

ANCOM BERHAD (“ANCOM” or “COMPANY”):-
Acquisition of 90% Equity Interest in Entopest Environmental Services Sdn Bhd

1. INTRODUCTION

Ancom Berhad (“Ancom” or “Company”) wishes to announce that Ancom Crop Care Sdn Bhd (“ACC”), a wholly owned subsidiary of the Company, has entered into a Share Sale Agreement (“SSA”) on 18 April 2016 with Teoh Lee Cheng, Foo See Boon, Ch’ng Sai Hong and Rosli bin Bulat (collectively the “Vendors”) wherein ACC agreed to acquire 18,000 ordinary shares of RM1/- each representing 90% equity interest in Entopest Environmental Services Sdn Bhd (“Entopest”), free from all liens, charges, pledges, equities, mortgages and any encumbrances whatsoever and with all rights and advantages attaching thereto or accruing thereon including all dividends and distributions declared, paid or made in respect thereof as from the date hereof, for cash consideration of RM2,070,000/- (“Acquisition”).

At the same time, Lee Cheun Wei, Shamsudin Bin Basri, both directors of ACC, and Anthony Tan Swee Hock, Chief Operating Officer and director of certain subsidiary of ACC, are also acquiring the remaining 2,000 ordinary shares of RM1/- each or 10% equity in Entopest from the Vendors for RM230,000/- cash.

(ACC, Lee Cheun Wei, Shamsudin Bin Basri and Anthony Tan Swee Hock are collectively referred to as “Purchasers”).

2. INFORMATION ON ENTOPEST

Entopest was incorporated in Malaysia on 1 September 2003 in Malaysia under the Companies Act 1965. Its present authorised share capital is RM100,000/- divided into 100,000 ordinary shares of RM1/- each while its issued and paid up share capital is RM20,000/- comprised of 20,000 ordinary shares of RM1/- each held in the following proportions:

<u>Vendors</u>	<u>Number of shares</u>	<u>Percentage (%)</u>
Teoh Lee Cheng	7,200	36
Foo See Boon	5,800	29
Rosli bin Bulat	4,000	20
Ch’ng Sai Hong	3,000	15
Total	20,000	100

Entopest is in the business of pest control, hygiene and sanitation services (“Business”).

For the financial years ended 31 October 2014 and 2015, Entopest recorded profit before tax of RM122,380/- and RM26,425/- respectively based on its audited accounts.

3. SALIENT FEATURES OF THE SSA

- 3.1 The SSA shall be completed within 14 days from the date of signing of the SSA;
- 3.2 The Purchase Price shall be paid by the Purchasers to the Vendors and the Vendors' Solicitors in the following manner:-
- (i) a sum of RM230,000/- only, being ten per cent (10%) of the purchase price of RM2,300,000/- ("Purchase Price"), shall be paid by the Purchasers to each Vendors simultaneously with the execution of this Agreement (hereinafter referred to as "the Deposit") in proportion to the Vendors' respective shareholdings;
 - (ii) a sum of RM1,840,000/- only, being eighty per cent (80%) of the Purchase Price, shall be paid by the Purchasers to each Vendors upon completion date of the acquisition in proportion to the Vendor's respective shareholdings;
 - (iii) a sum of RM230,000/- only, being ten per cent (10%) of the Purchase Price, shall be retained in stakeholders account as retention for representation and warranties claim (if any), and be released to Vendors in six months after the completion date if no claims were made against the Company.

4. BASIS OF ARRIVING AT THE CONSIDERATION

The Purchase Price was agreed on a willing buyer willing seller basis after taken into account of the audited financial results of Entopest for the financial years ended 31 October 2014 and 2015 and the future earnings contribution from Entopest to ACC arising from the Acquisition. ACC will not assume any liabilities, including contingent liabilities, of Entopest.

5. RISKS FACTORS

The operation of Entopest is subject to various risks such as the economic conditions of the country; business risks such as changes in market conditions, shortage of labour and increase in cost of labour, spending power of the clients and fluctuation of raw material prices; competition risks such as price war by competitors and low entry barrier; regulatory risks such as withdrawal of licenses by the authorities due to non-compliance of the licensing conditions, shortage of technical workers etc.

These are the normal risks associated with the business that ACC is operating in. ACC has in place the mitigating processes in dealing with these risk factors.

6. EFFECTS OF THE ACQUISITION

Share capital and shareholding structure

The Acquisition will have no impact on the share capital and shareholding structure of Ancom. Entopest will become a 90% owned indirect subsidiary of the Company after the completion of the Acquisition.

Earnings

The Acquisition is expected to complete in the 4th quarter of the financial year ending 31 May 2016. It will not have any material effects on the earnings to the Ancom Group for the financial year ending 31 May 2016. It is expected to contribute to the earnings of the Ancom Group for financial years ending after 31 May 2016.

Net tangible assets ("NTA")

There will be no material change in the Group's NTA per share after the Acquisition.

7. RATIONALE OF THE ACQUISITION

Ancom is an investment holding company with subsidiaries involving in industrial and agricultural chemicals, polymer, media and logistics while ACC is principally involved in the manufacturing and marketing of agricultural chemical products which include various kinds of pesticides and insecticides. The Acquisition is aimed at diversifying the Ancom Group's business to include a business operation which is complimentary to ACC's existing operation. This is expected to have a positive effect on the Ancom Group's future earnings.

8. PERCENTAGE RATIO

The highest percentage ratio applicable to the Acquisition under Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 0.73%

9. APPROVALS REQUIRED

The Acquisition is not subject to the approval of the shareholders of Ancom or any other authorities.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors or substantial shareholders of Ancom or persons connected to them is interested, directly or indirectly, in the Acquisition.

11. DIRECTORS' OPINION

The Directors of Ancom are of the opinion that the Acquisition is in the best interest of the Company and not to the detriment of the shareholders of the Company.

12. INSPECTION OF DOCUMENTS

The SSA is available for inspection at the Company's registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8 Jalan Kerinchi, 59200 Kuala Lumpur, during normal business hours from Mondays to Fridays (except for public holidays) for a period of 3 months from the date of the SSA.

This announcement is dated 19 April 2016.