on behalf of the Board in accordance with a resolution of the Directors.


.....
Dato' Siew Ka Wei
Director


.....
Edmond Cheah Swee Leng
Director

Kuala Lumpur
27 August 2021

Registration No:
196901000122 (8440 - M)

10

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 18 to 110 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions 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 the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,



.....
Dato' Siew Ka Wei
Director



.....
Edmond Cheah Swee Leng
Director

Kuala Lumpur
27 August 2021

STATUTORY DECLARATION

I, Lim Chang Meng (CA 15594), being the officer primarily responsible for the financial management of Ancom Berhad, do solemnly and sincerely declare that the financial statements set out on pages 18 to 110 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 this
27 August 2021


Lim Chang Meng

Before me:



SUITE 9.03, TINGKAT 9
MENARA RAJA LAUT
NO. 288 JALAN RAJA LAUT
50350 KUALA LUMPUR

Registration No:
196901000122 (8440 - M)

11



Tel : +603 2616 2888
Fax : +603 2616 3190 / 3191
www.bdo.my

Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Malaysia

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ancom 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 18 to 110.

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, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Registration No:
196901000122 (8440 - M)

12



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANCOM BERHAD (continued)
(Incorporated in Malaysia)**

Key Audit Matters (continued)

Key Audit Matters of the Group

1. Impairment assessment of the carrying amount of goodwill

The carrying amount of goodwill arising on consolidation as at 31 May 2021 amounted to RM70,112,000, as disclosed in Note 13 to the financial statements.

We determined this to be a key audit matter because it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the cash generating units ("CGU") in determining the recoverable amount. These key assumptions include projected growth in future revenues and profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Audit response

Our audit procedures included the following:

- a. Compared cash flow projections against recent performance and historical accuracy of budget/forecasts and assessed assumptions used in projections to available sources of data, where applicable;
- b. Evaluated the reasonableness of projected profit margins and growth rates by assessing evidence available to support these assumptions;
- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing to market data as well as weighted average cost of capital of the Group and relevant risk factors; and
- d. Assessed and evaluated sensitivity analysis performed by management on the cash flow projections to evaluate the impact on the impairment assessment.

2. Recoverability of trade receivables

The carrying amount of trade receivables of RM257,653,000 has been disclosed in Note 16 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

Registration No:
196901000122 (8440 - M)

13



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANCOM BERHAD (continued)
(Incorporated in Malaysia)**

Key Audit Matters (continued)

Key Audit Matters of the Group (continued)

2. Recoverability of trade receivables (continued)

Audit response

Our audit procedures included the following:

- a. Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- b. Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and
- c. Inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

Key Audit Matters of the Company

1. Impairment assessment of carrying amounts of investments in subsidiaries

The carrying amount of investments in subsidiaries of RM300,237,000 has been disclosed in Note 8 to the financial statements.

Management performed impairment assessments of certain investments in subsidiaries which had impairment indicators. The recoverable amount of the investments in subsidiaries are determined based on discounted future cash flows projections, which require judgement on the part of management estimation of the future financial performance and key assumptions used, in particular profit margins, growth rates and pre-discount rate.

Audit response

Our audit procedures included the following:

- a. Compared cash flow projections against recent performance and historical accuracy of budgets/forecasts and assessed the key assumptions used in projections;
- b. Evaluated the reasonableness of projected profit margins and growth rates by assessing evidence available to support these assumptions;
- c. Evaluated the reasonableness of pre-tax discount rate used by management by comparing the market data, weighted average cost of capital of the Company and relevant risk factors; and
- d. Assessed and evaluated sensitivity analysis performed by management on the cash flow projections to evaluate the impact on the impairment assessment.

Registration No:
196901000122 (8440 - M)

14



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANCOM BERHAD (continued)
(Incorporated in Malaysia)**

Key Audit Matters (continued)

Key Audit Matters of the Company (continued)

2. Recoverability of amounts owing by subsidiaries

The carrying amounts of amounts owing by subsidiaries of RM41,327,000 has been disclosed in Note 17 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by subsidiaries, appropriate forward looking information and significant increase in credit risk.

Audit response

Our audit procedures included the following:

- a. Assessed the probability of default using historical data and forward looking adjustments applied by the Company;
- b. Assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages;
- c. Evaluated management's basis in determining cash flows recoverable, where applicable; and
- d. Assessed actual lost event subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Registration No:
196901000122 (8440 - M)

15



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANCOM BERHAD (continued)
(Incorporated in Malaysia)**

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Registration No:
196901000122 (8440 - M)

16



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANCOM BERHAD (continued)
(Incorporated in Malaysia)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Registration No:
196901000122 (8440 - M)

17



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ANCOM BERHAD (continued)
(Incorporated in Malaysia)**

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 42 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink that reads 'BDO PLT'.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Kuala Lumpur
27 August 2021

A handwritten signature in black ink that reads 'Lum Chiew Mun'.

Lum Chiew Mun
03039/04/2023 J
Chartered Accountant

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE
FYE 31 MAY 2021 (Cont'd)

Registration No:
196901000122 (8440 - M)

18

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2021**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	189,690	200,660	6,888	7,194
Right-of-use assets	6	110,150	104,324	21,170	21,538
Investment properties	7	314	326	-	-
Investments in subsidiaries	8	-	-	300,237	304,897
Investments in associates	9	5,718	7,867	-	-
Investments in joint ventures	10	-	-	-	-
Other investments	11	415	448	243	243
Intangible assets	12	5,778	21,968	-	-
Goodwill on consolidation	13	70,112	68,330	-	-
Deferred tax assets	14	25,341	25,988	-	-
		407,518	429,911	328,538	333,872
Current assets					
Inventories	15	175,024	128,873	-	-
Trade and other receivables	16	355,233	287,279	6,047	5,280
Amounts owing by subsidiaries	17	-	-	41,327	20,861
Amounts owing by associates	18	9,108	8,565	4,187	4,254
Amounts owing by joint ventures	19	-	-	-	-
Current tax assets		5,912	4,275	355	115
Other investments	11	3,031	3,288	-	-
Cash and bank balances	20	105,803	97,115	391	36
		654,111	529,395	52,307	30,546
Assets held for sale	21	6,680	-	-	-
TOTAL ASSETS		1,068,309	959,306	380,845	364,418

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE
FYE 31 MAY 2021 (Cont'd)

Registration No: 196901000122 (8440 - M) 19

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2021 (continued)

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent					
Share capital	22	256,043	245,766	256,043	245,766
Treasury shares	22(c)	(6,248)	(9,688)	(6,248)	(9,688)
Reserves	23	112,404	75,629	15,635	3,668
		362,199	311,707	265,430	239,746
Non-controlling interests	8(e)	120,197	111,854	-	-
TOTAL EQUITY		482,396	423,561	265,430	239,746
LIABILITIES					
Non-current liabilities					
Borrowings	24	50,704	70,847	19,500	29,000
Lease liabilities	6	25,340	10,988	-	-
Deferred tax liabilities	14	10,374	10,877	249	268
Provision for retirement benefits	26	4,679	4,561	-	-
		91,097	97,273	19,749	29,268
Current liabilities					
Borrowings	24	250,092	251,221	34,154	37,813
Lease liabilities	6	15,561	24,126	-	116
Trade and other payables	27	217,987	154,072	2,625	1,474
Amounts owing to subsidiaries	28	-	-	58,887	56,001
Amounts owing to associates	18	2,089	62	-	-
Contract liabilities	29	5,280	3,970	-	-
Current tax liabilities		3,807	5,021	-	-
		494,816	438,472	95,666	95,404
TOTAL LIABILITIES		585,913	535,745	115,415	124,672
TOTAL EQUITY AND LIABILITIES		1,068,309	959,306	380,845	364,418

The accompanying notes form an integral part of the financial statements.

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

Registration No: 20
196901000122 (8440 - M)

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	30	1,538,476	1,472,285	26,946	15,630
Cost of sales		(1,290,266)	(1,263,804)	-	-
Gross profit		248,210	208,481	26,946	15,630
Other operating income		9,067	17,716	314	59
Distribution costs		(96,020)	(90,618)	-	-
Administrative expenses		(83,323)	(99,256)	(6,614)	(4,673)
Other operating expenses		(12,428)	(14,245)	(7,403)	(21,995)
Finance costs	31	(12,734)	(19,070)	(5,672)	(7,117)
Net gains/(losses) on impairment of financial assets		594	(1,052)	1,109	3,989
Share of results of associates, net of tax	9(g)	(2,389)	(2,788)	-	-
Profit/(Loss) before taxation		50,977	(832)	8,680	(14,107)
Taxation	32	(18,418)	(18,060)	(243)	(254)
Profit/(Loss) for the financial year		<u>32,559</u>	<u>(18,892)</u>	<u>8,437</u>	<u>(14,361)</u>
Profit/(Loss) attributable to:					
Owners of the parent		23,753	(9,696)	8,437	(14,361)
Non-controlling interests	8(e)	<u>8,806</u>	<u>(9,196)</u>	<u>-</u>	<u>-</u>
		<u>32,559</u>	<u>(18,892)</u>	<u>8,437</u>	<u>(14,361)</u>
Earnings/(Loss) per ordinary share					
- Basic			Note	2021 Sen	2020 Sen
			33(a)	9.97	(4.31)
- Diluted			33(b)	<u>8.60</u>	<u>(4.31)</u>

The accompanying notes form an integral part of the financial statements.

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE
FYE 31 MAY 2021 (Cont'd)

Registration No:
196901000122 (8440 - M)

21

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(Loss) for the financial year		32,559	(18,892)	8,437	(14,361)
Other comprehensive loss, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		(4,919)	(2,788)	-	-
Item not to be reclassified subsequently to profit or loss					
Re-measurement of defined benefit liability	26	(22)	(58)	-	-
Other comprehensive loss, net of tax		(4,941)	(2,846)	-	-
Total comprehensive income/(loss)		<u>27,618</u>	<u>(21,738)</u>	<u>8,437</u>	<u>(14,361)</u>
Total comprehensive income/(loss) attributable to:					
Owners of the parent		20,909	(10,818)	8,437	(14,361)
Non-controlling interests	8(e)	<u>6,709</u>	<u>(10,920)</u>	<u>-</u>	<u>-</u>
		<u>27,618</u>	<u>(21,738)</u>	<u>8,437</u>	<u>(14,361)</u>

The accompanying notes form an integral part of the financial statements.

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

22

Registration No:

196901000122 (8440 - M)

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Share capital RM'000	Capital reserve RM'000	Exchange translation reserve RM'000	Share options reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
Balance as at 1 June 2020	245,766	273	10,752	-	(9,688)	64,604	311,707	111,854	423,561
Profit for the financial year	-	-	-	-	-	23,753	23,753	8,806	32,559
Other comprehensive loss, net of tax	-	-	(2,822)	-	-	(22)	(2,844)	(2,097)	(4,941)
Total comprehensive (loss)/income	-	-	(2,822)	-	-	23,731	20,909	6,709	27,618
Transactions with owners									
Ordinary shares issued pursuant to:									
- private placement	8,591	-	-	-	-	-	8,591	-	8,591
- Employees' Share Option Scheme ("ESOS")	1,704	-	-	(524)	-	-	1,180	-	1,180
Share issued expenses	(18)	-	-	-	-	-	(18)	-	(18)
Share options granted under ESOS	-	-	-	3,641	-	-	3,641	149	3,790
Net resold of treasury shares of the Company	-	-	-	-	3,440	2,427	5,867	-	5,867
Accretion of equity interest of a subsidiary	-	-	-	-	-	(152)	(152)	152	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	379	379
Disposal of equity interests in subsidiaries	-	-	-	-	-	11,659	11,659	1,934	13,593
Dividend-in-specie	-	-	-	-	-	(1,185)	(1,185)	1,176	(9)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(2,156)	(2,156)
Total transactions with owners	10,277	-	-	3,117	3,440	12,749	29,583	1,634	31,217
Balance as at 31 May 2021	256,043	273	7,930	3,117	(6,248)	101,084	362,199	120,197	482,396

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

23

Registration No:
196901000122 (8440 - M)

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)**

Group	Share capital RM'000	Capital reserve RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance as at 1 June 2019	245,766	273	10,706	(5,566)	64,283	315,462	139,443	454,905
Loss for the financial year	-	-	-	-	(9,696)	(9,696)	(9,196)	(18,892)
Other comprehensive loss, net of tax	-	-	(1,064)	-	(58)	(1,122)	(1,724)	(2,846)
Total comprehensive loss	-	-	(1,064)	-	(9,754)	(10,818)	(10,920)	(21,738)
Transactions with owners								
Repurchase of treasury shares of the Company	-	-	-	(4,122)	-	(4,122)	-	(4,122)
Accretion of equity interest of a subsidiary	-	-	1,110	-	10,435	11,545	(11,545)	-
Acquisition of a subsidiary	-	-	-	-	-	-	1,149	1,149
Repurchase of treasury shares of a subsidiary	-	-	-	-	-	-	(2,854)	(2,854)
Additional interest in subsidiaries	-	-	-	-	467	467	(1,767)	(1,300)
Disposal of equity interests in subsidiaries	-	-	-	-	(827)	(827)	982	155
Dividends paid to non-controlling interests	-	-	-	-	-	-	(870)	(870)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(1,764)	(1,764)
Total transactions with owners	-	-	1,110	(4,122)	10,075	7,063	(16,669)	(9,606)
Balance as at 31 May 2020	245,766	273	10,752	(9,688)	64,604	311,707	111,854	423,561

The accompanying notes form an integral part of the financial statements.

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

24

Registration No:
196901000122 (8440 - M)

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

Company	Share capital RM'000	Treasury shares RM'000	Share options reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 June 2020	245,766	(9,688)	-	3,668	239,746
Profit for the financial year	-	-	-	8,437	8,437
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	8,437	8,437
Transactions with owners					
Ordinary shares issued pursuant to:					
- private placement	8,591	-	-	-	8,591
- ESOS	1,704	-	(524)	-	1,180
Share issued expenses	(18)	-	-	-	(18)
Share options granted under ESOS	-	-	3,790	-	3,790
Net resold of treasury shares of the Company	-	3,440	-	2,427	5,867
Dividend-in-specie	-	-	-	(2,163)	(2,163)
Total transaction with owners	10,277	3,440	3,266	264	17,247
Balance as at 31 May 2021	256,043	(6,248)	3,266	12,369	265,430

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

25

Registration No:

196901000122 (8440 - M)

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)**

Company	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 June 2019	245,766	(5,566)	18,029	258,229
Loss for the financial year	-	-	(14,361)	(14,361)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss	-	-	(14,361)	(14,361)
Transaction with owners				
Repurchase of treasury shares of the Company	-	(4,122)	-	(4,122)
Total transaction with owners	-	(4,122)	-	(4,122)
Balance as at 31 May 2020	245,766	(9,688)	3,668	239,746

The accompanying notes form an integral part of the financial statements

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE
FYE 31 MAY 2021 (Cont'd)

Registration No:
196901000122 (8440 - M)

26

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		50,977	(832)	8,680	(14,107)
Adjustments for:					
Amortisation of intangible assets	12	2,074	4,263	-	2
Bad debts written off - third parties		22	60	-	-
Deposits written off		1	34	-	-
Depreciation of investment properties	7	12	11	-	-
Depreciation of property, plant and equipment	5	22,427	23,254	589	648
Depreciation of right-of-use assets	6	17,144	27,597	368	381
Dividend income		(22)	-	(25,038)	(13,125)
Fair value gain on derivatives		-	(8)	-	-
Fair value (gain)/loss on other investments		(243)	103	-	-
Gain on disposal of equity interest in subsidiaries		-	-	(308)	-
Gain on disposal/derecognition of subsidiaries		(2)	(2,769)	-	-
Gain on disposal of right-of-use assets		(13)	-	-	-
Gain on lease termination		(2)	-	-	-
Gain on reassessments and modifications of leases		(63)	-	-	-
Gain on remeasurement of previously retained interest		-	(259)	-	-
Impairment loss on amounts owing by associates	18(e)	1,663	2,084	-	33
Impairment loss on amounts owing by joint ventures	19(d)	-	5	-	-
Impairment loss on amounts owing by subsidiaries	17(d)	-	-	-	1,679
Impairment loss on goodwill on consolidation	13	745	5,500	-	-
Impairment loss on investments in associates		-	612	-	2,847
Impairment loss on investments in subsidiaries	8(b)	-	-	6,446	18,314
Impairment loss on trade and other receivables		871	2,910	-	206
Intangible assets written off	12	516	41	-	-
Interest expense	31	12,734	19,070	5,672	7,117
Interest income		(685)	(1,212)	(156)	(554)
Inventories written down	15	728	562	-	-
Inventories written off		-	10	-	-
Loss on disposal of other investments		-	3,000	-	-
Loss/(Gain) on disposal of property, plant and equipment		300	176	(5)	-
Net unrealised loss/(gain) on foreign exchange		3,056	(3,820)	-	-
Other investments written off		33	-	-	-
Property, plant and equipment written off	5	262	1,121	-	-
Provision for retirement benefits	26	180	513	-	-
Reversal of impairment loss on trade and other receivables		(3,128)	(3,947)	-	-
Reversal of impairment loss on amounts owing by subsidiaries	17(d)	-	-	(1,109)	(5,907)
Reversal of long outstanding payables		-	(674)	-	(58)
Share of results of associates	9(g)	2,389	2,788	-	-
Share options granted under ESOS		3,790	-	287	-
Termination of a marketing right		(4,000)	-	-	-
Operating profit/(loss) before working capital changes		111,766	80,193	(4,574)	(2,524)
Working capital changes:					
Inventories		(42,763)	41,423	-	-
Trade and other receivables		(69,867)	100,966	(767)	(512)
Trade and other payables		52,713	(64,280)	1,151	44
Contract liabilities		1,310	(12,820)	-	-
Amounts owing by associates		(2,206)	7,795	67	(219)
Amounts owing to associates		2,027	(8,337)	-	-
Cash generated from/(used in) operations		52,980	144,940	(4,123)	(3,211)

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

Registration No: 27
196901000122 (8440 - M)

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Cash generated from/(used in) operations (continued)		52,980	144,940	(4,123)	(3,211)
Dividend received		-	-	24,506	13,124
Retirement benefits paid	26	(224)	(775)	-	-
Tax paid		(21,305)	(18,066)	(502)	(347)
Net cash from operating activities		<u>31,451</u>	<u>126,099</u>	<u>19,881</u>	<u>9,566</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of additional interests in subsidiaries		-	(1,300)	-	-
Acquisition of associates		(240)	-	-	-
Dividend received		22	-	-	-
Interest received		685	1,212	156	554
Net cash inflow on acquisition of subsidiaries		244	152	-	-
Net cash outflow on disposal of a subsidiary		(2)	(115)	-	-
Net (advances to)/repayments from subsidiaries		-	-	(16,471)	3,336
Proceeds from disposal of equity interests in subsidiaries		13,593	155	403	-
Proceeds from disposal of property, plant and equipment		1,901	1,034	5	-
Proceeds from disposal of right-of-use assets		200	-	-	-
Proceeds from termination of a marketing right		10,000	-	-	-
Purchase of intangible assets	12	(1,355)	(725)	-	-
Purchase of property, plant and equipment	5(c)	(11,915)	(14,313)	(283)	(23)
Purchase of right-of-use assets		(765)	(279)	-	-
Repurchase of treasury shares of a subsidiary		-	(2,854)	-	-
Sale/(Purchase) of other investments		500	(14)	-	-
(Placement)/Withdrawal of short-term deposits:					
- pledged with licensed banks		(4)	(5)	-	-
- with maturity period more than three (3) months		421	(1,432)	-	-
Net cash from/(used in) investing activities		<u>13,285</u>	<u>(18,484)</u>	<u>(16,190)</u>	<u>3,867</u>

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

Registration No:
196901000122 (8440 - M)

28

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(9)	-	(9)	-
Dividends paid to non-controlling interests		-	(870)	-	-
Dividends paid to non-controlling interests of subsidiaries		(2,156)	(1,764)	-	-
Interest paid		(11,753)	(16,916)	(5,669)	(4,547)
Net repayments of borrowings		(5,892)	(42,956)	(4,930)	(2,392)
Net resold/(repurchase) of treasury shares of the Company		5,867	(4,122)	5,867	(4,122)
Payment of lease liabilities	6	(19,861)	(30,886)	(119)	(130)
Proceeds from issuance of shares pursuant to:					
- private placement	22(a)(i)	8,591	-	8,591	-
- ESOS	22(a)(ii)	1,180	-	1,180	-
Share issued expenses	22	(18)	-	(18)	-
Net cash (used in)/from financing activities		(24,051)	(97,514)	4,893	(11,191)
Net increase in cash and cash equivalents		20,685	10,101	8,584	2,242
Cash and cash equivalents at beginning of financial year		73,049	62,913	(9,847)	(12,089)
Effects of exchange rate changes on cash and cash equivalents		(826)	35	-	-
		72,223	62,948	(9,847)	(12,089)
Cash and cash equivalents at end of financial year	20(c)	92,908	73,049	(1,263)	(9,847)

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

Registration No: 29
196901000122 (8440 - M)

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (continued)**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Borrowings					
Balance as at 1 June 2020/2019		322,068	360,815	66,813	71,446
Cash flows		(16,646)	(41,615)	(13,159)	(4,633)
Non-cash flows:					
- Unrealised gain on foreign exchange		(736)	(198)	-	-
- Effect of foreign exchange		(3,890)	3,066	-	-
Balance as at 31 May 2021/2020	24	<u>300,796</u>	<u>322,068</u>	<u>53,654</u>	<u>66,813</u>
Lease liabilities					
Balance as at 1 June 2020/2019		35,114	58,590	116	236
Cash flows		(19,861)	(30,886)	(119)	(130)
Non-cash flows:					
- Additions		30,855	4,691	-	-
- Effect of foreign exchange		(194)	565	-	-
- Reassessments/Modifications		(5,800)	-	-	-
- Termination		(239)	-	-	-
- Unwinding of interest		981	2,154	3	10
- Acquisition of subsidiaries		45	-	-	-
Balance as at 31 May 2021/2020	6	<u>40,901</u>	<u>35,114</u>	<u>-</u>	<u>116</u>

The accompanying notes form an integral part of the financial statements.

Registration No: 30
196901000122 (8440 - M)

ANCOM BERHAD (196901000122 (8440 - M))

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2021

1. CORPORATE INFORMATION

Ancom Berhad (“Ancom” or “the Company”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements for the financial year ended 31 May 2021 comprise the Company and its subsidiaries and the interests of the Group in associates and joint ventures. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 27 August 2021.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities and the details of the subsidiaries are disclosed in Note 42 to the financial statements. There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 43.1 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

Registration No:
196901000122 (8440 - M)

31

4. OPERATING SEGMENTS

The Group's operations comprise the following main operating segments:

Investment holding	: Investment holding
Agricultural chemicals	: Manufacture, trading and sale of agricultural chemical products
Industrial chemicals	: Manufacture, trading and sale of industrial chemical products
Logistics	: Ship-owning, ship-operating, land transportation, container haulage, bulk cargo handling, chemicals warehousing and related services
Media	: Provision of out-of-home and digital advertising media space
Polymer	: Manufacturing and marketing of polymer products

Others mainly comprise education, information technology, manufacturing, sales of electrical component products and property development.

The accounting policies of operating segments are the same as those described in the respective notes to the financial statements. The Group evaluates performance on the basis of profit or loss from operations before taxation. These policies have been applied consistently throughout the current and previous financial years.

The Group's chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment.

The inter-segment assets are adjusted against the segment assets to arrive at total assets reported in the consolidated statement of financial position.

The inter-segment liabilities are adjusted against the segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
196901000122 (8440 - M)

32

4. OPERATING SEGMENTS (continued)

(a) Operating segment

2021	Investment holding RM'000	Agricultural chemicals RM'000	Industrial chemicals RM'000	Logistics RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination and adjustments RM'000	Total RM'000
Revenue									
External sales	1,213	332,028	1,042,128	39,928	12,672	91,738	18,769	-	1,538,476
Inter-segment sales	21,424	81,746	226	8,103	-	30	3,035	(114,564)	-
Total revenue	22,637	413,774	1,042,354	48,031	12,672	91,768	21,804	(114,564)	1,538,476
Segment (loss)/profit before taxation	(22,876)	45,946	25,800	2,818	(3,957)	5,411	(1,045)	(1,120)	50,977
Interest income	2,098	571	344	3	-	181	303	(2,815)	685
Depreciation and amortisation	(1,855)	(8,667)	(18,224)	(9,144)	(3,302)	(4,840)	(1,370)	5,745	(41,657)
Share of results of associates	390	-	-	417	(3,196)	-	-	-	(2,389)
Interest expense	(6,906)	(1,158)	(3,765)	(4,002)	(70)	(7)	(101)	3,275	(12,734)
Other material non-cash items:									
Property, plant and equipment written off	(2)	(77)	-	(36)	(143)	-	(4)	-	(262)
Unrealised (loss)/gain on foreign exchange	(441)	(1,186)	(3,160)	1,655	-	76	-	-	(3,056)
Impairment loss on:									
- goodwill on consolidation	-	(244)	-	-	(501)	-	-	-	(745)
- trade and other receivables	-	(140)	-	-	(460)	-	(271)	-	(871)
- amounts owing by associates	(1,663)	-	-	-	-	-	-	-	(1,663)
Reversal of impairment loss on trade and other receivables	28	1,330	91	-	765	146	768	-	3,128

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

33

Registration No:
196901.000122 (8440 - M)

4. OPERATING SEGMENTS (continued)

(a) Operating segment (continued)

2021	Investment holding RM'000	Agricultural chemicals RM'000	Industrial chemicals RM'000	Logistics RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination and adjustments RM'000	Total RM'000
Segment assets	124,777	198,562	505,030	105,097	73,471	91,167	10,907	(40,702)	1,068,309
Investments in associates	3,408	507	-	2,219	-	-	-	(416)	5,718
Goodwill on consolidation	-	-	85,527	-	5,439	95	-	(20,949)	70,112
Additions to property, plant and equipment and intangible assets	618	8,494	1,863	356	15	2,832	292	(1,200)	13,270
Segment liabilities	63,457	77,355	308,895	97,744	22,745	17,609	4,423	(6,315)	585,913

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
196901000122 (8440 - M)

34

4. OPERATING SEGMENTS (continued)

(a) Operating segment (continued)

2020	Investment holding RM'000	Agricultural chemicals RM'000	Industrial chemicals RM'000	Logistics RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination and adjustments RM'000	Total RM'000
Revenue									
External sales	903	241,241	1,028,684	42,149	51,798	86,919	20,591	-	1,472,285
Inter-segment sales	18,256	73,629	215	9,252	31	16	3,656	(105,055)	-
Total revenue	19,159	314,870	1,028,899	51,401	51,829	86,935	24,247	(105,055)	1,472,285
Segment (loss)/profit before taxation	(26,348)	34,675	(6,017)	1,569	(7,663)	6,183	(3,853)	622	(832)
Interest income	2,836	239	550	4	-	397	639	(3,453)	1,212
Depreciation and amortisation	(1,681)	(7,668)	(18,223)	(9,804)	(15,894)	(4,910)	(985)	4,040	(55,125)
Share of results of associates	136	-	-	-	(2,924)	-	-	-	(2,788)
Interest expense	(8,960)	(1,089)	(6,837)	(4,750)	(1,141)	(18)	(164)	3,889	(19,070)
Other material non-cash items:									
Gain on disposal/derecognition of subsidiaries	-	-	-	-	2,769	-	-	-	2,769
Loss on disposal of other investments	-	-	-	-	(3,000)	-	-	-	(3,000)
Property, plant and equipment written off	-	(163)	-	-	(935)	-	(23)	-	(1,121)
Unrealised gain/(loss) on foreign exchange	788	1,520	1,897	(1,254)	-	236	-	633	3,820
Impairment loss on:									
- goodwill on consolidation	(5,500)	-	-	-	-	-	-	-	(5,500)
- trade and other receivables	(621)	(1,074)	-	(63)	(761)	-	(391)	-	(2,910)
- amounts owing by associates	(863)	-	-	-	(1,221)	-	-	-	(2,084)
Reversal of impairment loss on trade and other receivables	1,030	8	76	-	2,769	52	12	-	3,947

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

35

Registration No:
196901000122 (8440 - M)

4. OPERATING SEGMENTS (continued)

(a) Operating segment (continued)

2020	Investment holding RM'000	Agricultural chemicals RM'000	Industrial chemicals RM'000	Logistics RM'000	Media RM'000	Polymer RM'000	Others RM'000	Elimination and adjustments RM'000	Total RM'000
Segment assets	116,957	188,500	400,273	106,487	91,000	94,566	11,363	(49,840)	959,306
Investments in associates	2,362	507	-	1,802	3,196	-	17	(17)	7,867
Goodwill on consolidation	-	-	85,527	-	5,424	97	-	(22,718)	68,330
Additions to property, plant and equipment and intangible assets	5,906	8,278	5,661	1,817	731	616	191	(1,462)	21,738
Segment liabilities	87,150	83,415	216,304	102,854	39,490	12,926	3,597	(9,991)	535,745

Registration No:
 196901000122 (8440 - M)

36

4. OPERATING SEGMENTS (continued)

(b) Geographical segment

In determining the geographical segment of the Group, revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue		Segment assets	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	929,485	849,868	840,259	786,291
Singapore	111,374	88,239	130,277	72,622
Indonesia	132,073	147,307	76,794	78,192
Other Southeast Asian countries	75,741	68,264	19,274	15,338
Other Asian countries	114,642	94,824	1,705	6,863
Australia and New Zealand	39,147	37,021	-	-
North and South America	85,899	83,053	-	-
Africa	35,275	27,240	-	-
Europe	14,840	76,469	-	-
	<u>1,538,476</u>	<u>1,472,285</u>	<u>1,068,309</u>	<u>959,306</u>

(c) Major customers

There are no major customers with revenue equal or more than ten per centum (10%) of the Group's revenue.

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:

196901000122 (8440 - M)

37

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.6.2020 RM'000	Reclassification RM'000	Depreciation charge for the financial year				Written off RM'000	Acquisition of subsidiaries RM'000	Reclassification from/(to) right-of-use assets RM'000	Balance as at 31.5.2021 RM'000
			Additions RM'000	Disposals RM'000	Translation adjustments RM'000	RM'000				
Carrying amount										
Freehold land	1,016	-	-	-	-	-	-	-	1,016	
Buildings	33,180	-	81	(1,599)	(162)	-	-	-	31,500	
Bearer plant	-	-	486	-	-	-	-	746	1,232	
Plant and machinery	76,050	-	5,717	(12,002)	(343)	(219)	1,290	-	68,534	
Vessel and equipment	65,558	-	42	(3,338)	-	-	-	-	62,262	
Motor vehicles	7,435	87	140	(2,355)	(9)	(36)	-	530	5,562	
Furniture, fittings and office equipment	10,524	2,107	1,911	(2,394)	(43)	(7)	9	(13)	12,082	
Renovation	5,990	-	1,016	(739)	-	-	-	-	6,267	
Assets under construction	907	(2,194)	2,522	-	-	-	-	-	1,235	
	200,660	-	11,915	(22,427)	(557)	(262)	1,299	1,263	189,690	

-----At 31.5.2021-----		
Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
1,016	-	1,016
49,131	(17,631)	31,500
1,232	-	1,232
225,634	(157,100)	68,534
78,738	(16,476)	62,262
29,748	(24,186)	5,562
39,248	(27,166)	12,082
12,282	(6,015)	6,267
1,235	-	1,235
438,264	(248,574)	189,690

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:
196901000122 (8440 - M)

38

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1.6.2019 RM'000	Reclassification RM'000	Additions RM'000	Disposals RM'000	Depreciation charge for the financial year		Written off RM'000	Acquisition of a subsidiary RM'000	Disposal of a subsidiary RM'000	Reclassification of-use assets RM'000	Balance as at 31.5.2020 RM'000
					RM'000	RM'000					
Carrying amount											
Freehold land	1,016	-	-	-	-	-	-	-	-	-	1,016
Buildings	28,022	-	6,714	-	(1,641)	85	-	-	-	-	33,180
Plant and machinery	70,441	5,965	9,586	(171)	(11,695)	176	(904)	-	-	2,652	76,050
Vessel and equipment	68,717	-	876	-	(4,035)	-	-	-	-	-	65,558
Motor vehicles	8,438	-	1,275	(1,017)	(2,733)	7	-	174	-	1,311	7,435
Furniture, fittings and office equipment	11,503	-	1,459	(22)	(2,448)	17	-	1	(58)	72	10,524
Renovation	6,423	-	249	-	(682)	-	-	-	-	-	5,990
Assets under construction	6,235	(5,965)	854	-	-	-	(217)	-	-	-	907
	200,795	-	21,013	(1,210)	(23,254)	285	(1,121)	175	(58)	4,035	200,660

	At 31.5.2020		
	Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Freehold land	1,016	-	1,016
Buildings	49,298	(16,118)	33,180
Plant and machinery	285,843	(209,793)	76,050
Vessel and equipment	78,696	(13,138)	65,558
Motor vehicles	30,036	(22,601)	7,435
Furniture, fittings and office equipment	36,320	(25,796)	10,524
Renovation	11,323	(5,333)	5,990
Assets under construction	907	-	907
	493,439	(292,779)	200,660

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE
FYE 31 MAY 2021 (Cont'd)

Registration No:
196901000122 (8440 - M)

39

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

2021	Balance as at 1.6.2020 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2021 RM'000
Carrying amount				
Building	5,225	-	(127)	5,098
Motor vehicles	130	-	(60)	70
Furniture, fittings and office equipment	151	60	(50)	161
Renovation	1,688	223	(352)	1,559
	<u>7,194</u>	<u>283</u>	<u>(589)</u>	<u>6,888</u>

[-----At 31.5.2021-----]

	Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Building	6,327	(1,229)	5,098
Plant and machinery	2,403	(2,403)	-
Motor vehicles	1,772	(1,702)	70
Furniture, fittings and office equipment	1,344	(1,183)	161
Renovation	5,390	(3,831)	1,559
	<u>17,236</u>	<u>(10,348)</u>	<u>6,888</u>

2020	Balance as at 1.6.2019 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2020 RM'000
Carrying amount				
Building	5,352	-	(127)	5,225
Motor vehicles	260	-	(130)	130
Furniture, fittings and office equipment	177	23	(49)	151
Renovation	2,030	-	(342)	1,688
	<u>7,819</u>	<u>23</u>	<u>(648)</u>	<u>7,194</u>

[-----At 31.5.2020-----]

	Cost RM'000	Accumulated depreciation and impairment RM'000	Carrying amount RM'000
Building	6,327	(1,102)	5,225
Plant and machinery	2,403	(2,403)	-
Motor vehicles	1,106	(976)	130
Furniture, fittings and office equipment	1,284	(1,133)	151
Renovation	5,167	(3,479)	1,688
	<u>16,287</u>	<u>(9,093)</u>	<u>7,194</u>

Registration No:

40

196901000122 (8440 - M)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.
- (b) Freehold land has unlimited useful life and is not depreciated. Bearer plant and assets under construction are not depreciated until such time when the asset is available for use.

Depreciation on other property, plant and equipment is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	2% - 12.5%
Plant and machinery	5% - 33.3%
Vessel and equipment	5% - 20%
Motor vehicles	5% - 25%
Furniture, fittings and office equipment	5% - 33.3%
Renovation	2% - 10%

- (c) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of property, plant and equipment	11,915	21,013	283	23
Settlement from other receivables	-	(6,700)	-	-
Cash payments on purchase of property, plant and equipment	<u>11,915</u>	<u>14,313</u>	<u>283</u>	<u>23</u>

- (d) As at 31 May 2021, certain buildings of the Group and of the Company with a total carrying amount of RM7,879,000 (2020: RM8,111,000) and RM5,098,000 (2020: RM5,225,000) respectively have been charged to licensed banks for banking facilities granted to the Company as disclosed in Note 24 to the financial statements.
- (e) As at 31 May 2021, vessel and equipment of the Group with carrying amount of RM61,809,000 (2020: RM64,722,000) have been charged to a licensed bank for banking facilities granted to a subsidiary as disclosed in Note 24 to the financial statements.

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

41

Registration No:
196901000122 (8440 - M)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as lessee		2021		2020		2019			
Group	Balance as at 1.6.2020 RM'000	Additions RM'000	Disposal RM'000	Reassessments/ Modifications RM'000	Depreciation charge for the financial year RM'000	Exchange differences RM'000	Reclassification* RM'000	Reclassification of assets held for sale RM'000	Balance as at 31.5.2021 RM'000
Right-of-use assets									
Leasehold land	70,725	623	-	-	(1,802)	(108)	(746)	-	68,267
Buildings	9,925	356	-	(5,709)	(2,292)	(47)	-	(206)	2,027
Storage tanks	14,329	27,083	-	-	(10,680)	(662)	-	-	30,070
Motor vehicles	8,681	2,214	(187)	(9)	(1,704)	(6)	(530)	(31)	8,450
Plant and machinery	397	555	-	-	(351)	-	13	-	614
Office equipment	267	789	-	(19)	(315)	-	-	-	722
	104,324	31,620	(187)	(5,737)	(17,144)	(823)	(1,263)	(237)	110,150
Company									
Leasehold land	21,411							(241)	21,170
Motor vehicles	127							(127)	-
Carrying amount	21,538							(368)	21,170

* The assets previously acquired under hire purchase arrangements were reclassified to property, plant and equipment as the lease liabilities for those assets have been fully settled during the financial year.

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

42

Registration No:
196901000122 (8440 - M)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

Right-of-use assets (continued)

2020

Group	Balance as at 1.6.2019 RM'000	Additions RM'000	Depreciation charge for the financial year RM'000	Exchange differences RM'000	Reclassification* RM'000	Balance as at 31.5.2020 RM'000
Carrying amount						
Leasehold land	72,154	314	(1,800)	57	-	70,725
Buildings	20,977	1,629	(12,714)	33	-	9,925
Storage tanks	24,561	53	(10,795)	510	-	14,329
Motor vehicles	9,177	2,578	(1,767)	4	(1,311)	8,681
Plant and machinery	3,021	213	(185)	-	(2,652)	397
Computer software	585	-	(225)	-	(360)	-
Office equipment	267	183	(111)	-	(72)	267
	130,742	4,970	(27,597)	604	(4,395)	104,324

Company

Carrying amount

Company	Balance as at 1.6.2019 RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2020 RM'000
Carrying amount			
Leasehold land	21,652	(241)	21,411
Motor vehicles	267	(140)	127
	21,919	(381)	21,538

* The assets previously acquired under hire purchase arrangements were reclassified to property, plant and equipment and intangible assets as the lease liabilities for those assets have been fully settled during the financial year.

Registration No:
196901000122 (8440 - M)

43

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease liabilities

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Balance as at 1 June 2020/2019	35,114	58,590	116	236
Additions	30,855	4,691	-	-
Exchange differences	(194)	565	-	-
Reassessments/Modifications	(5,800)	-	-	-
Termination	(239)	-	-	-
Lease payments	(19,861)	(30,886)	(119)	(130)
Acquisition of subsidiaries	45	-	-	-
Interest expense	981	2,154	3	10
	<u>40,901</u>	<u>35,114</u>	<u>-</u>	<u>116</u>
Balance as at 31 May 2021/2020	<u>40,901</u>	<u>35,114</u>	<u>-</u>	<u>116</u>
Represented by:				
Current liabilities	15,561	24,126	-	116
Non-current liabilities	25,340	10,988	-	-
	<u>40,901</u>	<u>35,114</u>	<u>-</u>	<u>116</u>
Lease liabilities owing to financial institutions	4,439	6,353	-	116
Lease liabilities owing to non-financial institutions	36,462	28,761	-	-
	<u>40,901</u>	<u>35,114</u>	<u>-</u>	<u>116</u>

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

- (b) The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Leasehold land	5 to 99 years
Buildings	2 to 5 years
Storage tanks	2 to 8 years
Motor vehicles	2 to 5 years
Plant and machinery	2 to 5 years
Office equipment	2 to 5 years

Registration No:
196901000122 (8440 - M)

44

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

- (c) As at 31 May 2021, certain land of the Group and of the Company with a total carrying amount of RM27,075,000 (2020: RM27,006,000) and RM21,170,000 (2020: RM21,411,000) respectively have been charged to licensed banks for banking facilities granted to the Company as disclosed in Note 24 to the financial statements.
- (d) The Group has certain leases of assets with lease term of 12 months or less and low value leases of RM20,000 and below. The Group applies the “short-term lease” and “lease of low-value assets” exemptions for these leases.
- (e) The following are the amounts recognised in profit or loss:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Represented by:				
Depreciation charge of right-of-use assets (included in cost of sales, distribution costs and administrative expenses)	17,144	27,597	368	381
Interest expense on lease liabilities (included in finance costs)	981	2,154	3	10
Gain on reassessments and modifications of leases (included in other operating income)	(63)	-	-	-
Expense relating to short-term leases and leases of low-value assets (included in administrative expenses)	678	1,220	-	-
	<u>18,740</u>	<u>30,971</u>	<u>371</u>	<u>391</u>

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

Registration No:
196901000122 (8440 - M)

45

7. INVESTMENT PROPERTIES

Group

2021	Balance as at 1.6.2020 RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2021 RM'000
Carrying amount			
Freehold land at cost	20	-	20
Buildings at cost	306	(12)	294
	<u>326</u>	<u>(12)</u>	<u>314</u>

2020	Balance as at 1.6.2019 RM'000	Depreciation charge for the financial year RM'000	Balance as at 31.5.2020 RM'000
Carrying amount			
Freehold land at cost	20	-	20
Buildings at cost	317	(11)	306
	<u>337</u>	<u>(11)</u>	<u>326</u>

	Group	
	2021 RM'000	2020 RM'000
Fair value	<u>940</u>	<u>940</u>

- (a) Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write off the cost or valuation of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods for the investments properties are fifty (50) years.
- (c) Rental income generated from rental of investment properties of the Group during the financial year amounted to RM17,000 (2020: RM15,000).
- (d) Direct operating expenses from investment properties which generated rental income to the Group during the financial year amounted to RM10,000 (2020: RM10,000).
- (e) The fair value of investment properties for disclosure purposes, which are at Level 3 fair value, was recommended by the Directors as at the end of reporting period based on indicative market value of similar properties in the vicinity on a price per square foot basis.
- (f) The investment properties of the Group are mainly used to generate rental income. However, the fair value of the investment properties reflects the highest and best use of the said properties should the investment properties be disposed. Currently, management does not intend to dispose off the investment properties and the existing use of the investment properties remains for rental purposes.

Registration No:
196901000122 (8440 - M)

46

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RM'000	2020 RM'000
Quoted shares in Malaysia, at cost	33,500	35,217
Unquoted shares, at cost	264,256	264,256
Equity loans	120,000	120,000
Equity contributions in subsidiaries in respect of ESOS	3,503	-
	<u>421,259</u>	<u>419,473</u>
Less: Impairment losses of investments in unquoted shares	<u>(121,022)</u>	<u>(114,576)</u>
	<u>300,237</u>	<u>304,897</u>

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

All components of non-controlling interests shall be initially measured at fair value on the acquisition date, unless another measurement basis is required by MFRS. The choice of the measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of the non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) Management reviews the investments in subsidiaries for impairment when there is an indication of impairment. The recoverable amounts of the investments in subsidiaries are assessed by reference to the fair value less cost to sell of the underlying assets or the value-in-use of the respective subsidiaries. The value-in-use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate pre-tax discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to support their income and cash flows. Significant judgements and estimates had also been used to determine the key assumptions applied to the cash flow projections, which includes the profit margins, growth rates, and the appropriate pre-tax discount rates used for each of the subsidiary. Impairment losses are made when the carrying amount of the investments in subsidiaries exceed its recoverable amount.

Impairment loss of RM6,446,000 (2020: RM18,314,000) was recognised to bring the carrying amount to their recoverable amount due to decline in operations of certain subsidiaries of the Company.

- (c) The details of the subsidiaries are disclosed in Note 42(a) to the financial statements.
- (d) Quoted investments in subsidiaries with a carrying amount of RM30,296,000 (2020: RM34,178,000) and quoted investments held by a subsidiary with a carrying amount of RM70,663,000 (2020: RM71,764,000) have been charged to licensed banks for credit facilities granted to the Company and a subsidiary as disclosed in Note 24 to the financial statements.

Registration No:
196901000122 (8440 - M)

47

8. INVESTMENTS IN SUBSIDIARIES (continued)

- (e) The subsidiaries of the Group that have material non-controlling interests (“NCI”) are as follows:

	Nylex (Malaysia) Berhad RM'000	Ancom Logistics Berhad RM'000	Others* RM'000	Total RM'000
2021				
NCI percentage of ownership interest and voting interest (%)	49.7%	66.0%		
Carrying amount of NCI	103,012	12,184	5,001	120,197
Profit/(Loss) allocated to NCI	9,239	1,251	(1,684)	8,806
Other comprehensive loss allocated to NCI	(2,097)	-	-	(2,097)
Total comprehensive income/(loss) allocated to NCI	7,142	1,251	(1,684)	6,709
2020				
NCI percentage of ownership interest and voting interest (%)	49.7%	54.9%		
Carrying amount of NCI	95,870	9,940	6,044	111,854
(Loss)/Profit allocated to NCI	(8,598)	793	(1,391)	(9,196)
Other comprehensive loss allocated to NCI	(1,724)	-	-	(1,724)
Total comprehensive (loss)/income allocated to NCI	(10,322)	793	(1,391)	(10,920)

* The NCI of all other subsidiaries that are not wholly-owned by the Group are deemed to be immaterial.

Registration No:
196901000122 (8440 - M)

48

8. INVESTMENTS IN SUBSIDIARIES (continued)

- (f) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

2021	Nylex (Malaysia) Berhad RM'000	Ancom Logistics Berhad RM'000
Assets and liabilities		
Non-current assets	284,476	29,598
Current assets	445,628	23,817
Non-current liabilities	(55,263)	(6,714)
Current liabilities	(352,055)	(16,819)
Net assets	<u>322,786</u>	<u>29,882</u>
Results		
Revenue	1,151,677	30,477
Profit for the financial year	18,753	1,390
Total comprehensive income	<u>14,881</u>	<u>1,390</u>
Cash flows from/(used in) operating activities	31,069	(4,244)
Cash flows (used in)/from investing activities	(704)	10,730
Cash flows used in financing activities	(17,352)	(7,262)
Net increase/(decrease) in cash and cash equivalents	<u>13,013</u>	<u>(776)</u>
Dividend paid to NCI	<u>-</u>	<u>2,156</u>
2020		
Assets and liabilities		
Non-current assets	286,231	33,501
Current assets	344,686	15,813
Non-current liabilities	(49,140)	(10,082)
Current liabilities	(273,872)	(8,899)
Net assets	<u>307,905</u>	<u>30,333</u>
Results		
Revenue	1,136,305	30,930
(Loss)/Profit for the financial year	(25,705)	631
Total comprehensive (loss)/income	<u>(29,496)</u>	<u>631</u>
Cash flows from operating activities	92,740	7,741
Cash flows used in investing activities	(4,683)	(1,739)
Cash flows used in financing activities	(75,112)	(6,944)
Net increase/(decrease) in cash and cash equivalents	<u>12,945</u>	<u>(942)</u>
Dividend paid to NCI	<u>-</u>	<u>1,764</u>

Registration No:
196901000122 (8440 - M)

49

8. INVESTMENTS IN SUBSIDIARIES (continued)

8.1 Acquisition of subsidiaries

(a) During the financial year:

- (i) The Group via its wholly-owned subsidiary, Polytensides Sdn. Bhd. acquired 1,000,000 ordinary shares, representing 100% equity interest in Kemcom Sdn. Bhd. for a total consideration of RM4,584,000.

The fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

	RM'000
Property, plant and equipment	1,290
Right-of-use assets	460
Deferred tax assets	78
Intangible assets	1,045
Inventories	3,907
Trade and other receivables	1,672
Current tax assets	56
Cash and bank balances	796
Lease liabilities	(471)
Trade and other payables	(8,803)
	<u>30</u>
Net assets	30
Goodwill	4,554
	<u>4,584</u>
	<u>4,584</u>
Cash outflow on acquisition:	
Cash and bank balances of a subsidiary acquired	<u>796</u>
Net cash outflow on acquisition	<u>796</u>

- (ii) On 27 January 2021, the Group via its subsidiary, Entopest Environmental Services Sdn. Bhd. ("EESB") acquired the following:

- 10,500 ordinary shares, representing 21% of the issued and paid-up share capital in Airefresh Industries (M) Sdn. Bhd. for a cash consideration of RM1,072,000; and
- 8 ordinary shares, representing 80% of equity interest in Airefresh Marketing Sdn. Bhd. for a cash consideration of RM8.

The acquisition did not have any material impact to the Group.

- (iii) During the financial year, the Company acquired 1 ordinary share, representing 100% equity interest in Ancom Power Solutions Sdn. Bhd. (formerly known as Kenanga Sepadu Sdn. Bhd.) for a cash consideration of RM1. The acquisition did not have any material impact to the Group.

Registration No: 50
196901000122 (8440 - M)

8. INVESTMENTS IN SUBSIDIARIES (continued)

8.1 Acquisition of subsidiaries (continued)

(b) In the previous financial year:

- (i) The Group via its subsidiary, Perusahaan Kimia Gemilang Sdn. Bhd. (“PKG”), had on 14 June 2019 entered into a share sale agreement with Retromark Solutions Sdn. Bhd. (“RSSB”) for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in Ancom Kimia Sdn. Bhd. (“AKM”) for a total consideration of RM1,000,000. Upon completion of the acquisition on 8 July 2019, AKM became a 60% owned subsidiary of PKG on the same date.

The fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

	RM'000
Property, plant and equipment	175
Trade and other receivables	11,524
Other investments	166
Current tax assets	550
Cash and bank balances	152
Deferred tax liabilities	(7)
Trade and other payables	<u>(9,688)</u>
Net assets	2,872
NCI at the date of acquisition	(1,149)
Goodwill	<u>277</u>
Total deemed purchase consideration	2,000
Less: Fair value of interests retained	<u>(1,000)</u>
Cost of acquisition	<u><u>1,000</u></u>
Cash inflow on acquisition:	
Cash and bank balances of a subsidiary acquired	<u>152</u>
Net cash inflow on acquisition	<u><u>152</u></u>

- (ii) On 16 July 2019, the Group via its subsidiary, Genovasi Malaysia Sdn. Bhd. (“GMSB”) acquired one (1) ordinary share, representing 100% equity interest in Genovasi Malaysia DT Sdn. Bhd. for a cash consideration of RM1. The acquisition did not have any material impact to the Group.

- (iii) On 4 November 2019, GMSB acquired one hundred (100) ordinary shares, representing 100% equity interest in Genovasi University College Sdn. Bhd. for a cash consideration of RM100. The acquisition did not have any material impact to the Group.

Registration No:
196901000122 (8440 - M)

51

8. INVESTMENTS IN SUBSIDIARIES (continued)

8.2 Acquisition of additional interest in subsidiaries

In the previous financial year, the Group via its wholly-owned subsidiary, Redberry Sdn. Bhd. (“RBSB”) entered into a share sale agreement with Puncak Berlian Sdn. Bhd. (“PBSB”) for the acquisition of the following companies (“Acquired Companies”):

- Redberry Ambient Sdn. Bhd. (“RBA”) comprising 3,760,000 ordinary shares, representing 83.9% equity interest in RBA for cash consideration of RM1,300,000.
- Redberry Outdoors Sdn. Bhd. (“RBO”) comprising 4,499,000 ordinary shares, representing 90% equity interest in RBO for cash consideration of RM1.
- Ten Plus Resources Sdn. Bhd. (“TPSB”) comprising 90,000 ordinary shares, representing 90% equity interest in TPSB for cash consideration of RM1.
- Redberry Media Sdn. Bhd. (“RBM”) comprising 49,000 ordinary shares, representing 49% equity interest in RBM for cash consideration of RM1.
- Redberry Advertising Sdn. Bhd. (“RASB”) comprising 2,500,000 ordinary shares, representing 100% equity interest in RASB for cash consideration of RM1.

Upon completion of the acquisition above on 6 August 2019, the Acquired Companies shall remain subsidiaries of the Group.

8.3 Dilution of equity interests in subsidiaries

(a) During the financial year:

- (i) RBSB disposed of ordinary shares, representing 5% equity interest in Digital Showcase Sdn. Bhd. (“DSSB”) to OMG Live Limited (“OMG”) for a cash consideration of RM1. Upon completion of the disposal, DSSB became a 95% owned subsidiary of the Group on the same date.
- (ii) Entopest disposed of ordinary shares, representing 10% equity interest in Entopest Environmental Services (PG) Sdn. Bhd. (“Entopest PG”) for a cash consideration of RM1. Upon completion of the disposal, Entopest PG became a 81% owned subsidiary of the Group on the same date.
- (iii) The equity interest in Ancom Logistics Berhad (“ALB”) reduced from 45.1% to 34.0% resulted from the following transactions:
 - the Company and its wholly-owned subsidiary, Rhodemark Development Sdn. Bhd., disposed of a total of 28,600,500 ordinary shares in ALB for a total cash consideration of RM13,593,000.
 - dividend-in-specie via a share dividend distribution of 23,922,795 ALB shares to the Company’s shareholders.

(b) In the previous financial year:

- (i) RBSB disposed of 180,000 ordinary shares, representing 30% equity interest in Redberry Retail Sdn. Bhd. (“RRSB”) to OMG for a cash consideration of RM1. Upon completion of the disposal, RRSB became a 70% owned subsidiary of the Group.
- (ii) RBSB disposed of 448,300 ordinary shares, representing 10% equity interest in RBA for cash consideration of RM155,000. Upon completion of the disposal, RBA became a 73.9% owned subsidiary of the Group.

Registration No:
 196901000122 (8440 - M)

52

8. INVESTMENTS IN SUBSIDIARIES (continued)

8.4 Disposal of subsidiaries

- (a) During the financial year, the Company disposed its entire equity interest in Jimexu Advisory Sdn. Bhd. for a cash consideration of RM1. The disposal did not have material impact to the Group.
- (b) During the financial year, Redberry Holdings Sdn. Bhd. (“RHSB”), a wholly-owned subsidiary of the Group, disposed of 900 ordinary shares representing 90% equity interest in GOP Sdn. Bhd. (formerly known as KHK Media Sdn. Bhd.) (“GOP”) for a cash consideration of RM900. GOP ceased to be a subsidiary of the Group upon completion of the disposal.
- (c) In the previous financial year, the Company disposed its entire equity interest in Media Works Sdn. Bhd. (“MWSB”) for a cash consideration of RM1. Upon completion of the disposal, MWSB ceased to be a subsidiary of the Group on the same date.

The fair values of the identifiable assets and liabilities disposed and the effects on cash flows arising from the disposal were as follows:

	RM'000
Property, plant and equipment	58
Intangible assets	283
Trade and other receivables	3,354
Cash and bank balances	115
Trade and other payables	<u>(6,579)</u>
Net liabilities disposed	(2,769)
Proceeds from disposal	<u>*</u>
Gain on disposal of a subsidiary	<u><u>(2,769)</u></u>
Cash outflow on disposal of a subsidiary	
Sale proceeds from disposal	*
Cash and bank balances of a subsidiary disposed	<u>(115)</u>
Net cash outflow on disposal	<u><u>(115)</u></u>

* Representing RM1.

Registration No:
196901000122 (8440 - M)

53

8. INVESTMENTS IN SUBSIDIARIES (continued)

8.5 Equity loan

Equity loans to subsidiaries, which are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future, and are considered to be part of the investments of the Company in providing the subsidiaries with a long term source of additional capital.

Impairment for equity loans to subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 16(e) to the financial statements.

No expected credit loss is recognised arising from equity loans to subsidiaries of the Company as it is negligible.

In the previous financial year, the Directors of the Company have reassessed the nature of the amounts owing by subsidiaries and determined that a portion of the outstanding balance amounting to RM20,000,000 shall constitute as equity loans to a subsidiary, which are unsecured, interest-free and settlement was neither planned nor likely to occur in the foreseeable future, and were considered to be part of the Company's net investment in providing the subsidiary with a long term source of additional capital.

8.6 Common control transactions

- (a) During the financial year, ALB disposed of its entire equity interest in Hikmat Ikhlas Sdn. Bhd. to RBSB for a cash consideration of RM1.
- (b) In the previous financial year, RBSB disposed of its entire equity interest in the following subsidiaries to RHSB:
 - (i) Redberry Contact Center Sdn. Bhd. comprising 5,335,000 ordinary shares for cash consideration of RM4,531,000;
 - (ii) Twinstar Synergy Sdn. Bhd. comprising 1,000,000 ordinary shares for cash consideration of RM1;
 - (iii) Redberry Screens Sdn. Bhd. comprising 2 ordinary shares for cash consideration of RM2;
 - (iv) DSSB comprising 1 ordinary share for cash consideration of RM1;
 - (v) Wheel Sport Management Sdn. Bhd. comprising 335,000 ordinary shares for cash consideration of RM1;
 - (vi) Redberry Animation Sdn. Bhd. comprising 51,000 ordinary shares for cash consideration of RM1;
 - (vii) RRSB comprising 420,001 ordinary shares for cash consideration of RM1;
 - (viii) GOP comprising 1 ordinary share for cash consideration of RM1;

Registration No:
196901000122 (8440 - M)

54

8. INVESTMENTS IN SUBSIDIARIES (continued)

8.6 Common control transactions (continued)

- (b) In the previous financial year, RBSB disposed of its entire equity interest in the following subsidiaries to RHSB: (continued)
- (ix) ActMedia (M) Sdn. Bhd. comprising 750,000 ordinary shares for cash consideration of RM1; and
- (x) PBSB comprising 5,137,530 ordinary shares for cash consideration of RM1.

The above transactions did not have any material impact to the Group.

- (c) In the previous financial year, RBSB disposed of its entire equity interest in the Acquired Companies to DSSB for cash consideration of RM1,145,000.

9. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares, at cost	24,117	25,128	9,149	9,149
Share of post-acquisition reserves	(9,550)	(7,799)	-	-
	14,567	17,329	9,149	9,149
Less: Impairment losses	(8,849)	(9,462)	(9,149)	(9,149)
	<u>5,718</u>	<u>7,867</u>	<u>-</u>	<u>-</u>

- (a) Investments in associates are measured at cost less impairment losses in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.
- (b) During the financial year,
- the Group via its subsidiary, Nylex Polymer Marketing Sdn. Bhd. acquired 30% of the equity interest in PT Myindo Acqua Pura, a company incorporated in the Republic of Indonesia, for a cash consideration of IDR740,000,000 (equivalent to RM235,000).
 - the Group via its subsidiary, Fempro Sdn. Bhd. acquired 50% of the equity interest in Jasa Rimbun Sdn. Bhd. for a cash consideration of RM5,000.
 - Durian FM Sdn. Bhd. have commenced the striking off process under Section 550 of the Companies Act 2016. The strike off of this associate did not have any material impact to the Group.
 - the Group disposed its entire equity interest in RSSB. The disposal did not have any material impact to the Group.
- (c) In the previous financial year, PKG has entered into a share sale agreement with RSSB for the acquisition of 660,000 ordinary shares, representing 30% of the issued and paid-up share capital in AKM for a total consideration of RM1,000,000 ("Proposed Acquisition of AKM"). Upon completion of the Proposed Acquisition of AKM on 8 July 2019, AKM ceased to be the associate of PKG and became a 60% owned subsidiary of PKG.

Registration No:

55

196901000122 (8440 - M)

9. INVESTMENTS IN ASSOCIATES (continued)

- (d) One Chem Terminal Sdn. Bhd. (“OCT”) and PBSB have a financial year end of 31 December and 31 March respectively. Therefore, the financial statements of OCT and PBSB are not coterminous with the Group. In applying the equity method of accounting, the unaudited financial statements of OCT and PBSB for financial period ended 31 May 2021 have been used. The use of the unaudited financial statements is not expected to have any significant effects on the consolidated financial statements of the Group.
- (e) The details of the associates are disclosed in Note 42(b) to the financial statements.
- (f) Summarised financial information of the associates are not disclosed as it is immaterial to the Group.
- (g) The aggregate amount of the associates results shared by the Group during the financial year are as follows:

	Group	
	2021	2020
	RM'000	RM'000
Share of losses	(2,389)	(2,788)
Share of other comprehensive income	-	-
Share of total comprehensive loss	<u>(2,389)</u>	<u>(2,788)</u>

- (h) Tamco Chongqing Switchgear Company Limited has been placed under liquidation in previous financial years. The completion of the liquidation is pending local regulatory requirements in China.
- (i) In the previous financial year, impairment loss on investments in associates of the Group amounted to RM612,000 were recognised as RSSB became dormant in the previous financial year.
- (j) In the previous financial year, investments in associates of the Company amounted to RM2,847,000 has been fully impaired.

10. INVESTMENTS IN JOINT VENTURES

	Group	
	2021	2020
	RM'000	RM'000
Unquoted shares, at cost	540	540
Share of post-acquisition reserves	(540)	(540)
	<u>-</u>	<u>-</u>

- (a) Investments in joint ventures are stated at cost in the separate financial statements. The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.
- (b) The details of the joint ventures are disclosed in Note 42(c) to the financial statements.

Registration No:

56

196901000122 (8440 - M)

10. INVESTMENTS IN JOINT VENTURES (continued)

- (c) Senandung Sonik Sdn. Bhd. (“SSSB”) and TeaFM Radio Sdn. Bhd. (“TeaFM”) are unlisted separate entities whose quoted market prices are not available. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to assets and obligation for liabilities of the joint arrangement resting primarily with SSSB and TeaFM.
- (d) The joint ventures are not allowed to distribute their profits prior to the consent of the venture partners.
- (e) Summarised financial information of joint ventures are not disclosed as it is immaterial to the Group.

11. OTHER INVESTMENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current				
<i>Fair value through profit or loss</i>				
Quoted shares in Malaysia	147	148	-	-
Club memberships	268	300	243	243
	<u>415</u>	<u>448</u>	<u>243</u>	<u>243</u>
Current				
<i>Fair value through profit or loss</i>				
Quoted shares in Malaysia	840	638	-	-
Unit trusts	2,191	2,650	-	-
	<u>3,031</u>	<u>3,288</u>	<u>-</u>	<u>-</u>

- (a) Unit trusts of the Group are categorised as Level 2 in the fair value hierarchy. Fair values of unit trusts is determined by reference to closing price at the end of the reporting period.
- (b) Club memberships are categorised as Level 3 in the fair value hierarchy. Fair values of club memberships is determined by reference to club memberships price.
- (c) Sensitivity analysis for other investments is not disclosed as it is immaterial to the Group.
- (d) There is no transfer between levels in the hierarchy during the financial year.

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE FYE 31 MAY 2021 (Cont'd)

Registration No:

196901000122 (8440 - M)

57

12. INTANGIBLE ASSETS

Group

2021

	Balance as at 1.6.2020 RM'000	Acquisition of a subsidiary RM'000	Additions RM'000	Written-off RM'000	Termination RM'000	Amortisation during the financial year RM'000	Balance as at 31.5.2021 RM'000
Carrying amount							
Separate acquired chemical formula Rights	-	1,045	-	-	-	-	1,045
Computer software	17,652	-	-	-	(16,000)	(298)	1,354
Development expenditure	3,803	-	1,355	(12)	-	(1,767)	3,379
	513	-	-	(504)	-	(9)	-
	21,968	1,045	1,355	(516)	(16,000)	(2,074)	5,778

2020

	Balance as at 1.6.2019 RM'000	Disposal of a subsidiary RM'000	Additions RM'000	Written-off RM'000	Reclassification from right-of-use assets RM'000	Amortisation during the financial year RM'000	Balance as at 31.5.2020 RM'000
Carrying amount							
Rights	20,516	(283)	-	-	-	(2,581)	17,652
Computer software	4,394	-	724	-	360	(1,675)	3,803
Development expenditure	560	-	1	(41)	-	(7)	513
	25,470	(283)	725	(41)	360	(4,263)	21,968

Registration No:
196901000122 (8440 - M)

58

12. INTANGIBLE ASSETS (continued)

	Company	
	2021 RM'000	2020 RM'000
Computer software		
Balance as at 1 June 2020/2019	-	2
Amortisation during the financial year	-	(2)
Balance as at 31 May 2021/2020	-	-

- (a) Rights represent audio and visual advertising network distributions secured by the Group for media sales. These are recognised as assets at the acquisition date and initially measured at cost. After initial recognition, the rights are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.
- (b) Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
- (c) Development expenditure comprise salaries of personnel involved in the development and design of products prior to commencement of commercial production.
- (d) Amortisation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal amortisation periods are as follows:

Rights	5 to 10 years
Computer software	3 to 5 years
Development expenditure	5 years

Separate acquired chemical formula is not amortised until such time when the asset is available for use.

- (e) The following describes the key assumptions used on which the Group has based its cash flow projections for the purposes of the impairment test on individual cash generating units ("CGU") held as Rights:

Media Segment

- i. Cash flows were projected based on financial budgets approved by the CGU. The budgets covered a period of three (3) years, in accordance with the remaining years of utilisation of the Rights.
- ii. The revenue to be derived from the Rights is anticipated to be at least RM400,000 per year from financial year 2022 to financial year 2024.
- iii. Discount rates used for cash flows discounting purpose is the pre-tax discount rate of the Group plus a reasonable risk premium at the date of assessment of the CGU. The average discount rate applied on the cash flow projections is 6.5% (2020: 4.0%).

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

Registration No:
196901000122 (8440 - M)

59

13. GOODWILL ON CONSOLIDATION

	Group	
	2021 RM'000	2020 RM'000
Balance as at 1 June 2020/2019	68,330	77,926
Acquisition of subsidiaries	5,332	277
Impairment loss on goodwill on consolidation	(745)	(5,500)
Foreign exchange differences	(2,805)	(4,373)
	70,112	68,330
	70,112	68,330

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy for foreign currencies.

Impairment loss on goodwill on consolidation amounting to RM745,000 (2020: RM5,500,000) was recognised during the financial year due to adverse adjustments made to the forecasted operating cash flows included in the value in use.

(a) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs which has been identified according to business segments as follows:

	Group	
	2021 RM'000	2020 RM'000
Industrial chemicals	58,790	61,593
Polymer	95	97
Media	3,654	4,155
Others	7,573	2,485
	70,112	68,330
	70,112	68,330

(b) Recognition and measurement of impairment loss

For the purpose of impairment testing, goodwill is allocated from the acquisition date, to each of the Group's CGU that are expected to benefit from the synergies of the combination.

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount. As the Directors are of the opinion that all the CGUs are held on a long-term basis, the value-in-use would best reflect their recoverable amount. The value-in-use is determined by discounting future cash flows over a relevant period. The future cash flows are based on management's business plans, which is the best estimate of future performance. The ability to achieve the business plan targets is a key assumption in determining the recoverable amount for each CGU.

Registration No:
196901000122 (8440 - M)

60

13. GOODWILL ON CONSOLIDATION (continued)

(b) Recognition and measurement of impairment loss (continued)

There remains a risk that the ability to achieve management's business plans may be adversely affected due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions.

Industrial chemicals and Polymer CGUs

The key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows:

- (i) Discount rates used for cash flows discounting purpose is the pre-tax discount rate of the Group plus a reasonable risk premium at the date of assessment of the CGU. The average discount rate applied on the cash flow projections is 6.2% (2020: 3.6%).
- (ii) Growth rate used is based on historical trends of each CGU taking into account the industry outlook. The average growth rate is 1.5% (2020: 3.3%) per annum.
- (iii) The profit margin applied to the projections are the average gross margins achieved in the year immediately before the budgeted year adjusted for expected efficiency improvements or deficiency.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use of the polymer CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

For the industrial chemicals CGU, the estimated recoverable amount is higher than its carrying amount. The implication of the key assumptions for the recoverable amount is discussed below:

I. Discount rate assumptions

The discount rate calculation is based on the specific circumstances of the Group and its operating segments which takes into account both debt and equity of the Company. The management has considered the possibility of greater than forecasted discount rate.

Based on the sensitivity analysis performed by the management, increase of 100 basis point in the discount rate used would result in additional impairment loss of RM7,983,000 (2020: Nil).

II. Growth rate assumptions

Management has considered that a possibility of a weaker than the anticipated growth rate which may occur if the industrial chemicals CGU does not perform as per expected results. The effect of bearish future growth performance is not expected to have an adverse impact on forecasts included in the budget, where a reduction in 100 basis point of the growth rate used would result in an additional impairment loss of RM5,465,000 (2020: Nil).

Registration No:
196901000122 (8440 - M)

61

13. GOODWILL ON CONSOLIDATION (continued)

(b) Recognition and measurement of impairment loss (continued)

Media CGU

The key assumptions on which management has based its cash flow projections for the purposes of the impairment test for goodwill are as follows:

- (i) Growth rate used is based on the historical trends of the CGU. The average growth rate is 1.0% (2020: 1.0%) per annum.
- (ii) Discount rates used for cash flows discounting purpose is the pre-tax discount rate of the Group plus a reasonable risk premium at the date of assessment of the CGU. The average discount rate applied on the cash flow projections is 6.5% (2020: 4.0%).

Management is not aware of any reasonable possible changes in the key assumptions, which would cause the carrying amount of the media CGU to materially exceed its recoverable amount.

Other CGUs

The management is not aware of any reasonable possible changes which would cause the carrying amount of the CGUs to materially exceed its recoverable amount.

14. DEFERRED TAX (ASSETS)/LIABILITIES

(a) The deferred tax (assets)/liabilities are made up of the following:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Balance as at 1 June 2020/2019	(15,111)	(15,470)	268	248
Recognised in profit or loss (Note 32)	(126)	470	(19)	20
Acquisition of subsidiaries	(75)	7	-	-
Foreign exchange differences	345	(118)	-	-
	<u>144</u>	<u>359</u>	<u>(19)</u>	<u>20</u>
Balance as at 31 May 2021/2020	<u>(14,967)</u>	<u>(15,111)</u>	<u>249</u>	<u>268</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets, net*	(25,341)	(25,988)	-	-
Deferred tax liabilities, net*	<u>10,374</u>	<u>10,877</u>	<u>249</u>	<u>268</u>
	<u>(14,967)</u>	<u>(15,111)</u>	<u>249</u>	<u>268</u>

* The amount of set-off between deferred tax assets and deferred tax liabilities was RM513,000 (2020: RM2,096,000) for the Group.

Registration No:
196901000122 (8440 - M)

62

14. DEFERRED TAX (ASSETS)/LIABILITIES (continued)

- (b) The components and movements of deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group	Property, plant and equipment RM'000
2021	
Balance as at 1 June 2020	12,973
Recognised in profit or loss	(2,292)
Acquisition of subsidiaries	130
Foreign exchange differences	76
	<u>10,887</u>
Balance as at 31 May 2021	<u>10,887</u>
2020	
Balance as at 1 June 2019	11,406
Recognised in profit or loss	1,569
Acquisition of a subsidiary	4
Foreign exchange differences	(6)
	<u>12,973</u>
Balance as at 31 May 2020	<u>12,973</u>

Deferred tax assets of the Group	Provision for liabilities RM'000	Unutilised tax losses and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
2021				
Balance as at 1 June 2020	(5,246)	(21,762)	(1,076)	(28,084)
Recognised in profit or loss	706	1,467	(7)	2,166
Acquisition of subsidiaries	(35)	(56)	(114)	(205)
Foreign exchange differences	36	198	35	269
	<u>(4,539)</u>	<u>(20,153)</u>	<u>(1,162)</u>	<u>(25,854)</u>
Balance as at 31 May 2021	<u>(4,539)</u>	<u>(20,153)</u>	<u>(1,162)</u>	<u>(25,854)</u>
2020				
Balance as at 1 June 2019	(3,699)	(22,131)	(1,046)	(26,876)
Recognised in profit or loss	(1,522)	452	(29)	(1,099)
Acquisition of subsidiaries	3	-	-	3
Foreign exchange differences	(28)	(83)	(1)	(112)
	<u>(5,246)</u>	<u>(21,762)</u>	<u>(1,076)</u>	<u>(28,084)</u>
Balance as at 31 May 2020	<u>(5,246)</u>	<u>(21,762)</u>	<u>(1,076)</u>	<u>(28,084)</u>

Registration No:
196901000122 (8440 - M)

63

14. DEFERRED TAX (ASSETS)/LIABILITIES (continued)

- (c) The components and movements of deferred tax liabilities of the Company during the financial year are as follows:

Deferred tax liabilities of the Company	Property, plant and equipment RM'000
2021	
Balance as at 1 June 2020	268
Recognised in profit or loss	<u>(19)</u>
Balance as at 31 May 2021	<u><u>249</u></u>
2020	
Balance as at 1 June 2019	248
Recognised in profit or loss	<u>20</u>
Balance as at 31 May 2020	<u><u>268</u></u>

- (d) The amounts of temporary differences for which no deferred tax assets have been recognised in the consolidated statement of financial position are as follows:

	Group	
	2021	2020
	RM'000	RM'000
Unutilised tax losses	131,491	120,985
Unabsorbed capital allowances	15,645	17,921
Others	<u>(4,591)</u>	<u>(6,172)</u>
	<u><u>142,545</u></u>	<u><u>132,734</u></u>

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not certain that these subsidiaries will have future taxable profits to offset the unutilised tax losses and unabsorbed capital allowances.

The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to guidelines issued by tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

Registration No:
196901000122 (8440 - M)

64

14. DEFERRED TAX (ASSETS)/LIABILITIES (continued)

- (d) The amounts of temporary differences for which no deferred tax assets have been recognised in the consolidated statement of financial position are as follows: (continued)

	Group	
	2021 RM'000	2020 RM'000
Unutilised tax losses		
No expiry date	30,840	33,760
Expires by year of assessment 2021	-	582
Expires by year of assessment 2022	-	313
Expires by year of assessment 2023	-	136
Expires by year of assessment 2024	424	1,205
Expires by year of assessment 2025	55,054	58,184
Expires by year of assessment 2026	12,928	14,562
Expires by year of assessment 2027	11,803	12,243
Expires by year of assessment 2028	20,442	-
	<u>131,491</u>	<u>120,985</u>

15. INVENTORIES

	Group	
	2021 RM'000	2020 RM'000
At cost		
Raw materials and consumables	38,075	37,122
Packing materials	760	353
Work-in-progress	2,667	4,268
Finished goods	58,416	48,084
Inventory-in-transit	3,502	1,108
	103,420	90,935
At net realisable value		
Raw materials and consumables	6,749	3,455
Finished goods	64,855	34,483
	71,604	37,938
	<u>175,024</u>	<u>128,873</u>

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula and weighted average method. Cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present condition and location. Cost of finished goods and work-in-progress include the cost of raw materials, direct labour, other direct cost and an appropriate portion of production overheads based on normal operating capacity of the production facilities.

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,272,609,000 (2020: RM1,216,232,000). The Group has also written down inventories by RM728,000 (2020: RM562,000) to their net realisable value.

Registration No:
196901000122 (8440 - M)

65

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade receivables				
Third parties	276,499	219,885	-	-
Related parties	1,191	1,191	-	-
	<u>277,690</u>	<u>221,076</u>	-	-
Less: Impairment losses	<u>(20,037)</u>	<u>(21,856)</u>	-	-
	257,653	199,220	-	-
Other receivables				
Third parties	44,507	35,243	6,335	5,557
Related parties	20,388	17,625	-	-
Deposits	30,785	27,622	15	15
	<u>95,680</u>	<u>80,490</u>	<u>6,350</u>	<u>5,572</u>
Less: Impairment losses	<u>(14,019)</u>	<u>(13,732)</u>	<u>(303)</u>	<u>(293)</u>
	81,661	66,758	6,047	5,279
Total receivables	339,314	265,978	6,047	5,279
Deferred expenditures	7,771	10,128	-	-
Prepayments	8,148	11,173	-	1
	<u>15,919</u>	<u>21,301</u>	-	<u>1</u>
	<u>355,233</u>	<u>287,279</u>	<u>6,047</u>	<u>5,280</u>

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from one (1) month to four (4) months (2020: one (1) month to four (4) months). They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.
- (c) Amounts owing from related parties in other receivables are unsecured, interest-free and payable within next twelve (12) months or upon demand in cash and cash equivalents.
- (d) The currency exposure profile of trade and other receivables are disclosed in Note 36(i) to the financial statements.

Registration No:
196901000122 (8440 - M)

66

16. TRADE AND OTHER RECEIVABLES (continued)

(e) Recognition and measurement of impairment loss

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the twelve (12) months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables based on grouping of customer sharing the same credit risk characteristics and past due days. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on geographic region.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information (i.e. unemployment rate) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss. On confirmation that the trade receivable would not be collectable, the gross carrying amount of the asset would be written off against the associated impairment.

The individual assessment of impairment of trade receivables are separately assessed when it is probable that cash due will not be received in full.

It requires management to exercise significant judgement in determining the probability of default by trade receivables, and the appropriate forward looking information, including the impact of COVID-19 pandemic.

Lifetime expected loss provision for trade receivables of the Group are as follows:

	Gross carrying amount RM'000	Lifetime expected loss RM'000	Net carrying amount RM'000
2021			
Collective assessment			
Not past due	189,898	(1,178)	188,720
Past due			
1 to 30 days	48,816	(1,019)	47,797
31 to 60 days	11,686	(828)	10,858
Over 60 days	12,834	(7,485)	5,349
	73,336	(9,332)	64,004
Individual assessment	14,456	(9,527)	4,929
	<u>277,690</u>	<u>(20,037)</u>	<u>257,653</u>

Registration No:
196901000122 (8440 - M)

67

16. TRADE AND OTHER RECEIVABLES (continued)

(e) Recognition and measurement of impairment loss (continued)

2020	Gross carrying amount RM'000	Lifetime expected loss RM'000	Net carrying amount RM'000
Collective assessment			
Not past due	130,900	(586)	130,314
Past due			
1 to 30 days	35,084	(564)	34,520
31 to 60 days	16,048	(793)	15,255
Over 60 days	13,373	(4,999)	8,374
	64,505	(6,356)	58,149
Individual assessment	<u>25,671</u>	<u>(14,914)</u>	<u>10,757</u>
	<u>221,076</u>	<u>(21,856)</u>	<u>199,220</u>

Trade receivables are not secured by any collateral or credit enhancement.

During the financial year, the Group did not renegotiate the terms of any trade receivables.

Impairment for other receivables, amounts owing by subsidiaries, amounts owing by associates and amounts owing by joint ventures are recognised based on the 3 stages general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk as twenty percent (20%) on relative basis and including operating performance of the receivables, payment trends and past due information.

The probability of non-payment by other receivables and inter-company balances are adjusted by forward-looking information (i.e. unemployment rate, gross domestic product growth rate and inflation rate) and multiplied by the amount of the expected loss arising from default to determine the 12-month or lifetime expected credit loss for other receivables and inter-company balances.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

Registration No:
196901000122 (8440 - M)

68

16. TRADE AND OTHER RECEIVABLES (continued)

(f) Movement in impairment loss are as follows:

	Group		
	2021 RM'000	2020 RM'000	
Trade receivables			
Balance as at 1 June 2020/2019	21,856	23,129	
Charge for the financial year	793	1,842	
Reversal of impairment loss	(2,927)	(2,674)	
Written off	(41)	(458)	
Exchange differences	88	17	
Acquisition of subsidiaries	268	-	
Balance as at 31 May 2021/2020	<u>20,037</u>	<u>21,856</u>	
	12-month ECL RM'000	Credit impaired RM'000	Total RM'000
Other receivables			
Group			
Balance as at 1 June 2020	380	13,352	13,732
Charge for the financial year	41	37	78
Reversal of impairment loss	(142)	(59)	(201)
Written off	-	(401)	(401)
Transfer from amounts owing by associates	-	801	801
Disposal of a subsidiary	-	10	10
Balance as at 31 May 2021	<u>279</u>	<u>13,740</u>	<u>14,019</u>
Balance as at 1 June 2019	296	13,816	14,112
Charge for the financial year	145	923	1,068
Reversal of impairment loss	(49)	(1,224)	(1,273)
Written off	(12)	(163)	(175)
Balance as at 31 May 2020	<u>380</u>	<u>13,352</u>	<u>13,732</u>
Company			
Balance as at 1 June 2020	195	98	293
Disposal of a subsidiary	-	10	10
Balance as at 31 May 2021	<u>195</u>	<u>108</u>	<u>303</u>
Balance as at 1 June 2019	87	-	87
Charge for the financial year	108	98	206
Balance as at 31 May 2020	<u>195</u>	<u>98</u>	<u>293</u>

(g) Information on financial risks of trade and other receivables are disclosed in Note 36 to the financial statements.

Registration No:
196901000122 (8440 - M)

69

17. AMOUNTS OWING BY SUBSIDIARIES

	Company	
	2021	2020
	RM'000	RM'000
Amounts owing by subsidiaries	43,810	24,463
Less: Impairment losses	<u>(2,483)</u>	<u>(3,602)</u>
	<u>41,327</u>	<u>20,861</u>

- (a) Amounts owing by subsidiaries are classified as financial assets measured at amortised cost.
- (b) The amounts owing by subsidiaries represent advances and payments made on behalf, which are interest-free, unsecured and payable within next twelve (12) months or upon demand in cash and cash equivalents except for an amount of RM8,156,000 (2020: RM2,652,000), which bears interest at 3.5% (2020: 3.5% to 6.0%) per annum.
- (c) Amounts owing by subsidiaries are denominated in RM.
- (d) Recognition and measurement of impairment loss

Impairment for amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 16(e) to the financial statements.

Movements in the impairment allowance for amounts owing by subsidiaries are as follows:

Company	12-month ECL RM'000	Credit impaired RM'000	Total RM'000
Balance as at 1 June 2020	339	3,263	3,602
Disposal of a subsidiary	-	(10)	(10)
Reversal of impairment loss	<u>(207)</u>	<u>(902)</u>	<u>(1,109)</u>
Balance as at 31 May 2021	<u>132</u>	<u>2,351</u>	<u>2,483</u>
Balance as at 1 June 2019	540	7,290	7,830
Charge for the financial year	-	1,679	1,679
Reversal of impairment loss	<u>(201)</u>	<u>(5,706)</u>	<u>(5,907)</u>
Balance as at 31 May 2020	<u>339</u>	<u>3,263</u>	<u>3,602</u>

- (e) Information on financial risks of amounts owing by subsidiaries are disclosed in Note 36 to the financial statements.

Registration No:
196901000122 (8440 - M)

70

18. AMOUNTS OWING BY/(TO) ASSOCIATES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Amounts owing by associates	23,192	21,787	4,325	4,392
Less: Impairment losses	(14,084)	(13,222)	(138)	(138)
	<u>9,108</u>	<u>8,565</u>	<u>4,187</u>	<u>4,254</u>
Amounts owing to associates	<u>(2,089)</u>	<u>(62)</u>	<u>-</u>	<u>-</u>

- (a) Amounts owing by associates are classified as financial assets measured at amortised cost.
- (b) Amounts owing to associates are classified as financial liabilities measured at amortised cost.
- (c) The amounts owing by/(to) associates represent balances arising from trade transactions, advances and payments made on behalf which are unsecured, interest-free and payable within next twelve (12) months or upon demand in cash and cash equivalents. The trade transactions are carried out based on normal trade terms as disclosed in Notes 16(b) and 27(b) to the financial statements.
- (d) Amounts owing by/(to) associates are denominated in RM.
- (e) Recognition and measurement of impairment loss

Impairment for amounts owing by associates are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 16(e) to the financial statements.

Movements in the impairment allowance for amounts owing by associates are as follows:

Group	12-month ECL RM'000	Credit impaired RM'000	Total RM'000
Balance as at 1 June 2020	105	13,117	13,222
Transfer to other receivables	-	(801)	(801)
Charge for the financial year	-	1,663	1,663
Balance as at 31 May 2021	<u>105</u>	<u>13,979</u>	<u>14,084</u>
Balance as at 1 June 2019	105	11,033	11,138
Charge for the financial year	-	2,084	2,084
Balance as at 31 May 2020	<u>105</u>	<u>13,117</u>	<u>13,222</u>

Registration No:
196901000122 (8440 - M)

71

18. AMOUNTS OWING BY/(TO) ASSOCIATES (continued)

- (e) Recognition and measurement of impairment loss (continued)

Movements in the impairment allowance for amounts owing by associates are as follows:
(continued)

Company	12-month ECL RM'000	Credit impaired RM'000	Total RM'000
Balance as at 1 June 2020/31 May 2021	105	33	138
Balance as at 1 June 2019	105	-	105
Charge for the financial year	-	33	33
Balance as at 31 May 2020	105	33	138

- (f) Information on financial risks of amounts owing by/(to) associates are disclosed in Note 36 to the financial statements.

19. AMOUNTS OWING BY JOINT VENTURES

	Group	
	2021 RM'000	2020 RM'000
Amounts owing by joint ventures	93	93
Less: Impairment losses	(93)	(93)
	-	-

- (a) Amounts owing by joint ventures are classified as financial assets measured at amortised cost.
- (b) The amounts owing by joint ventures represent advances and payments made on behalf, which are unsecured, interest free and payable within next twelve (12) months or upon demand in cash and cash equivalents.
- (c) Amounts owing by joint ventures are denominated in RM.
- (d) Recognition and measurement of impairment loss

Impairment for amounts owing by joint ventures are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 16(e) to the financial statements.

Registration No:
196901000122 (8440 - M)

72

19. AMOUNTS OWING BY JOINT VENTURES (continued)

(d) Recognition and measurement of impairment loss (continued)

Movements in the impairment allowance for amounts owing by joint ventures are as follows:

Credit impaired	Group	
	2021 RM'000	2020 RM'000
Balance as at 1 June 2020/2019	93	88
Charge for the financial year	-	5
Balance as at 31 May 2021/2020	<u>93</u>	<u>93</u>

20. CASH AND BANK BALANCES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short term deposits with licensed banks	14,970	17,090	-	-
Cash and bank balances	<u>90,833</u>	<u>80,025</u>	<u>391</u>	<u>36</u>
	<u>105,803</u>	<u>97,115</u>	<u>391</u>	<u>36</u>

- (a) Short term deposits of the Group amounting to RM152,000 (2020: RM148,000) have been pledged to licensed banks for banking facilities granted to certain subsidiaries of the Group as disclosed in Note 24 to the financial statements.
- (b) The currency exposure profiles of cash and bank balances are disclosed in Note 36(i) to the financial statements.
- (c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and bank balances	105,803	97,115	391	36
Less:				
Short term deposits with maturity period more than three (3) months	(3,238)	(3,659)	-	-
Short term deposits pledged with licensed banks	(152)	(148)	-	-
Bank overdrafts (Note 24)	<u>(9,505)</u>	<u>(20,259)</u>	<u>(1,654)</u>	<u>(9,883)</u>
As reported in statements of cash flows	<u>92,908</u>	<u>73,049</u>	<u>(1,263)</u>	<u>(9,847)</u>

Registration No:
196901000122 (8440 - M)

73

20. CASH AND BANK BALANCES (continued)

- (d) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one (1) day and twelve (12) months, depending on the immediate cash requirements of the Group, and earn interest at respective short term deposits rates.
- (e) No expected credit losses were recognised arising from the deposits with licensed banks because the probability of default by these license banks were negligible.
- (f) Information on financial risks of cash and bank balances are disclosed in Note 36 to the financial statements.

21. ASSETS HELD FOR SALE

	Group	
	2021	2020
	RM'000	RM'000
Leasehold land	425	-
Land and building	<u>6,255</u>	<u>-</u>
	<u><u>6,680</u></u>	<u><u>-</u></u>

- (a) The Group via its subsidiary, Ancom Energy & Services Sdn. Bhd., entered into a sale and purchase agreement with T & A Holdings Sdn. Bhd. (“TASB”) on 9 March 2021 to dispose a piece of leasehold land located at Port Klang, Selangor for a cash consideration of RM1,419,000. Accordingly, the leasehold land under the right-of-use assets is classified as assets held for sale.

As at 31 May 2021, the conditions precedent stipulated in the sale and purchase agreement has yet to be fulfilled.

- (b) During the financial year, the Group via its subsidiary, Syarikat Wandeerfull (Kg Attap) Sdn. Bhd. (“SWKA”) acquired a land and building located at Jalan Chan Sow Lin, Kuala Lumpur for consideration of RM6,255,000. Subsequent to the completion of the above acquisition, SWKA entered into a sale and purchase agreement with Pudu Ria Flourish Trading Sdn. Bhd. on 19 January 2021 to dispose the land and building for a consideration of RM8,000,000.

As at 31 May 2021, the conditions precedent stipulated in the sale and purchase agreement has yet to be fulfilled.

- (c) On 24 May 2021, sale and purchase agreement 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 RM26,391,000). The sale and purchase transaction has yet to be completed as at the date of this report. The terminal assets have been fully depreciated in the previous financial years.

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

Registration No:
196901000122 (8440 - M)

74

22. SHARE CAPITAL

	Group and Company			
	2021			2020
	Number of shares	RM'000	Number of shares	RM'000
Issued and fully paid:				
Balance as at 1 June 2020/2019	240,849,284	245,766	240,849,284	245,766
Ordinary share issued pursuant to:				
- private placement	12,100,000	8,591	-	-
- ESOS	1,542,188	1,704	-	-
Share issued expenses	-	(18)	-	-
Balance as at 31 May 2021/2020	<u>254,491,472</u>	<u>256,043</u>	<u>240,849,284</u>	<u>245,766</u>

(a) During the financial year, the issued and fully paid-up ordinary shares of the Company was increased from 240,849,284 to 254,491,472 by way of issuance of 13,642,188 new ordinary shares pursuant to the following:

- i. private placement of 12,100,000 new ordinary shares of RM0.71 each for cash totalling RM8,591,000; and
- ii. 1,542,188 options exercised under the ESOS at exercise price of RM0.765 each for cash totalling of RM1,180,000.

The newly issued ordinary share rank pari passu in all respects with the existing ordinary shares of the Company.

(b) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

(c) Treasury shares

During the financial year, the Company repurchased/resold its issued ordinary shares from the open market as summarised below:

Month	Number of shares	Market price			(Cost of disposal)/ Consideration paid RM'000
		Lowest RM	Highest RM	Average RM	
Shares resold					
June 2020	(3,450,000)	0.680	0.815	0.730	(1,808)
July 2020	(1,709,300)	0.705	1.050	0.752	(896)
January 2021	(300,000)	0.920	1.200	1.066	(158)
March 2021	(1,249,000)	1.230	1.570	1.436	(657)
Shares repurchased					
August 2020	<u>100,000</u>	0.720	1.150	0.901	<u>79</u>
	<u>(6,608,300)</u>				<u>(3,440)</u>

Registration No:
196901000122 (8440 - M)

75

22. SHARE CAPITAL (continued)

(c) Treasury shares (continued)

As at 31 May 2021, a total of 11,875,059 (2020: 18,483,359) treasury shares at a total cost of RM6,248,000 (2020: RM9,688,000) are held by the Company. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016 and listing requirements and applicable guideline of Bursa Securities.

The number of ordinary shares as at 31 May 2021 net of treasury shares is 242,616,413 (2020: 222,365,925).

23. RESERVES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Capital reserve	273	273	-	-
Exchange translation reserve	7,930	10,752	-	-
Share options reserve	3,117	-	3,266	-
Distributable				
Retained earnings	101,084	64,604	12,369	3,668
	<u>112,404</u>	<u>75,629</u>	<u>15,635</u>	<u>3,668</u>

Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operations.

Share options reserve

The share options reserve represents the effect of equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees for the issue of share options. When options are exercised, the amount from the share options reserve is transferred to share capital. When the share options expire, the amount from the share options reserve is transferred to retained earnings.

Registration No:
196901000122 (8440 - M)

76

24. BORROWINGS

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current liabilities					
Unsecured					
Revolving credits		2,250	4,250	2,250	4,250
Others		16	-	-	-
		2,266	4,250	2,250	4,250
Secured					
Revolving credits		17,250	24,750	17,250	24,750
Term loans		31,188	41,847	-	-
		48,438	66,597	17,250	24,750
		<u>50,704</u>	<u>70,847</u>	<u>19,500</u>	<u>29,000</u>
Current liabilities					
Unsecured					
Bankers' acceptances		86,650	79,980	-	-
Bank overdrafts		999	3,989	999	3,989
Revolving credits		52,400	56,400	7,000	6,000
Trust receipts		30,405	33,449	-	-
Others		3,995	-	-	-
		174,449	173,818	7,999	9,989
Secured					
Bank overdrafts		8,506	16,270	655	5,894
Revolving credits		25,500	20,252	25,500	20,250
Trust receipts		19,308	6,752	-	-
Term loans		7,875	9,843	-	1,680
Others		14,454	24,286	-	-
		75,643	77,403	26,155	27,824
		<u>250,092</u>	<u>251,221</u>	<u>34,154</u>	<u>37,813</u>
Total borrowings					
Bankers' acceptances		86,650	79,980	-	-
Bank overdrafts	20	9,505	20,259	1,654	9,883
Revolving credits		97,400	105,652	52,000	55,250
Trust receipts		49,713	40,201	-	-
Term loans	25	39,063	51,690	-	1,680
Others		18,465	24,286	-	-
		<u>300,796</u>	<u>322,068</u>	<u>53,654</u>	<u>66,813</u>

Registration No:
196901000122 (8440 - M)

77

24. BORROWINGS (continued)

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) The secured borrowings of the Group are secured by the following:
- (i) a fixed charge over certain land and buildings of the Group and of the Company as disclosed in Notes 5 and 6 to the financial statements;
 - (ii) a fixed charge over the vessel and equipment of the Group as disclosed in Note 5 to the financial statements;
 - (iii) a charge over certain quoted shares of quoted subsidiaries of the Company and a charge over certain quoted investments held by a subsidiary as disclosed in Note 8 to the financial statements;
 - (iv) pledge of short term deposits of the Group with licensed banks as disclosed in Note 20 to the financial statements; and
 - (v) assignment of insurance policies covering stock in trade in favour of the bank of certain subsidiaries.
- (c) The secured borrowings of the Company are secured by the following:
- (i) a fixed charge over the land and buildings of the Company and a subsidiary; and
 - (ii) certain quoted shares of a quoted subsidiary and shares of an unquoted subsidiary.
- (d) The currency exposure profiles of borrowings are disclosed in Note 36(i) to the financial statements.
- (e) Information on financial risks of borrowings are disclosed in Note 36 to the financial statements.

25. TERM LOANS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current liabilities				
- not later than one year	7,875	9,843	-	1,680
Non-current liabilities				
- later than one year and not later than five years	31,188	41,591	-	-
- later than five years	-	256	-	-
	<u>31,188</u>	<u>41,847</u>	<u>-</u>	<u>-</u>
	<u>39,063</u>	<u>51,690</u>	<u>-</u>	<u>1,680</u>

Registration No:
196901000122 (8440 - M)

78

26. PROVISION FOR RETIREMENT BENEFITS

	Group	
	2021	2020
	RM'000	RM'000
Balance as at 1 June 2020/2019	4,561	4,666
Actuarial loss from re-measurement	22	58
Expense recognised in profit or loss	180	513
Benefits paid	(224)	(775)
Foreign exchange differences	140	99
	<u>4,679</u>	<u>4,561</u>
Balance as at 31 May 2021/2020	<u>4,679</u>	<u>4,561</u>

The retirement benefit obligation is a post-employment benefit plan under which the Group is obligated to pay eligible employees a fixed percentage on the average annual salary for each completed year of service.

- (a) The Group provides retirement benefit obligations for qualifying employees of its overseas subsidiaries, PT Nylex Indonesia and PT PKG Lautan Indonesia., in accordance with the legislations established in Indonesia.

The principal actuarial assumptions used are as follows:

Indonesia	2021	2020
	%	%
Discount rate	7.8 - 8.0	8.1 - 8.5
Annual salary increment	<u>8.0 - 10.0</u>	<u>8.0 - 10.0</u>

The management believes that no reasonably possible changes in any of the above key assumptions would lead to significant changes to the present value of the retirement obligations.

- (b) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit obligation by the amounts shown below:

	2021	2020
	RM'000	RM'000
Discount rate		
- if increase 1%	(268)	(238)
- if decrease 1%	319	247
Annual salary increment		
- if increase 1%	312	245
- if decrease 1%	<u>(268)</u>	<u>(238)</u>

Registration No:
196901000122 (8440 - M)

79

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables	157,860	98,773	-	-
Other payables	31,415	27,454	686	265
Deposits	520	263	121	121
Accruals	28,192	27,574	1,818	1,088
Total payables	217,987	154,064	2,625	1,474
Derivative liabilities	-	8	-	-
	<u>217,987</u>	<u>154,072</u>	<u>2,625</u>	<u>1,474</u>

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost except for hedge derivative liabilities, which are classified as financial liabilities measured at fair value through profit or loss.
- (b) The normal credit terms available to the Group in respect of trade payables ranged from 30 to 90 days (2020: 30 to 90 days) from date of invoice.
- (c) The Group uses forward currency derivatives to manage some of the foreign transaction exposure. These derivatives are not designated as cash flow or fair value hedges and are entered into for period consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.
- (d) Derivative liabilities of the Group are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (e) Fair value of a forward foreign currency contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.
- (f) The currency exposure profiles of trade and other payables are disclosed in Note 36(i) to the financial statements.
- (g) Information on financial risks of trade and other payables are disclosed in Note 36 to the financial statements.

Registration No:
196901000122 (8440 - M)

80

28. AMOUNTS OWING TO SUBSIDIARIES

- (a) Amounts owing to subsidiaries are classified as financial liabilities measured at amortised cost.
- (b) The amounts owing to subsidiaries represent advances and payments made on the Company's behalf by the subsidiaries, which are unsecured, interest-free and payable within next twelve (12) months or upon demand in cash and cash equivalents, except for an amount of RM58,864,000 (2020: RM55,482,000), which is subject to interest ranging from 3.5% - 6.25% (2020: 3.5% - 7.5%) per annum.
- (c) Amounts owing to subsidiaries are denominated in RM.
- (d) Information on financial risks of amounts owing to subsidiaries are disclosed in Note 36 to the financial statements.

29. CONTRACT LIABILITIES

	Group	
	2021 RM'000	2020 RM'000
Deferred revenue	5,280	3,970

Deferred revenue is recognised as revenue when performance obligations are satisfied.

30. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<i>Revenue from contracts with customers</i>				
Recognised at point in time:				
Sale of goods	1,491,412	1,385,242	-	-
Services rendered	30,739	36,661	-	-
Recognised over time:				
Services rendered	11,212	44,343	-	-
	1,533,363	1,466,246	-	-
<i>Other revenue</i>				
Rental income	5,113	6,039	1,752	1,951
Interest income	-	-	156	554
Dividend income:				
- Unquoted investments in Malaysia	-	-	6	5
- Quoted subsidiaries	-	-	532	320
- Unquoted subsidiaries	-	-	24,500	12,800
	-	-	25,038	13,125
	1,538,476	1,472,285	26,946	15,630

Registration No:
196901000122 (8440 - M)

81

30. REVENUE (continued)

(a) Revenue from contracts with customers is disaggregated in Note 4 to the financial statements by geographical area.

(b) Sale of goods

Revenue from the sale of goods is recognised when the goods has been transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

(c) Services rendered

Revenue in respect of the rendering of services is recognised when performance obligation is satisfied at point in time or over time.

(d) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(e) Interest income

Interest income is recognised as on a time proportion basis that reflects the effective yield on assets.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

31. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense on:				
- amounts owing to subsidiaries	-	-	2,695	2,871
- bank overdrafts	1,050	1,335	766	1,051
- term loans, revolving credits and bankers' acceptances	8,465	12,527	2,198	3,150
- lease liabilities	981	2,154	3	10
- others	2,238	3,054	10	35
	<u>12,734</u>	<u>19,070</u>	<u>5,672</u>	<u>7,117</u>

APPENDIX VI – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANCOM FOR THE
FYE 31 MAY 2021 (Cont'd)

Registration No:
196901000122 (8440 - M)

82

32. TAXATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current taxation				
- Malaysian income tax	17,793	13,610	256	325
- Foreign income tax	1,953	3,374	-	-
	19,746	16,984	256	325
(Over)/Under provision in prior years:				
- Malaysian income tax	(1,203)	633	6	(91)
- Foreign income tax	1	(27)	-	-
	(1,202)	606	6	(91)
	18,544	17,590	262	234
Deferred tax (Note 14)				
Relating to origination and reversal of temporary differences	270	534	(21)	(24)
(Over)/Under provision in prior years	(396)	(64)	2	44
	(126)	470	(19)	20
	18,418	18,060	243	254

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated taxable profit for the fiscal year.
- (b) Tax expense for other taxation authorities are calculated at the rates prevailing in the respective jurisdictions.

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

Registration No:
196901000122 (8440 - M)

83

32. TAXATION (continued)

- (c) The numerical reconciliations between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(Loss) before taxation	50,977	(832)	8,680	(14,107)
Tax at Malaysian statutory tax rate of 24% (2020: 24%)	12,234	(200)	2,083	(3,386)
Tax effects in respect of:				
Non-allowable expenses	10,177	16,377	4,504	8,330
Non-taxable income	(3,696)	(5,514)	(6,352)	(4,643)
Tax incentives and allowances	(794)	(55)	-	-
Deferred tax assets not recognised	4,808	7,925	-	-
Effect of changes in tax rate	7	440	-	-
Share of results of associates	761	(669)	-	-
Utilisation of unrecognised tax losses and capital allowances	(2,453)	(978)	-	-
Different tax rates in foreign jurisdictions	(1,028)	192	-	-
	20,016	17,518	235	301
(Over)/Under provision in prior years:				
- income tax	(1,202)	606	6	(91)
- deferred tax	(396)	(64)	2	44
	(1,598)	542	8	(47)
	18,418	18,060	243	254

- (d) Tax savings of the Group are as follows:

	Group	
	2021 RM'000	2020 RM'000
Utilisation of unrecognised tax losses and capital allowances	2,453	978
Utilisation of tax incentives and allowances	794	55

Registration No:
196901000122 (8440 - M)

84

33. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) Basic

The basic earnings/(loss) per ordinary share for the financial year has been calculated based on the consolidated profit/(loss) for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year.

	Group	
	2021	2020
Profit/(Loss) attributable to owners of the parent (RM'000)	<u>23,753</u>	<u>(9,696)</u>
Weighted average number of ordinary shares in issue ('000)	<u>238,352</u>	<u>225,184</u>
Basic earnings/(loss) per ordinary share for the financial year (sen)	<u>9.97</u>	<u>(4.31)</u>

(b) Diluted

The diluted earnings/(loss) per ordinary share for the financial year has been calculated based on the consolidated profit/(loss) for the financial year attributable to owners of the parents and the weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2021	2020
Profit/(Loss) attributable to owners of the parent (RM'000)	<u>23,753</u>	<u>(9,696)</u>
Weighted average number of ordinary shares in issue ('000)	238,352	225,184
Effects of dilution:		
- ESOS	9,716	-
- Warrants B	<u>28,245</u>	<u>-</u>
Adjusted weighted average number of ordinary shares in issue ('000)	<u>276,313</u>	<u>225,184</u>
Diluted earnings/(loss) per ordinary share for the financial year (sen)	<u>8.60</u>	<u>(4.31)</u>

34. DIVIDEND

On 21 September 2020, the Company proposed a final dividend for the financial year ended 31 May 2020 by way of dividend-in-specie via a share dividend distribution of up to 25,294,284 ordinary shares in ALB, representing approximately 5.34% equity interest in ALB to the Company's shareholders on the basis of one (1) ALB share for every ten (10) existing shares held in the Company ("Dividend-in-Specie").

The Dividend-in-Specie was approved by the Company's shareholders at the 51st Annual General Meeting held on 21 October 2020 and completed on 4 December 2020 by crediting 23,922,795 ALB shares to the Central Depository System accounts of the Company's shareholders.

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

Registration No:
196901000122 (8440 - M)

85

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while it maintains acceptable capital ratios in order to support its business and maximise shareholder value. The overall strategy of the Group remains unchanged from that in financial year ended 31 May 2020.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 May 2021 and 31 May 2020.

The Group monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total equity attributable to owners of parent. Net debt are calculated as total borrowings and lease liabilities owing to financial institutions net of cash and bank balances.

		Group	
	Note	2021 RM'000	2020 RM'000
Borrowings	24	300,796	322,068
Lease liabilities owing to financial institutions	6	4,439	6,353
Short term deposits with licensed banks	20	(14,970)	(17,090)
Cash and bank balances	20	<u>(90,833)</u>	<u>(80,025)</u>
Net debt		<u>199,432</u>	<u>231,306</u>
Total equity attributable to owners of the parent		<u>362,199</u>	<u>311,707</u>
Gearing ratio		<u>0.55</u>	<u>0.74</u>

Pursuant to the requirements of Practice Note No. 17/2005, of the Bursa Securities, the Group is required to maintain a consolidated shareholders' equity of more than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement during the financial year ended 31 May 2021.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies.

The main risk arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks and these are summarised below:

Registration No:
196901000122 (8440 - M)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its net investments in overseas subsidiaries and normal trading activities, both external and intra-group, where the currency denomination differs from the functional currency, Ringgit Malaysia. The Group's policy is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income against local currency costs.

The net financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

31 May 2021	Ringgit Malaysia ("RM") RM'000	Indonesian Rupiah ("IDR") RM'000	United States Dollar ("USD") RM'000	Vietnamese Dong ("VND") RM'000	Total RM'000
Functional currency					
Trade and other receivables					
United States Dollar	53,671	-	-	-	53,671
Singapore Dollar	1,230	-	2,312	-	3,542
Indonesian Rupiah	-	-	5,920	-	5,920
Japanese Yen	223	-	-	-	223
	55,124	-	8,232	-	63,356
Cash and bank balances					
United States Dollar	14,164	2,467	-	13	16,644
Indonesian Rupiah	-	-	6,607	-	6,607
Ringgit Malaysia	-	-	15	-	15
Singapore Dollar	2,229	-	210	-	2,439
Japanese Yen	491	-	2	-	493
	16,884	2,467	6,834	13	26,198

Registration No:
196901000122 (8440 - M)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Foreign currency risk (continued)

The net financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows: (continued)

31 May 2021	Ringgit Malaysia ("RM") RM'000	Indonesian Rupiah ("IDR") RM'000	United States Dollar ("USD") RM'000	Vietnamese Dong ("VND") RM'000	Total RM'000
Functional currency					
Borrowings					
United States Dollar	36,657	-	-	-	36,657
Trade and other payables					
United States Dollar	12,603	46	-	22	12,671
Singapore Dollar	52	-	3,656	-	3,708
New Zealand Dollar	20	-	-	-	20
Indonesian Rupiah	-	-	1,905	-	1,905
Ringgit Malaysia	-	-	353	-	353
	12,675	46	5,914	22	18,657
Lease liabilities					
United States Dollar	-	-	-	1,362	1,362
Singapore Dollar	-	-	28,168	-	28,168
Ringgit Malaysia	-	-	1,109	-	1,109
	-	-	29,277	1,362	30,639

Registration No:
196901000122 (8440 - M)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Foreign currency risk (continued)

The net financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows: (continued)

31 May 2020	Ringgit Malaysia ("RM") RM'000	Indonesian Rupiah ("IDR") RM'000	United States Dollar ("USD") RM'000	Vietnamese Dong ("VND") RM'000	Total RM'000
Functional currency					
Trade and other receivables					
United States Dollar	53,830	165	-	-	53,995
Singapore Dollar	628	-	1,081	-	1,709
Indonesian Rupiah	-	-	15,953	-	15,953
Japanese Yen	161	-	-	-	161
	54,619	165	17,034	-	71,818
Cash and bank balances					
United States Dollar	22,394	2,172	-	11	24,577
Indonesian Rupiah	-	-	2,312	-	2,312
Ringgit Malaysia	-	-	39	-	39
Singapore Dollar	1,791	-	1,203	-	2,994
Japanese Yen	732	-	2	-	734
	24,917	2,172	3,556	11	30,656

Registration No:
196901000122 (8440 - M)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Foreign currency risk (continued)

The net financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows: (continued)

31 May 2020		Ringgit Malaysia ("RM") RM'000	Indonesian Rupiah ("IDR") RM'000	United States Dollar ("USD") RM'000	Vietnamese Dong ("VND") RM'000	Total RM'000
Functional currency						
Borrowings						
	United States Dollar	55,142	-	-	-	55,142
Trade and other payables						
	United States Dollar	7,936	8	-	23	7,967
	Singapore Dollar	168	-	3,993	-	4,161
	New Zealand Dollar	3	-	-	-	3
	Indonesian Rupiah	-	-	2,754	-	2,754
	Hong Kong Dollar	65	-	-	-	65
	Ringgit Malaysia	-	-	366	-	366
		8,172	8	7,113	23	15,316
Lease liabilities						
	United States Dollar	-	-	-	8,806	8,806
	Singapore Dollar	-	-	10,472	-	10,472
	Ringgit Malaysia	-	-	2,959	-	2,959
		-	-	13,431	8,806	22,237

Registration No:
196901000122 (8440 - M)

90

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the foreign currencies strengthened or weakened by 3% and exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2021	2020
		RM'000	RM'000
		Increase/ (Decrease)	Increase/ (Decrease)
Profit after taxation			
RM/USD	- strengthen by 3%	424	300
	- weaken by 3%	(424)	(300)
VND/USD	- strengthen by 3%	(62)	(201)
	- weaken by 3%	62	201
USD/SGD	- strengthen by 3%	(668)	(278)
	- weaken by 3%	668	278
USD/IDR	- strengthen by 3%	242	354
	- weaken by 3%	(242)	(354)

The Group's profit after taxation is not sensitive to other foreign currencies.

Registration No:

91

196901000122 (8440 - M)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk

The Group's exposure to interest rate risk arises mainly from the Group's borrowings, and is managed through the use of fixed and floating rate borrowings and deposits.

The following tables set out the carrying amounts, the effective annual interest rates as at the end of reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

Group	Effective annual interest rate %	Within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 May 2021					
Fixed rates					
Short term deposits					
with licensed banks	1.50 - 2.10	14,970	-	-	14,970
Lease liabilities	3.50 - 6.20	15,561	25,070	270	40,901
Floating rates					
Bankers' acceptances	2.44 - 2.50	86,650	-	-	86,650
Bank overdrafts	6.20 - 7.15	9,505	-	-	9,505
Revolving credits	3.00 - 5.18	77,900	19,500	-	97,400
Trust receipts	1.85 - 5.50	49,713	-	-	49,713
Other borrowings	1.14 - 8.25	18,449	16	-	18,465
Term loans	4.50 - 5.20	7,875	31,188	-	39,063
As at 31 May 2020					
Fixed rates					
Short term deposits					
with licensed banks	1.90 - 3.50	17,090	-	-	17,090
Lease liabilities	3.50 - 6.20	24,126	10,466	522	35,114
Floating rates					
Bankers' acceptances	3.25 - 4.01	79,980	-	-	79,980
Bank overdrafts	6.45 - 7.15	20,259	-	-	20,259
Revolving credits	3.56 - 5.18	76,652	29,000	-	105,652
Trust receipts	2.43 - 5.80	40,201	-	-	40,201
Other borrowings	2.19 - 9.35	24,286	-	-	24,286
Term loans	4.00 - 6.15	9,843	41,591	256	51,690

Registration No:
196901000122 (8440 - M)

92

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk (continued)

The following tables set out the carrying amounts, the effective annual interest rates as at the end of reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk: (continued)

	Effective annual interest rate %	Within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company					
As at 31 May 2021					
Fixed rates					
Amounts owing by subsidiaries	3.50	8,156	-	-	8,156
Amounts owing to subsidiaries	3.50 - 6.25	58,864	-	-	58,864
Floating rates					
Bank overdrafts	6.20 - 7.15	1,654	-	-	1,654
Revolving credits	3.05 - 5.18	32,500	19,500	-	52,000
As at 31 May 2020					
Fixed rates					
Amounts owing by subsidiaries	3.50 - 6.00	2,652	-	-	2,652
Lease liabilities	2.60	116	-	-	116
Amounts owing to subsidiaries	3.50 - 7.50	55,482	-	-	55,482
Floating rates					
Bank overdrafts	6.50 - 7.15	9,883	-	-	9,883
Revolving credits	5.00 - 5.18	26,250	29,000	-	55,250
Term loans	5.00 - 6.15	1,680	-	-	1,680

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial instruments at fair value through profit or loss, and the carrying amount of fixed rate financial instruments of the Group and of the Company are measured at amortised cost. Therefore, no sensitivity analysis for fixed rate instruments was prepared as the change in market interest rate at the end of the reporting period would not affect profit or loss.

Registration No:
196901000122 (8440 - M)

93

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis for floating rate instruments

As at 31 May 2021, if there was a variation in interest rates by 10 basis points with all other variables held constant, the Group's and the Company's profit after tax for the financial year, arising mainly as a result of higher or lower interest expense on variable borrowings, would have been:

Effects on profit after tax	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
10 basis point higher	(229)	(245)	(41)	(51)
10 basis point lower	229	245	41	51

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iii) Liquidity risk

It is the Group's policy to ensure continuity in servicing its cash obligations in the future by way of measuring and forecasting its cash commitments, monitoring and maintaining a level of cash and cash equivalents deemed adequate for the Group's operations.

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2021				
Group				
Financial liabilities				
Trade and other payables	217,987	-	-	217,987
Amounts owing to associates	2,089	-	-	2,089
Lease liabilities	16,795	25,933	277	43,005
Borrowings	252,667	55,769	-	308,436
Total undiscounted financial liabilities	489,538	81,702	277	571,517
Company				
Financial liabilities				
Trade and other payables	2,625	-	-	2,625
Amounts owing to subsidiaries	58,887	-	-	58,887
Borrowings	35,324	20,202	-	55,526
Total undiscounted financial liabilities	96,836	20,202	-	117,038

Registration No:
196901000122 (8440 - M)

94

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. (continued)

2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities				
Trade and other payables	154,072	-	-	154,072
Amounts owing to associates	62	-	-	62
Lease liabilities	25,158	11,177	550	36,885
Borrowings	257,172	77,222	266	334,660
Total undiscounted financial liabilities	436,464	88,399	816	525,679
Company				
Financial liabilities				
Trade and other payables	1,474	-	-	1,474
Amounts owing to subsidiaries	56,001	-	-	56,001
Lease liabilities	119	-	-	119
Borrowings	39,236	30,479	-	69,715
Total undiscounted financial liabilities	96,830	30,479	-	127,309

(iv) Credit risk

Cash deposits and receivables may give rise to credit risk, which requires the loss to be recognised if a counter party failed to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period granted by the Group ranged from one (1) month to four (4) months (2020: one (1) month to four (4) months). Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In respect of the cash and bank balances placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Registration No:
196901000122 (8440 - M)

95

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Credit risk (continued)

Exposure to credit risk

At the end of the reporting period, the maximum exposures to credit risk of the Group and of the Company are represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

At the end of the reporting period, the Group did not have any significant exposure to any individual customer or counter party nor did it have any major concentration of credit risk related to any financial instruments.

At the end of the reporting period, the Company did not have any significant exposure to any individual customer or counter party nor did it have any major concentration of credit risk related to any financial instruments other than the amounts owing by subsidiaries of RM41,327,000 (2020: RM20,861,000).

37. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Group has related party relationship with its subsidiaries, associates and joint ventures as disclosed in Note 42 to the financial statements, and which Directors have substantial direct/indirect shareholding.

(b) Significant related parties transactions

In addition to the related parties information detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year:

	Group	
	2021	2020
	RM'000	RM'000
Sales to a company in which a Director of the Company have substantial indirect shareholding	8	1,432
Interest income from associates	158	184
Purchases from companies in which certain Directors of the Company have substantial indirect shareholding	1,580	1,958
Purchases from associates	1,934	656
Professional fees paid to firms in which a Director of the Company are Partners	50	69
Rental income from a company in which a Director of the Company have substantial indirect shareholding	<u>257</u>	<u>424</u>

Registration No: 96
196901000122 (8440 - M)

37. RELATED PARTY DISCLOSURES (continued)

(b) Significant related parties transactions (continued)

In addition to the related parties information detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year: (continued)

	Group	
	2021	2020
	RM'000	RM'000
Sales to associates	347	-
Rental income from associates	901	783
Consultancy fees paid to a company in which a Director of the Company have substantial indirect shareholding	<u>-</u>	<u>266</u>
	Company	
	2021	2020
	RM'000	RM'000
Professional fees paid to firms in which a Director of the Company are Partners	50	69
Purchases from companies in which certain Directors of the Company have substantial indirect shareholding	24	421
Rental income from an associate	42	64
Rental income from a company in which certain Directors of the Company have substantial indirect shareholding	<u>257</u>	<u>424</u>

The Directors of the Group and of the Company are of the opinion that the above transactions were carried out based on negotiated terms and conditions and mutually agreed with the related parties.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

The remuneration of Directors and other key management personnel of the Group and of the Company during the financial year was as follows:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fees	1,127	1,260	428	478
Short term employee benefits	15,652	17,802	265	919
Defined contribution plan	1,225	1,400	11	38
Share options granted under ESOS	1,058	-	224	-
Other emoluments	<u>1,287</u>	<u>1,023</u>	<u>20</u>	<u>427</u>
	<u>20,349</u>	<u>21,485</u>	<u>948</u>	<u>1,862</u>

Registration No:
196901000122 (8440 - M)

97

38. CAPITAL COMMITMENTS

Capital commitments not provided for in the financial statements are as follows:

	Group	
	2021	2020
	RM'000	RM'000
In respect of purchase of property, plant and equipment:		
Contracted but not provided for	22,741	2,109
Approved but not contracted for	24,835	39,154
	<u>47,576</u>	<u>41,263</u>

39. CONTINGENT LIABILITIES

	Company	
	2021	2020
	RM'000	RM'000
Secured		
Bank guarantees given by financial institutions for trade performance of certain subsidiaries and working capital purpose	3,160	3,607
Unsecured		
Guarantees given to third parties in respect of trade performance of certain subsidiaries	-	240
Guarantees given to financial institutions in respect of credit facilities granted to certain subsidiaries	35,794	52,813
	<u>35,794</u>	<u>53,053</u>
	<u>38,954</u>	<u>56,660</u>

The Group designates guarantees as insurance contracts as defined in MFRS 4 *Insurance Contracts*.

All the above unexpired guarantees were not recognised as the Directors are of the view that the fair value of such guarantees given by the Company is negligible.

Registration No:

98

196901000122 (8440 - M)

40. EMPLOYEE BENEFITS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salaries and wages	87,661	90,225	265	919
Defined contribution plan	8,334	10,068	11	38
Provision for retirement benefits	250	513	-	-
Other benefits	2,886	3,003	-	408
Share options granted under ESOS	3,790	-	224	-
	<u>102,921</u>	<u>103,809</u>	<u>500</u>	<u>1,365</u>

Included in the employee benefits of the Group and of the Company are Executive Directors remuneration and other emoluments amounting to RM8,004,000 (2020: RM8,427,000) and RM500,000 (2020: RM1,365,000) respectively.

41. EMPLOYEES' SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 18 October 2018, the Company's shareholders approved the establishment of an ESOS of up to ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the eligible Executive Directors and employees of the Group. The ESOS shall be in force for a period of five (5) years commencing from 6 March 2019 ("Duration of the Scheme"). During the financial year, the Company has granted an option under the Scheme and the option is exercisable within a period of five (5) years from the date commencing from 18 December 2020.

The salient features of the Scheme are as follows:

- i. The maximum number of new ordinary shares in the Company which may be available under the Scheme shall not be more than ten per centum (10%) of the issued and fully paid-up share capital (excluding treasury shares) of the Company at any point in time during the Duration of the Scheme;
- ii. Eligible Executive Directors and employees of the Group (excluding Nylex (Malaysia) Berhad ("Nylex"), ALB and dormant subsidiaries) are those who have been confirmed in service on the date of the offer and has attained eighteen (18) years of age or above; and are employed on a continuous full time basis (either permanent or on contract);
- iii. The option price shall be determined by the ESOS Committee of the Company at a discount of not more than ten per centum (10%) from the volume weighted average market price of the Company's shares as quoted on Bursa Securities for the five (5) market days immediately preceding the date of the offer; and
- iv. The options granted are not entitled to dividends or voting rights. Upon exercise of the options, the ordinary shares issued shall rank pari passu in all respects with the existing ordinary shares of the Company.

Registration No:
196901000122 (8440 - M)

99

41. EMPLOYEES' SHARE OPTION SCHEME (continued)

Details of the ESOS options granted are as follows:

Date of offer	Exercise price RM	Number of options over ordinary shares ('000)				Balance as at 31.5.2021 [^]	Exercisable as at 31.5.2021
		Balance as at 1.6.2020	-Movement for the financial year-				
			Granted	Exercised	Forfeited*		
18 December 2020							
- first tranche	0.765	-	6,080	(1,542)	(5)	4,533	4,533
- second tranche	0.765	-	6,080	-	(66)	6,014	-
- third tranche	0.765	-	8,108	-	(88)	8,020	-
		-	20,268	(1,542)	(159)	18,567	4,533

* Due to resignation.

[^] Exercisable by the grantee upon achieving the vesting conditions set by the ESOS Committee and are subject to the allotment of shares between 30% to 40% per year over vesting period of 2 years.

Fair value of share options was estimated by the Group using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and assumptions used are as follows:

Fair value of share options granted on 18 December 2020 based on vesting date (RM)	
- 18 December 2020	0.34
- 18 December 2021	0.31
- 18 December 2022	0.28
Expected volatility of Company's share price (%)	38.39
Option term (years)	5
Risk free rate of interest per annum (%)	2.11
Expected dividend yield per annum (%)	-

42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) Details of subsidiaries are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Direct:</i>				
Ancom Properties Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Rhodemark Development Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Ancom Agrichemical Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
@ HSO Business Systems Sdn. Bhd.	Malaysia	48.0%	48.0%	Dormant

Registration No:

100

196901000122 (8440 - M)

42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Direct: (continued)</i>				
iEnterprise Online Sdn. Bhd.	Malaysia	97.3%	97.3%	Development of IT systems and providing IT related consultancy services
Entohealth Services Sdn. Bhd. (formerly known as WorldSOL.com Sdn. Bhd.)	Malaysia	100.0%	100.0%	Dormant
Jirnexu Advisory Sdn. Bhd.	Malaysia	-	100.0%	Development of IT systems and providing IT related consultancy services
* Ancom Components Sdn. Bhd.	Malaysia	66.7%	66.7%	Manufacturing and marketing of low voltage switchgear
Redberry Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding and provision of media advertising
Redberry Holdings Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Ancom Management Services Sdn. Bhd.	Malaysia	100.0%	100.0%	Provision of management services
Genovasi Malaysia Sdn. Bhd.	Malaysia	60.0%	60.0%	Provide education, training, advisory and consulting services
Synergy Tanker Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding
Ancom Power Solutions Sdn. Bhd. (formerly known as Kenanga Sepadu Sdn. Bhd.)	Malaysia	100.0%	-	Dormant
<i>Indirect:</i>				
Ancom Crop Care Sdn. Bhd.	Malaysia	100.0%	100.0%	Manufacture and marketing of agricultural chemical products
Ancom Bioscience Sdn. Bhd.	Malaysia	100.0%	100.0%	Trading of agricultural chemical products

Registration No:
196901000122 (8440 - M)

101

42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Indirect: (continued)</i>				
Polytensides Sdn. Bhd.	Malaysia	100.0%	100.0%	Manufacture and sale of agricultural chemical products
Ancom Energy & Services Sdn. Bhd.	Malaysia	66.7%	66.7%	Marketing of low voltage switchgear
Timber Preservatives Sdn. Bhd.	Malaysia	100.0%	100.0%	Manufacture and distribution of timber and preservatives related chemical products
Kemcom Sdn. Bhd.	Malaysia	100.0%	-	Manufacture and sale of wood preservatives
Ancom Nutrifoods Sdn. Bhd.	Malaysia	100.0%	100.0%	General trading and investment holding
* Ancom do Brasil Ltda	Brazil	99.9%	99.9%	Dormant. Holder of licenses for certain agricultural chemical products
* Ancom Australia Pty. Ltd.	Australia	100.0%	100.0%	Dormant. Holder of licenses for certain agricultural chemical products
* Malancom Agrochemicals (Pte) Limited	South Africa	100.0%	100.0%	Dormant. Holder of licenses for certain agricultural chemical products
* ChemResources China (Agencies) Limited	Hong Kong	100.0%	100.0%	Trading of chemical products
Entopest Environmental Services Sdn. Bhd.	Malaysia	90.0%	90.0%	Provision of pest control, hygiene and sanitation services
Entopest Environmental Services (PG) Sdn. Bhd.	Malaysia	81.0%	90.0%	Provision of pest control, hygiene and sanitation services
PT Entopest Environmental Services	Indonesia	60.3%	60.3%	Dormant
@ Airefresh Industries (M) Sdn. Bhd	Malaysia	18.0%	-	Manufacture, distribution, merchandise and sale of air fresh products

Registration No:
196901000122 (8440 - M)

102

42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Indirect: (continued)</i>				
Airefresh Marketing Sdn. Bhd.	Malaysia	72.0%	-	General trading.
Common Feed Sdn. Bhd.	Malaysia	100.0%	100.0%	Trading of animal feed products
Vanguard Express Sdn. Bhd.	Malaysia	100.0%	100.0%	Freight and logistics services
@ Redberry Media Sdn. Bhd.	Malaysia	46.6%	49.0%	Provision of media related services
Redberry Outdoors Sdn. Bhd.	Malaysia	85.5%	90.0%	Provision of outdoor and transit advertising
Redberry Solutions Sdn. Bhd.	Malaysia	51.0%	51.0%	Dormant
Wheel Sport Management Sdn. Bhd.	Malaysia	77.0%	77.0%	Promoters and organiser of motor sports and to buy, sell and deal in all kinds of motors
Redberry Contact Center Sdn. Bhd.	Malaysia	100.0%	100.0%	Providing call centre services
Redberry Events Sdn. Bhd.	Malaysia	90.0%	90.0%	Dormant
Redberry Screens Sdn. Bhd.	Malaysia	100.0%	100.0%	Provision of digital advertising
Digital Showcase Sdn. Bhd.	Malaysia	95.0%	100.0%	Investment holding
Redberry Ambient Sdn. Bhd.	Malaysia	70.2%	73.9%	Provision of digital and cinema advertising
* Redberry Animation Sdn. Bhd.	Malaysia	51.0%	51.0%	Dormant
Redberry Advertising Sdn. Bhd.	Malaysia	95.0%	100.0%	Provision of digital advertising
Ten Plus Resources Sdn. Bhd.	Malaysia	85.5%	90.0%	Dormant
Twinstar Synergy Sdn. Bhd.	Malaysia	100.0%	100.0%	Printing of newspapers, journals, magazines, books and other literary works
Redberry Retail Sdn. Bhd.	Malaysia	70.0%	70.0%	Provision of digital advertising

Registration No:
196901000122 (8440 - M)

103

42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Indirect: (continued)</i>				
GOP Sdn. Bhd. (formerly known as KHK Media Sdn. Bhd.)	Malaysia	-	100.0%	Dormant
[#] Nylex (Malaysia) Berhad	Malaysia	50.3%	50.3%	Investment holding and manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting and other polymer products, including geotextiles and prefabricated sub-soil drainage system and property development
Nylex Polymer Marketing Sdn. Bhd.	Malaysia	50.3%	50.3%	Marketing of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets, geosynthetic and general trading
PT Nylex Indonesia	Indonesia	50.3%	50.3%	Manufacture, marketing and distribution of PVC and PU leathercloth
Perusahaan Kimia Gemilang Sdn. Bhd.	Malaysia	50.3%	50.3%	Trading in petrochemicals and industrial chemicals
Fermpro Sdn. Bhd.	Malaysia	50.3%	50.3%	Manufacture and marketing of ethanol, carbon dioxide and other related chemical products
Kumpulan Kesuma Sdn. Bhd.	Malaysia	50.3%	50.3%	Manufacture and marketing of sealants and adhesive products
Wedon Sdn. Bhd.	Malaysia	50.3%	50.3%	Marketing of sealants and adhesive products
[@] Speciality Phosphates (Malaysia) Sdn. Bhd.	Malaysia	25.7%	25.7%	Manufacture and sale of chemicals
ALB Marine Sdn. Bhd.	Malaysia	50.3%	50.3%	Carrying out business of ship owning, ship management and charter hire of tanker

Registration No:
196901000122 (8440 - M)

104

42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Indirect: (continued)</i>				
Nycon Manufacturing Sdn. Bhd.	Malaysia	50.3%	50.3%	Dormant
* Dynamic Chemical Pte. Ltd.	Singapore	50.3%	50.3%	Blending, trading and distribution of industrial chemicals
@ Ancom Kimia Sdn. Bhd.	Malaysia	30.0%	30.0%	Distribution of petrochemicals and industrial chemicals
* CKG Chemicals Pte. Ltd.	Singapore	50.3%	50.3%	Trading and distribution of industrial chemicals and gasoline blending components
Nylex Specialty Chemicals Sdn. Bhd.	Malaysia	50.3%	50.3%	Manufacture and sale of phosphoric acid
* Perusahaan Kimia Gemilang (Vietnam) Company Ltd. Company Ltd.	Vietnam	50.3%	50.3%	Building tank farms and other facilities for the storage of industrial chemicals, importation and distribution of industrial chemicals
@ PT PKG Lautan Indonesia	Indonesia	25.7%	25.7%	Importation and distribution of industrial chemicals
##@ Ancom Logistics Berhad	Malaysia	34.0%	45.1%	Investment holding
@ Synergy Trans-Link Sdn. Bhd.	Malaysia	34.0%	45.1%	Investment holding
@ Ancom-Chemquest Terminals Sdn. Bhd.	Malaysia	17.3%	23.0%	Build, own, operate, lease and manage chemical tank farm and warehouse
@ Pengangkutan Cogent Sdn. Bhd.	Malaysia	34.0%	45.1%	Providing transportation and related services
@ Hikmat Ikhlas Sdn. Bhd.	Malaysia	35.0%	15.8%	Dormant
* Syarikat Wandeerfull Sdn. Bhd.	Malaysia	100.0%	100.0%	Investment holding, dealing in and subletting of properties
* Wandeerfull Industries Sdn. Bhd.	Malaysia	100.0%	100.0%	Property investment
* Syarikat Wandeerfull Kg Attap) Sdn. Bhd.	Malaysia	100.0%	100.0%	Property investment

Registration No:
196901000122 (8440 - M)

105

42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

(a) Details of subsidiaries are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Indirect: (continued)</i>				
Genovasi Malaysia DT Sdn. Bhd.	Malaysia	60.0%	60.0%	Dormant
Genovasi University College Sdn. Bhd.	Malaysia	60.0%	60.0%	Dormant
* Pureplay Interactive Sdn. Bhd.	Malaysia	100.0%	100.0%	Dormant

(b) Details of associates are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Direct:</i>				
* iSpring Capital Sdn. Bhd.	Malaysia	42.0%	42.0%	Dormant
* Jirnexu Pte. Ltd.	Singapore	22.4%	22.4%	Investment holding
MSTi Corporation Sdn. Bhd.	Malaysia	20.0%	20.0%	Trading of computer hardware and software and rendering of IT related consultancy services
<i>Indirect:</i>				
* Ancom Philippines Inc.	Philippines	39.6%	39.6%	Dormant. Holder of licenses for certain agricultural chemical products
* Tamco Chongqing Switchgear Company Limited	China	16.6%	22.1%	Under voluntary liquidation
* ActMedia (M) Sdn. Bhd.	Malaysia	30.0%	30.0%	Advertising media design and production
◇* Durian FM Sdn. Bhd.	Malaysia	50.0%	50.0%	Dormant
* Puncak Berlian Sdn. Bhd.	Malaysia	30.0%	30.0%	Investment holding
* Retromark Solutions Sdn. Bhd.	Malaysia	-	15.1%	Marketing, promoting, distribution and supporting petrochemical and petroleum related products including industrial chemicals

Registration No:
196901000122 (8440 - M)

106

42. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

(b) Details of associates are as follows: (continued)

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Indirect: (continued)</i>				
* One Chem Terminal Sdn. Bhd.	Malaysia	20.1%	20.1%	To operate, lease and manage chemical tank farm and warehouse
* Advanced Technology Studies Centre Sdn. Bhd.	Malaysia	32.4%	32.4%	Promoting knowledge and skills development in IT
* DJ Money Matters Sdn. Bhd.	Malaysia	37.6%	37.6%	Money lending business
* Jasa Rimbun Sdn. Bhd.	Malaysia	25.1%	-	Marketing and distribution of industrial chemical
* PT Mynindo Acqua Pura	Indonesia	15.1%	-	Developing high technology products, in particular micro water treatment and waste treatment

(c) Details of the joint ventures are as follows:

Company	Country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
<i>Indirect:</i>				
* Senandung Sonik Sdn. Bhd.	Malaysia	24.5%	25.5%	Holder of radio license
* TeaFM Radio Sdn. Bhd.	Malaysia	14.7%	15.3%	Internet radio broadcasting
* Not audited by BDO PLT or BDO Member Firms.				
^ Percentage shareholding computed based on the number of ordinary shares in issue after deduction of the treasury shares of Nylex.				
@ The Group considers that it controls these subsidiaries even though it owns less than 50% of voting rights. This is because the Group is the single largest shareholder of these companies. Since the date of acquisition of these subsidiaries, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.				
# The financial statements of Nylex were consolidated as a subsidiary as the Group has control over the Board of Nylex.				
## The financial statements of ALB were consolidated as a subsidiary as the Group has power to govern the financial and operating policies of ALB under a statute or an agreement.				
◇ As at the date of this report, the associate has been struck off the register pursuant to Section 550 of the Companies Act 2016.				

Registration No:
196901000122 (8440 - M)

107

43. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

43.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (“MASB”) during the financial year:

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

43.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)</i>	1 April 2021
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)</i>	1 January 2023
<i>Amendments to MFRS 112 Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

Registration No:
196901000122 (8440 - M)

108

**44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO
THE END OF THE REPORTING PERIOD**

- (a) The World Health Organisation declared the 2019 Novel Coronavirus infection (“COVID-19”) a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order (“MCO”) on 18 March 2020 and has subsequently entered into various phases of the MCO to the date of this report.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows to meet its liquidity needs in the next 12 months after the end of the reporting period. The Group does not anticipate significant supply disruptions and would continue to monitor its fund and operational needs.

- (b) On 14 May 2020, the Company has proposed to undertake the following:
- (i) proposed private placement of up to 10% of the total number of issued shares of Ancom (excluding treasury shares) (“Proposed Private Placement”); and
 - (ii) proposed an issuance of up to 66,233,553 free warrants in Ancom (“Warrants B”) on the basis of one (1) warrant B for every four (4) existing ordinary shares in Ancom (“Ancom Shares”) held on an entitlement date to be determined and announced later (“Proposed Free Warrants Issue”).

Proposed Private Placement

The Company has further announced on 28 May 2020 that Bursa Securities had, via its letter dated 27 May 2020, approved the listing and quotation of up to 24,084,928 Placement shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities, subject to the conditions set out in the Bursa Securities’ letter.

On 3 June 2020, the Company announced that the issue price for the 1st tranche of the Proposed Private Placement (“1st tranche”) has been fixed at RM0.71 per Placement Share and will comprise up to 12,100,000 Placement Shares.

On 17 June 2020, the 1st tranche of the placement of 12,100,000 Placement Shares has been issued and listed on the Main Market of Bursa Securities pursuant to the Proposed Private Placement.

The proposed private placement is valid for 6 months from 27 May 2020 and is expired on 26 November 2020.

Proposed Free Warrants Issue

The Company has further announced on 7 July 2020 that Bursa Securities had, via its letter dated 6 July 2020, resolved to approve the following:

- (i) admission to the Official List and the listing and quotation of up to 66,223,553 Warrants B to be issued pursuant to the Proposed Free Warrants Issue; and
- (ii) listing and quotation of up to 66,223,553 new Ancom Shares to be issued arising from the exercise of Warrants B.

on the Main Market of Bursa Securities, subject to the conditions set out in the Bursa Securities’ letter.

At the Extraordinary General Meeting of the Company held on 12 August 2020, shareholders of the Company had approved the Proposed Free Warrants Issue.

On 18 September 2020, the company announced that the Proposed Free Warrants Issue has been completed following the listing and quotation of 59,878,790 free Warrants B on the Main Market of Bursa Securities.

Registration No:
196901000122 (8440 - M)

109

**44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO
THE END OF THE REPORTING PERIOD (continued)**

- (c) The Company had on 16 July 2020 announced that the Company and its subsidiary, ALB, had entered into a Heads of Agreement (“HOA”) with S7 Holdings Sdn. Bhd. (“S7”), Merrington Assets Limited (“MAL”), MY E.G. Capital Sdn. Bhd. (“MYEG Capital”) and Avocat Sdn. Bhd. (“Avocat”) for the following:

(S7, MAL, MYEG Capital and Avocat shall be collectively referred to as “Vendors” and ALB, Ancom and Vendors shall be collectively referred to as “Parties”)

- (i) Proposed acquisition by ALB of the entire share capital of S5 Holdings Inc. (Company No.: LL14071) (“S5”) from the Vendors at a price to be agreed by the Parties, subject to a valuation report to be issued by an independent valuer to be agreed by the Parties, and in return ALB shall issue new ordinary shares in ALB (“ALB Shares”) based on RM0.10 per share (“Consideration Shares”) to the Vendors (“Proposed Acquisition”);
- (ii) Proposed Mandatory General Offer by the Vendors for the shares of ALB which are not owned by the Vendors upon completion of the Proposed Acquisition (“Proposed Mandatory General Offer”);
- (iii) Proposed private placement of new ordinary shares to be issued by ALB after the Proposed Acquisition (“Proposed Private Placement of ALB”);
- (iv) Proposed offer for sale of part of the Consideration Shares in ALB to be held by the Vendors upon completion of the Proposed Acquisition to independent third party investors (“Proposed Offer for Sale”); and
- (v) Proposed disposal by ALB of its subsidiaries, namely Synergy Trans-Link Sdn. Bhd., Ancom-Chemquest Terminals Sdn. Bhd. and Pengangkutan Cogent Sdn. Bhd., to Nylex, a 50.25% subsidiary of Ancom, at a valuation to be agreed by ALB and Nylex and upon such terms and conditions to be determined later (“Proposed Disposal”). For avoidance of doubt, the Proposed Acquisition, the Proposed Mandatory General Offer, Proposed Private Placement and Proposed Offer for Sale are not conditional upon the Proposed Disposal.

(Proposed Acquisition, Proposed Mandatory General Offer, Proposed Private Placement, Proposed Offer for Sale and Proposed Disposal shall be collectively be referred to as “Proposals”)

Further to the announcement dated 16 July 2020, ALB entered into an Offer to Purchase Agreement (“OTP”) with S7 whereby S7 agreed to deal exclusively with ALB for sale its 901,321,377 ordinary shares representing 76.38% of the entire issued and paid-up share capital of S5 and to permit ALB, its advisers, solicitors, and accountants to conduct due diligence on S5 and its subsidiaries. ALB placed a refundable deposits of RM10,000,000 with S7 on execution of the OTP. ALB and S7 entered into the OTP pending the Parties entering into Share Sale Agreements for the sale of all the shares of S5 to ALB.

The transactions have not been completed as at the date of this report. Upon completion of the Proposals, ALB shall cease to be a subsidiary of Ancom.

Registration No:
196901000122 (8440 - M)

110

**44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO
THE END OF THE REPORTING PERIOD (continued)**

- (d) On 18 December 2020, the Company offered and granted 20,268,000 units of ESOS options under the existing ESOS scheme to eligible employee of the Group with an exercise price of RM0.765.

During the financial year, 1,542,188 share options were exercised at exercise prices of RM0.765 as disclosed in Note 22 to the financial statements.

- (e) Ancom had on 28 April 2021 announced that the Company submitted a formal proposal to the Board of Directors of Nylex (“Nylex Board”) to acquire all the assets and liabilities of Nylex (“the Offer”), the Offer entails the acquisition by Ancom for all the business of Nylex for a total consideration of RM179,287,212 (“Proposed Acquisitions of Nylex Business”).

On 28 June 2021, Nylex Board (save for Dato’ Siew Ka Wei, being an interested director) has accepted the Offer, subject to, among others, the approvals of the non-interested shareholders of Nylex and the relevant regulatory authorities, where required.

Ancom and its wholly owned subsidiary, Nylex Holdings Sdn. Bhd., had on 29 July 2021, entered into the Sale of Business Agreement with Nylex in respect of the Proposed Acquisition of Nylex Business.

APPENDIX VII – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

Information in relation to Ancom in this Circular was provided by Ancom and/or its management and/or obtained from publicly available sources. The responsibility of our Board is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS AND CONFLICT OF INTERESTS

2.1 Maybank IB

Maybank IB, being the Principal Adviser to our Company for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Group and/or our affiliates¹, in addition to the role set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates.

This is a result of the businesses of the Maybank Group generally acting independently of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, the Maybank Group has extended credit facilities amounting to RM282.6 million to our Group and/or our affiliates (including credit facilities extended to the Ancom Group), of which about RM101.1 million is outstanding.

¹ An "affiliate" of any person and/or entity shall mean any other person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the first person, as well as any managed or advised private equity funds and similar investment vehicles of such person. For purposes of this definition, "control" of a person means the possession of power to direct or cause the direction of management and policies of such person, whether through ownership of 50% voting securities or more, or by contract or otherwise.

APPENDIX VII – FURTHER INFORMATION (Cont'd)

Notwithstanding, Maybank IB confirms that the aforesaid lending relationship will not give rise to a conflict of interest situation in its capacity as Principal Adviser to our Company for the Proposals as:

- (i) the extension of the credit facilities arose in the ordinary course of business of the Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by, among others, the Financial Services Act 2013, Islamic Financial Services Act 2013 and the Maybank Group's own internal controls and checks; and
- (iii) the credit facilities extended by the Maybank Group to our Group and/or our affiliates (including credit facilities extended to Ancom Group) represents approximately 0.3% of the audited NA of the Maybank Group as at 31 December 2020 of RM84.4 billion.

Maybank IB is also the Principal Adviser to Ancom for the Proposed Disposal. Our Board is fully informed of Maybank IB's role as (1) Principal Adviser to our Company for the Proposals and (2) Principal Adviser to Ancom for the Proposed Disposal, and had provided its consent to the same. Nevertheless, our Company has appointed Mercury Securities as the Independent Adviser to provide comments, opinions, information and recommendation to the non-interested Directors and non-interested shareholders of our Company in respect of the Proposals.

Maybank IB confirms that as at the LPD, it is not aware of any conflict of interest situation which exists or is likely to exist in its capacity as Principal Adviser for the Proposals.

2.2 Mercury Securities

Mercury Securities, being the Independent Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

Mercury Securities confirms that as at the LPD, it is not aware of any conflict of interest situation which exists or is likely to exist in its capacity as Independent Adviser for the Proposals.

2.3 BDO

BDO, being the Reporting Accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, Reporting Accountants' report on the pro forma consolidated statements of financial position of our Group as at 31 May 2021 and all references thereto in the form and context in which they appear in this Circular.

BDO confirms that as at the LPD, it is not aware of any conflict of interest situation which exists or is likely to exist in its capacity as Reporting Accountants for the Proposals.

3. MATERIAL CONTRACTS

Save for the Sale of Business Agreement, which is the subject matter of this Circular, as well as the material contracts as disclosed below, our 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:

- (a) 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

APPENDIX VII – FURTHER INFORMATION (Cont'd)

- (b) 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 is subject to the fulfillment of the conditions precedent and 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.

4. MATERIAL LITIGATION

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

5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**5.1 Material commitments**

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

5.2 Contingent liabilities

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

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of our Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:

- (a) our Constitution and the Constitution of Ancom;
- (b) the audited consolidated financial statements of our Company and Ancom for the past two (2) FYEs 31 May 2020 and 31 May 2021;
- (c) Sale of Business Agreement;

APPENDIX VII – FURTHER INFORMATION *(Cont'd)*

- (d) Reporting Accountants' report on the pro forma consolidated statements of financial position of our Group as at 31 May 2021 together with the notes thereto as set out in Appendix IV of this Circular;
- (e) our material contracts referred to in Section 3 of this Appendix and the material contracts of the Ancom Group referred to in Section 9, Appendix III of this Circular;
- (f) letters of consent referred to in Section 2 of this Appendix; and
- (g) cause papers in respect of material litigation involving the Ancom Group referred to in Section 10, Appendix III of this Circular.



NYLEX (MALAYSIA) BERHAD

(Registration No.: 197001000148 (9378-T))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Nylex (Malaysia) Berhad (“**Nylex**” or the “**Company**”) 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, Malaysia (“**Broadcast Venue**”) on Tuesday, 26 October 2021 at 10.30 a.m. or immediately following the conclusion or adjournment of the 51st Annual General Meeting (“**AGM**”) of the Company scheduled to be held at the same venue and on the same day at 9.30 a.m., whichever is later, using remote participation and voting facilities provided by the Company’s Share Registrar, 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 following special resolutions with or without any modification:

SPECIAL RESOLUTION 1

PROPOSED DISPOSAL OF THE ENTIRE BUSINESS AND UNDERTAKING INCLUDING ALL THE ASSETS AND LIABILITIES OF NYLEX TO ANCOM BERHAD FOR A CONSIDERATION OF RM179,287,212 (“ANCOM”) (“PROPOSED DISPOSAL”)

THAT subject to the passing of Special Resolution 2 below, the confirmation of the High Court of Malaya (“**High Court**”) pursuant to Section 116 of the Companies Act 2016 (“**Companies Act**”) in respect of the Proposed Distribution (as defined in Special Resolution 2 below), the approvals of the relevant authorities being obtained and the conditions precedent in the sale of business agreement dated 29 July 2021 between Nylex, Ancom Berhad (“**Ancom**”) and Nylex Holdings Sdn. Bhd. (“**Nylex Holdings**”), a wholly-owned subsidiary of Ancom, in respect of the Proposed Disposal (“**Sale of Business Agreement**”) being fulfilled or waived (as the case may be), approval be and is hereby given for Nylex to undertake and carry into effect the Proposed Disposal in accordance with the terms of the Sale of Business Agreement at a disposal consideration of RM179,287,212 (“**Disposal Consideration**”) to be satisfied by Ancom in the following manner:

- (a) RM15,000,000.00 shall be paid by Ancom in cash to Nylex on completion of the Proposed Disposal (“**Completion**”) and retained by Nylex post-Completion; and
- (b) RM164,287,212 shall be payable by Ancom to Nylex on Completion and thereafter distributed by Nylex to its shareholders pursuant to the Proposed Distribution (as defined and as set out in Special Resolution 2 below).

AND THAT the Board of Directors of Nylex (“**Board**”) be and are hereby authorised to take all such steps, execute such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as it may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and/or carry into effect to the Proposed Disposal and the Sale of Business Agreement with full powers to assent to any terms, conditions, modifications, variations and/or amendments including those which may be agreed or as may be required by any relevant regulatory authority or as a consequence of any such requirement in any manner as the Board may in its absolute discretion deem necessary and/or expedient to implement, finalise and/or give effect to the Proposed Disposal.

SPECIAL RESOLUTION 2

PROPOSED DISTRIBUTION OF THE CONSIDERATION FROM THE PROPOSED DISPOSAL AMOUNTING TO RM164,287,212 TO ALL THE ENTITLED SHAREHOLDERS OF NYLEX BY WAY OF A CAPITAL REDUCTION AND REPAYMENT EXERCISE PURSUANT TO SECTION 116 OF THE COMPANIES ACT (“PROPOSED DISTRIBUTION”)

THAT subject to the passing of Special Resolution 1 above, the confirmation of the High Court pursuant to Section 116 of the Companies Act and, if required, the approvals of any other relevant authorities or person being obtained, approval be and is hereby given for Nylex to, following the completion of the Proposed Disposal in accordance with the terms of the Sale of Business Agreement, carry out the following:

- (a) the reduction of the issued share capital of the Company from RM195,142,388 comprising 194,337,860 ordinary shares in Nylex (“**Nylex Shares**”) (including treasury shares) to RM30,855,176 comprising 194,337,860 Nylex Shares (including treasury shares) by the cancellation of a sum of RM164,287,212 from the issued share capital of the Company in accordance with Section 116 of the Companies Act;
- (b) upon such reduction taking effect, the entire credit arising from the reduction of RM164,287,212 in issued share capital of the Company shall, subject to Ancom and Rhodemark Development Sdn. Bhd. (“**Rhodemark**”) (collectively, 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 to be determined by Board of Nylex and announced later (“**Entitlement Date**”), be applied in distributing:
 - (i) RM81,694,262 (“**MI Distribution Amount**”) to all the shareholders of Nylex whose names appear on the Record of Depositors of Nylex on the Entitlement Date (except for the Interested Shareholders) (“**Nylex MI**”) in accordance with sub-paragraph (c) below; and
 - (ii) RM82,592,950 to the Interested Shareholders which amount shall be applied in accordance with the Set-off Arrangement (as defined in the circular to the shareholders of Nylex dated 4 October 2021) to set-off against an equivalent amount payable by Ancom to Nylex on Completion as part of the Disposal Consideration; and
- (c) the MI Distribution Amount shall be distributed to the Nylex MI as follows:
 - (i) RM35,000,000 shall be distributed in cash to the Nylex MI on the payment date to be announced by the Board (“**Cash Distribution**”); and
 - (ii) RM46,694,262 shall be distributed in the form of 31,129,508 new ordinary shares in Ancom (“**Ancom Shares**”) which shall, on the payment date to be announced by the Board, be issued directly by Ancom at an issue price of RM1.50 per Ancom Share to the Nylex MI (“**Shares Distribution**”),

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

AND THAT the Board be empowered to deal with any fractional entitlements to the Cash Distribution and/or Shares Distribution in such manner as the Board shall deem fit or expedient or in the best interests of the Company **AND FURTHER THAT** the Board be and is hereby authorised and empowered to take all steps and to do all acts, deeds and things and to execute, enter into, sign and deliver for and on behalf of the Company, all documents as it may consider necessary or expedient to give full effect to the Proposed Distribution, with full power to fix and vary the Entitlement Date and time, payment date and/or effective date for the Proposed Distribution and assent to and accept any conditions, modifications, variations, arrangements and/or amendments as may be required or imposed or permitted by the relevant authorities/parties and/or the High Court and with full power to make any amendments, variations or modifications to the terms and/or conditions of the Proposed Distribution in any manner as the Board may in its absolute discretion deem fit, necessary, expedient and/or appropriate.

By Order of the Board,

CHOO SE ENG (MIA 5876)
STEPHEN GEH SIM WHYE (MICPA 1810)
Company Secretaries

Petaling Jaya
4 October 2021

Notes:

1. Pursuant to Section 327(2) of the Companies Act, the Chairman will be present at the Broadcast Venue being the main venue of the EGM. **Members will not be allowed to attend the EGM in person at the Broadcast Venue on the day of the meeting.** Members are to participate, speak (via real time submission of typed texts only) and vote remotely. Please refer to the Administrative Guide for Shareholders, a copy of which is available at the Company's website at <https://www.nylex.com/egm.php> on registration, participation and voting at the EGM.
2. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 18 October 2021 shall be entitled to participate, speak and vote or appoint proxy(ies) to participate, speak and vote on their behalf at the EGM.
3. A member, including an authorised nominee, who is entitled to participate, speak and vote at the EGM may appoint not more than two (2) proxies to participate, speak and vote for him/her. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
4. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy in the Proxy Form.
6. The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the EGM:
 - i. In hardcopy form
The Proxy Form may be deposited at the Share Registrar of the 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 alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - ii. By electronic means
The Proxy Form can be electronically lodged with the Share Registrar of the Company via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for Shareholders on the appointment and registration of proxy for the EGM by electronic means.

7. *Any authority pursuant to which such an appointment is made by a Power of Attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, 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 at which the person named in the appointment proposes to vote. A copy of the Power of Attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
8. *For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL Certificate of Appointment of Authorised Representative (“**Certificate**”) with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, 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 before the time appointed for holding the EGM at which the person named in the appointment proposes to vote. The Certificate should be executed in the following manner:*
 - i. *If the corporate member has a Common Seal, the Certificate should be executed under seal in accordance with the constitution of the corporate member.*
 - ii. *If the corporate member does not have a Common Seal, the Certificate should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.*
9. *A member who has appointed a proxy or attorney or authorised representative to participate in the EGM must request his/her proxy or attorney or authorised representative to register himself/herself for the remote participation and voting facilities at the Share Registrar’s TIIH Online website at <https://tiih.online>. Please read and follow the procedures provided in the Administrative Guide for Shareholders.*



NYLEX (MALAYSIA) BERHAD

(Registration No: 197001000148 (9378-T))
(Incorporated in Malaysia)

PROXY FORM

CDS A/C. No.	No. of shares held

I/We.....NRIC No.
(Full Name in Block Letters)

of.....
(Full Address)

being (a) member(s) of **NYLEX (MALAYSIA) BERHAD**, hereby appoint

Full Name in Block Letters		Proportion of Shareholdings
NRIC No.		
Full Address		
Full Name in Block Letters		Proportion of Shareholdings
NRIC No.		
Full Address		
		100 %

or failing *him / her, the Chairman of the Meeting as *my/our *proxy /proxies to attend and to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be held and conducted entirely through live streaming from the Broadcast Venue at No. 2A, Jalan 13/2, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 26 October 2021 at 10.30 a.m., or immediately following the conclusion or adjournment of the 51st Annual General Meeting of the Company scheduled to be held at the same venue and on the same day at 9.30 a.m. and to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
Special Resolution 1	Proposed Disposal		
Special Resolution 2	Proposed Distribution		

(Please indicate with an "X" on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

[*Delete if not applicable]

Dated this day of 2021

Telephone no. during office hours:

Signature/Common Seal of shareholder(s)



Notes:

1. Pursuant to Section 327(2) of the Companies Act 2016, the Chairman will be present at the Broadcast Venue being the main venue of the EGM. **Members will not be allowed to attend the EGM in person at the Broadcast Venue on the day of the meeting.** Members are to participate, speak (via real time submission of typed texts only) and vote remotely. Please refer to the Administrative Guide for Shareholders, a copy of which is available at the Company's website at <https://www.nylex.com/egm.php> on registration, participation and voting at the EGM.
2. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 18 October 2021 shall be entitled to participate, speak and vote or appoint proxy(ies) to participate, speak and vote on their behalf at the EGM.
3. A member, including an authorised nominee, who is entitled to participate, speak and vote at the EGM may appoint not more than two (2) proxies to participate, speak and vote for him/her. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
4. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy in the Proxy Form.
6. The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the EGM:
 - i. In hardcopy form
The Proxy Form may be deposited at the Share Registrar of the 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 alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - ii. By electronic means
The Proxy Form can be electronically lodged with the Share Registrar of the Company via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for Shareholders on the appointment and registration of proxy for the EGM by electronic means.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

NYLEX (MALAYSIA) BERHAD

The Share Registrar:
Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

1st fold here