

## **ANCOM BERHAD (“ANCOM” or “COMPANY”) : Acquisition of Shares in Ancom Components Sdn Bhd**

### **1. INTRODUCTION**

Ancom Berhad (“Ancom” or “Company”) wishes to announce that it has entered into a transaction today to acquire, from Ancom Logistics Berhad (“ALB”- a subsidiary of the Company listed on the ACE Market of Bursa Malaysia Securities Berhad), the following :

- 466,900 ordinary shares of RM1.00 each (“Shares”) representing 66.7% equity interest in Ancom Components Sdn Bhd (“ACSB”); and
- the entire 1,164,000 redeemable convertible preference shares of RM1.00 each (“Preference Shares”) in ACSB;

for total cash consideration of RM1.00.

*(The share purchase hereinafter referred to as “Transaction”).*

The cash consideration was derived at by the parties on a willing buyer willing seller basis after taking into account of the accumulated losses and negative shareholders’ funds in ACSB. There will be no additional liabilities to be assumed by Ancom arising from the Transaction.

### **2. INFORMATION ON ACSB**

ACSB was incorporated in Malaysia on 21 June 1966 under the Companies Act, 1965. It has an authorised share capital of RM5,000,000.00 made up of 3,700,000 ordinary shares of RM1.00 each and 1,300,000 redeemable convertible preference shares of RM1.00 each. The current issued and paid-up share capital of ACSB is RM2,000,000.00 made up of 700,000 ordinary shares of RM1.00 each and 1,300,000 redeemable convertible preference shares of RM1.00 each.

Besides ALB, the other shareholder of ACSB is Yim Yoke Koon holding the remaining 233,100 ordinary shares of RM1.00 each representing 33.3% equity of ACSB.

ACSB is principally involved in the business of design, manufacture, supply, installation, commissioning and maintenance of equipment and systems for power distribution and motor control (“ACSB’s Business”).

The audited financial results of ACSB for the 2 financial years ended 31 May 2014 and 2015 are as summarized in the table below:

	<u>Year Ended</u> <u>31 May 2014</u> (RM'000)	<u>Year Ended</u> <u>31 May 2015</u> (RM'000)
Turnover	2,713	2,600
(Loss) / Profit before tax	(2,156)	138
(Loss) / Profit after tax	(2,294)	55
Current assets	1,210	1,983
Current liabilities	(2,739)	(2,131)
Long term assets	48	58
Long term liabilities	(258)	(1,594)
Net liabilities	(1,739)	(1,684)
Share capital	2,000	2,000
Accumulated profit / (loss)	(3,739)	(3,684)
Shareholders’ funds	(1,739)	(1,684)

### **3. RATIONALE OF THE TRANSACTION**

ACSB is an indirect subsidiary of the Company through ALB. The Transaction is part of the Group's reorganization exercise to streamline its business and would allow the Company to have a direct presence in ACSB's business for future business potential.

### **4. PROSPECTS**

ACSB is principally involved in the business of design, manufacture, supply, installation, commissioning and maintenance of equipment and systems for power distribution and motor control. Its main clients are the housing and property developers.

Its prospect will be dependent on the state of the property development in Malaysia. Due to the current sluggish property development sector, the Company intends to identify new business to be injected into ACSB to make it profitable in future.

### **5. RISK FACTORS**

The following are the risk factors (which may not be exhaustive) of the Transaction which may have a significant impact on the Company:

- Inherent business risks such as changes in general economic conditions and business conditions, particularly in the property development sector, and regulatory developments;
- Competition from existing competitors and new market entrants in the future;
- Competition from cheaper imported products from China.

### **6. EFFECTS OF THE TRANSACTION**

#### **6.1 Share Capital and Shareholding Structure**

The Transaction will have no impact on the share capital and shareholding structure of Ancom. ACSB will become a subsidiary of Ancom.

#### **6.2 Earnings**

The Transaction is expected to complete in the first quarter of the financial year ending 31 May 2017. It is not expected to have any material effects on the earnings to the Ancom Group for the financial year ending 31 May 2017.

#### **6.3 Net Tangible Assets ("NTA")**

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

### **7. RELATED PARTY TRANSACTION**

The Transaction is a related party transaction as Dato' (Dr) Siew Ka Wei ("Dato' Siew"), the Company's Group Managing Director, is also a Director of ACSB and the Executive Vice Chairman of ALB.

Dato' Siew, who is a substantial shareholder of the Company, is also a substantial shareholder of ALB through his 0.15% direct and 45.52% indirect interest in ALB held through the Company and its subsidiaries (45.33%) and his family members (0.19%).

### **8. OPINION OF THE AUDIT COMMITTEE**

After taking into consideration the business nature of ACSB and despite the losses recorded in the financial years ended 31 May 2014 and 2015, the Audit Committee views the Transaction as one that is fair, reasonable and not detrimental to the interest of the minority shareholders and is in the best interest of the Company.

It is the intention of the Company to identify new business to be injected into ACSB to make it profitable in future.

## **9. PERCENTAGE RATIO**

The highest percentage ratio applicable to the Transaction under Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 1.70%.

## **10. APPROVALS REQUIRED**

The Transaction is not subject to the approval of the shareholders of Ancom or any regulatory authorities.

## **11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

Save for Dato' Siew, Edmond Cheah Swee Leng and Lim Hock Chye (who are Directors of the Company and ALB), none of the other Directors, and/or major shareholders of Ancom and/or persons connected to them, holds any directorships in ALB.

Save for Dato' Siew, none of the Directors, and/or major shareholders of Ancom and/or persons connected to them, has any interest, directly or indirectly, in the Transaction.

## **12. STATEMENT BY THE DIRECTORS**

The Directors (except for Dato' Siew) had considered all aspects of the Transaction and are of the opinion that the Transaction is in the best interest of the Group and is not to the detriment of the minority shareholders of the Company.

This announcement is dated 02 August 2016.