

MALAYAN CEMENT BERHAD
[Company No. 195001000048 (1877-T)]
(Incorporated in Malaysia)

**MINUTES OF THE EXTRAORDINARY GENERAL MEETING (“EGM”/the “Meeting”)
OF THE COMPANY CONDUCTED ON A FULLY VIRTUAL BASIS THROUGH LIVE
STREAMING, ONLINE REMOTE PARTICIPATION AND VOTING (“RPV”) VIA TIIH
ONLINE SYSTEM AT <https://tiih.com.my> (“TIIH Online”) ON MONDAY, 30TH DAY OF
AUGUST, 2021 AT 3.28 P.M.**

Present	:	Tan Sri (Sir) Francis Yeoh Sock Ping	-	Executive Chairman
		Dato’ Sri Michael Yeoh Sock Siong	-	Managing Director
		Dato’ Tan Guan Cheong	-	Director
		Dato’ Yoogalingam a/l Vynamuttu	-	Director
		Dato’ Yeoh Seok Kian	-	Director
		Dato’ Yeoh Seok Hong	-	Director
		Dato’ Yeoh Soo Keng	-	Director
		Mr Yeoh Khoon Cheng	-	Director
		Puan Hidayah Hassan	}	Representing Maybank Investment Bank Berhad, the principal adviser (“ Maybank ”)
		Mr Anthony Koh		
		Mr Kevin Davis		
		Mr Chew Ching Ean		
		Ms Iona Chow		
		Mr Denis Lim	}	Representing Mercury Securities Sdn Bhd, the independent adviser (“ Mercury ”)
		Mr Pua Kin Joh		
		Mr Foo Chun Keong		
		Ms Melisa Pang		
		Mr Wong Chee Hong	-	Representing HLB Ler Lum Chew PLT, the reporting accountants
		Mr Chen Lee Won	-	Representing Rahmat Lim & Partners, the legal adviser
Apologies	:	Tan Sri Datuk Asmat Kamaludin	-	Director
In Attendance	:	Ms Ho Say Keng	-	Secretary
Participated via RPV at TIIH Online	:	156 members/corporate representatives/proxies (collectively, “ Members ”), including Executive Chairman as proxy for members as per Attendance Lists		

1. WELCOME ADDRESS

On behalf of the Board of Directors (“**Board**”), the Executive Chairman, Tan Sri (Sir) Francis Yeoh Sock Ping, welcomed everyone who had logged-in to the meeting platform to participate in the EGM.

The Executive Chairman apologised for the delay and inconvenience caused as a result of a technical setback which resulted in the Meeting being streamed live at 3.28 p.m., later than the slated time of 3.00 p.m. set out in the notice of the EGM.

He explained that the meeting was conducted fully virtual due to the pandemic that was ongoing and in compliance with the *Guidance and FAQs on Conduct of General Meetings for Listed Issuers* issued by the Securities Commission Malaysia.

The Executive Chairman then introduced the members of the Board, the representatives of Maybank, Mercury, HLB Ler Lum Chew PLT, Rahmat Lim & Partners and the Secretary.

2. QUORUM

The requisite quorum, having been confirmed by the Secretary with the advice of the share registrar and poll administrator as present, the Executive Chairman called the Meeting to order.

3. NOTICE OF MEETING

The notice convening the EGM as set out in the Circular to Shareholders dated 6 August 2021 was taken as read.

4. PRELIMINARY - VOTING AND GENERAL INSTRUCTION ON MEETING PROCEDURES

The Executive Chairman informed that -

- he had been appointed as proxy for a number of members and he would vote in accordance with their instructions;
- voting on the resolutions set out for the EGM would be conducted by poll in accordance with Bursa Malaysia Securities Berhad Main Market Listing Requirements (“**Listing Requirements**”) and the Company’s Constitution by way of online remote voting at the RPV platform (“**e-voting**”);
- Tricor Investor & Issuing House Services Sdn Bhd was appointed Poll Administrator for the polling process while Coopers Professional Scrutineers Sdn Bhd was appointed Scrutineers to verify the poll results.

At the request of the Executive Chairman, the Secretary briefly highlighted that the e-voting session commenced at the start of the Meeting and would continue until closure of the voting session and that the voting results would be announced at conclusion of the EGM. Members were to submit their questions at any time during the EGM using the Query Box provided via the RPV facility.

5. AGENDA ITEMS

The business of the Meeting was to consider the ordinary and special resolutions pertaining to the –

- proposed acquisition by the Company of the entire equity interest of 10 companies and their respective subsidiaries which are involved in cement and ready-mixed concrete businesses in Malaysia from YTL Cement Berhad (“**Proposed Acquisition**”); and

- proposed amendments to the Constitution of the Company to facilitate the issuance of the irredeemable convertible preference shares (“ICPS”) pursuant to the Proposed Acquisition,

respectively, set out in the Circular to Shareholders dated 6 August 2021 (“Proposals”) (“Circular”).

The Executive Chairman informed that in view of the interests of the major shareholders and Directors as disclosed in Section 12 of Part A of the Circular, the Proposed Acquisition is deemed to be a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, Mercury has been appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company on the fairness and reasonableness of the Proposed Acquisition and whether it is detrimental to the minority shareholders. The Independent Adviser Letter is set out in Part B of the Circular.

5.1 PRESENTATION BY PRINCIPAL, AND INDEPENDENT ADVISERS

On the invitation of the Executive Chairman, Maybank, as Principal Adviser, gave a presentation of the Proposals as set out in Appendix I.

This was followed by Mercury who presented its evaluation of the Proposed Acquisition as Independent Adviser. Its presentation annexed hereto as Appendix II.

5.2 ORDINARY RESOLUTION - PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE EQUITY INTEREST OF 10 COMPANIES AND THEIR RESPECTIVE SUBSIDIARIES WHICH ARE INVOLVED IN CEMENT AND READY-MIXED CONCRETE BUSINESSES IN MALAYSIA FROM YTL CEMENT BERHAD FOR A TOTAL CONSIDERATION OF RM5,158 MILLION, SUBJECT TO ADJUSTMENTS, TO BE SATISFIED VIA A COMBINATION OF CASH, ISSUANCE OF NEW ORDINARY SHARES IN MCB AND NEW IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES IN MCB (“PROPOSED ACQUISITION”)

The Chairman moved to the consideration of the ordinary resolution of which read as follows:

“**THAT**, subject to the conditions precedent stipulated in the conditional share purchase agreement dated 12 May 2021 between the Company and YTL Cement Berhad (“**YTL Cement**”) in respect of the Proposed Acquisition (“**SSPA**”) being fulfilled or waived, approval be and is hereby given to the Company to acquire the entire equity interest of the following 10 companies and their respective subsidiaries which are involved in cement and ready-mixed concrete businesses in Malaysia from YTL Cement, on the terms and conditions as stipulated in the SSPA:

- (i) Buildcon Concrete Sdn Bhd;
- (ii) Buildcon-Cimaco Concrete Sdn Bhd;
- (iii) C.I. Readymix Sdn Bhd;
- (iv) Mini-Mix Sdn Bhd;
- (v) Pahang Cement Sdn Bhd and its wholly-owned subsidiary, Straits Cement Sdn Bhd;

- (vi) Perak-Hanjoong Simen Sdn Bhd and its wholly-owned subsidiary, PHS Trading Sdn Bhd;
- (vii) Slag Cement Sdn Bhd;
- (viii) Slag Cement (Southern) Sdn Bhd;
- (ix) SMC Mix Sdn Bhd; and
- (x) YTL Cement Marketing Sdn Bhd,

for a total consideration of RM5,158 million, subject to adjustments, to be satisfied in the following manner on the completion date of the Proposed Acquisition:

- (i) RM2,000 million in cash, subject to adjustments;
- (ii) RM1,408 million through the issuance of 375,506,174 new ordinary shares in MCB (“**MCB Shares**”) (“**Consideration Shares**”) at an issue price of RM3.75 per Consideration Share; and
- (iii) RM1,750 million through the issuance of 466,666,667 new irredeemable convertible preference shares in MCB (“**ICPS**”) (“**Consideration ICPS**”) at an issue price of RM3.75 per Consideration ICPS.

THAT, approval be and is hereby given to the Company to allot and issue the Consideration Shares and Consideration ICPS to satisfy the purchase consideration in respect of the Proposed Acquisition in accordance with the terms and conditions as stipulated in the SSPA.

THAT, the Consideration Shares and the new MCB Shares to be issued upon conversion of the Consideration ICPS shall, upon allotment and issuance, rank pari passu in all respects with the then existing MCB Shares, except that the Consideration Shares and the new MCB Shares to be issued upon conversion of the Consideration ICPS shall not be entitled to any dividends, rights, allotment and/or any other distributions that may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment of the Consideration Shares and the new MCB Shares to be issued upon conversion of the Consideration ICPS.

THAT, the Consideration ICPS shall, upon allotment and issuance, rank pari passu in all respects among themselves.

AND THAT the Board of Directors of the Company (“**Board**”) be and is hereby authorised to sign and execute all documents, do all things and acts as may be required, necessary or appropriate to give full effect to the Proposed Acquisition with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or permitted and to deal with all matters relating thereto and to take all such steps and do all acts and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition.”

The Executive Chairman briefly highlighted several points pertaining to the resolution:

- The audit and risk management committee of the Company, having considered all aspects of the Proposals as well as the views of the independent adviser on the Proposed Acquisition, was of the view that the Proposals were in the best interest of

the Company, fair, reasonable and on normal commercial terms, and not detrimental to the interests of the non-interested shareholders of the Company;

- All the interested Directors, interested Major Shareholders and Persons Connected with them had undertaken to abstain from voting on the resolution in respect of their direct and indirect shareholdings, if any;
- The Directors who are not interested in the Proposed Acquisition, were of the opinion that the Proposed Acquisition was in the best interest of the Company and accordingly, recommended that shareholders vote in favour of the resolution.

5.2. SPECIAL RESOLUTION PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("PROPOSED AMENDMENTS")

The Chairman then moved to the consideration of the special resolution of which read as follows:

"THAT, subject to the passing of the Ordinary Resolution, approval be and is hereby given for the Company to amend the existing Constitution of the Company by inserting the new Articles as set out in **Appendix VII** of the Circular to Shareholders dated 6 August 2021.

AND THAT the Board be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to implement, finalise and give full effect to the above with full power to assent to any conditions, modifications, variations and/or amendments in any manner as the Board may deem fit."

6. QUESTIONS AND ANSWERS ("Q&A") SESSION

The Meeting moved on to the Q&A session.

Several questions were received from Members before the Meeting and these were mainly on requests for alternative door gifts. The questions were shown on screen as follows:

Q1: Dear BOD – Kindly give us some e-vouchers, food vouchers or e-wallet (no discount vouchers please) for being loyal shareholders and attending this meeting. Times are bad now. Please be considerate to us shareholders during these trying times. TQ

A: We will consider this request.

Q2: Will the profit of YTL Cement be reflected in the financial result of MCB immediately after the acquisition?

A: The post-acquisition financial results of the acquiree companies (the cement and ready-mixed concrete businesses in Malaysia) will be consolidated in the financial results of MCB.

YTL Cement which has other businesses which are not the subject of the acquisition and hence, its financial results will not be consolidated with that of MCB's.

The Secretary then read the questions submitted live via the RPV facility. The Managing Director addressed questions covering the following issues, duly assisted by the Executive Chairman, Mr Anthony Koh, Mr Foo Chun Keong and the Secretary, wherever relevant:

- Company's plans to enhance export and strategy on business sustainability in light of the Environmental, Social and Governance (ESG) criteria;
- Progress of refurbishment of Rawang plant and its capacity after completion;
- Company's plan on managing the 25% public shareholding spread requirement which will reduce on completion of the Proposed Acquisition;
- Estimated cost for the virtual EGM;
- Rationale, benefits and impact of the Proposals;
- Comparison of the average selling price of cement in West Malaysia at beginning of year 2021 with the present average selling price, and the expected average selling price of cement for the remaining year and the next;
- Effect of the Proposed Acquisition on gearing level and management's view on optimal gearing for the Group.
- Whether the Proposed Acquisition required approval from the Malaysia Competition Commission given that the dominant market position of the Group;
- Economic outlook of the cement industry and present export rate for the Group;
- The expected quantum of adjustment to the acquisition price and the elements that would be adjusted.;
- Whether valuation of the acquiree companies should be adjusted downwards in view of the effects of the prolonged lockdowns on their businesses;
- Explanation for the lower pricing of the shares i.e. at RM2.79 per share offered for the Company's recently concluded private placement of 85 million new shares as compared to the price of RM3.75 per share/ICPS assessed under the Proposed Acquisition;
- Clarification on the source and freight cost for the clinker segment during the COVID-19 pandemic.

7. POLLING PROCESS

On conclusion of the Q&A session, the Executive Chairman informed that the e-voting would continue for 5 minutes. Meeting would adjourn thereafter for verification of poll count by the Scrutineer which would take approximately 25 minutes.

8. ANNOUNCEMENT OF POLL RESULTS

The Meeting was reconvened at 4.57 p.m. for the declaration of results by the Executive Chairman.

The poll results, verified by Coopers Professional Scrutineers Sdn Bhd as set out in the table below were then announced:

Resolution	Vote in Favour		Vote Against		Result
	No. of Shares	%	No. of Shares	%	
Ordinary Resolution Proposed Acquisition	155,884,296	99.9682	49,631	0.0318	Accepted
Special Resolution Proposed Amendments	809,935,025	99.9939	49,031	0.0061	Accepted

The Executive Chairman declared the Ordinary and Special Resolutions duly carried.

9. CLOSE OF MEETING

As there was no further business to be transacted, the Executive Chairman thanked all participants of the Meeting for their attendance and support.

The EGM was declared closed at 4.58 p.m.

Confirmed as a correct record,

EXECUTIVE CHAIRMAN

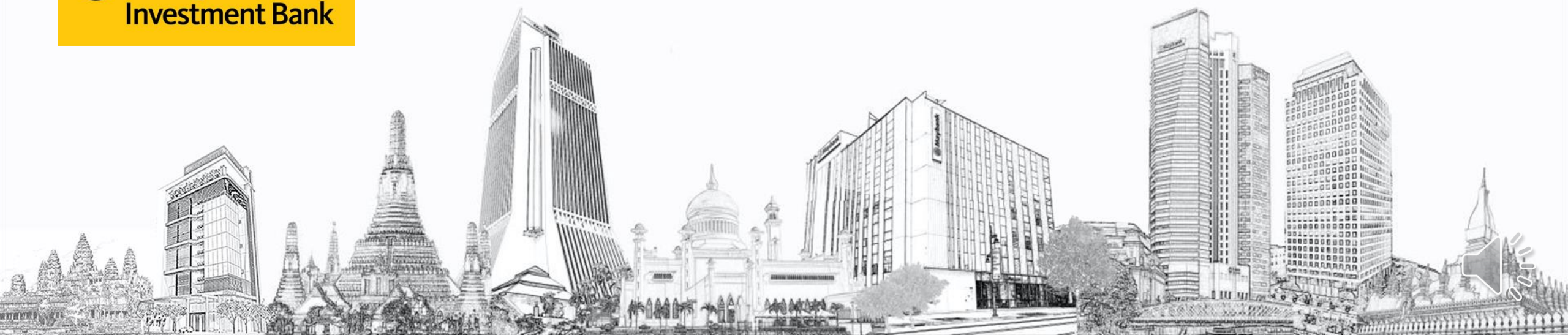
V:\M\Malayan Cement Bhd (fka Lafarge Msia)\EGM\Minutes\2021\MCB EGM Mins 30 08 2021 (Final).docx/cls

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Malayan Cement Berhad (“MCB”)

Extraordinary General Meeting

30 August 2021



Background



- On 17 May 2019, YTL Cement became the immediate holding company of MCB after the acquisition by YTL Cement of **51.0%** equity interest in MCB.
- Subsequently, YTL Cement extended a mandatory take-over offer to acquire the remaining MCB Shares, increasing its shareholding to **76.98%** as at 13 June 2019.
- On 14 June 2021, MCB completed a placement of 85,000,000 new MCB Shares (10% of the total issued MCB Shares), diluting YTL Cement's shareholding to **69.98%**.
- On 12 May 2021, MCB entered into a SSPA with YTL Cement for the Proposed Acquisition and proposed to undertake the Proposed Amendments. Upon completion of the Proposed Acquisition, YTL Cement's shareholding will increase to **78.58%**.
- On 26 July 2021, Bursa Securities approved the listing application for the new MCB Shares and granted MCB a period of 6 months from the listing of the new MCB Shares to comply with public spread requirements. MCB entered into a supplemental letter with YTL Cement.



Details of the Proposals



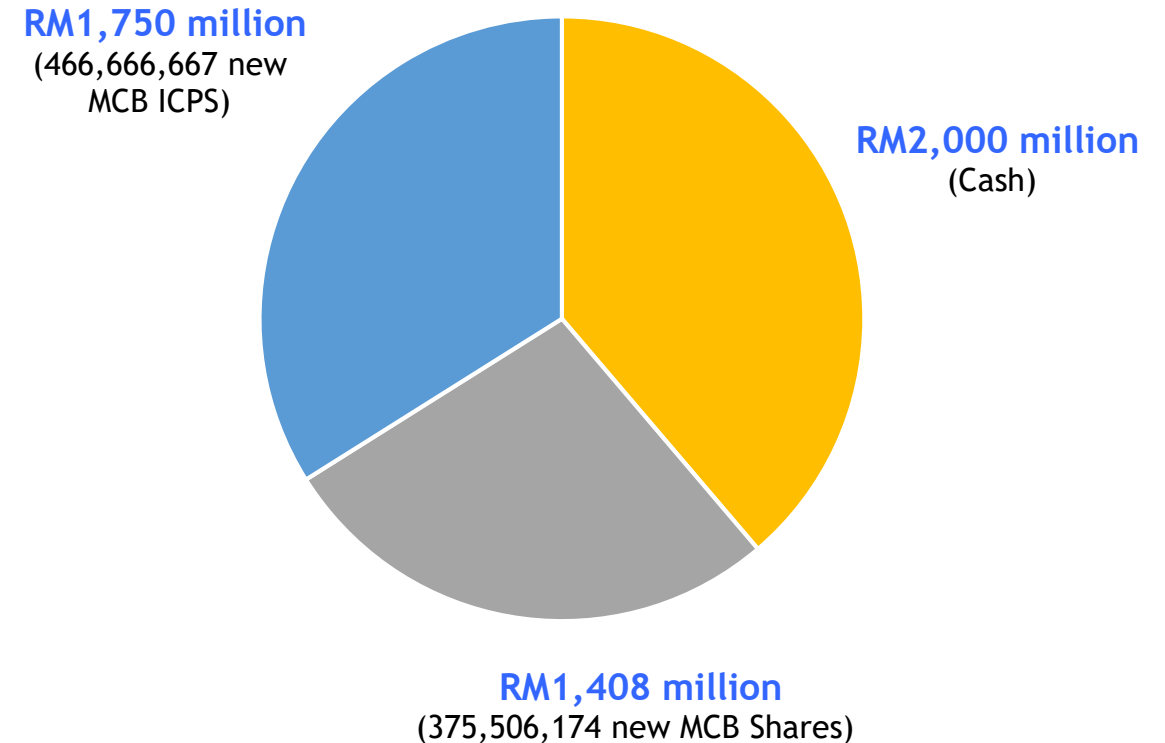
I) Companies to be acquired involved in cement and ready-mixed concrete businesses in Malaysia from YTL Cement for **RM5,158 million**, subject to adjustments:

- i. Buildcon Concrete Sdn Bhd;
- ii. Buildcon-Cimaco Concrete Sdn Bhd;
- iii. C.I. Readymix Sdn Bhd;
- iv. Mini-Mix Sdn Bhd;
- v. Pahang Cement Sdn Bhd and its wholly-owned subsidiary, Straits Cement Sdn Bhd;
- vi. Perak-Hanjoong Simen Sdn Bhd and its wholly-owned subsidiary, PHS Trading Sdn Bhd;
- vii. Slag Cement Sdn Bhd;
- viii. Slag Cement (Southern) Sdn Bhd;
- ix. SMC Mix Sdn Bhd; and
- x. YTL Cement Marketing Sdn Bhd.

(collectively referred to as the “Acquiree Companies”)

II) Proposed Amendments to the Constitution of MCB

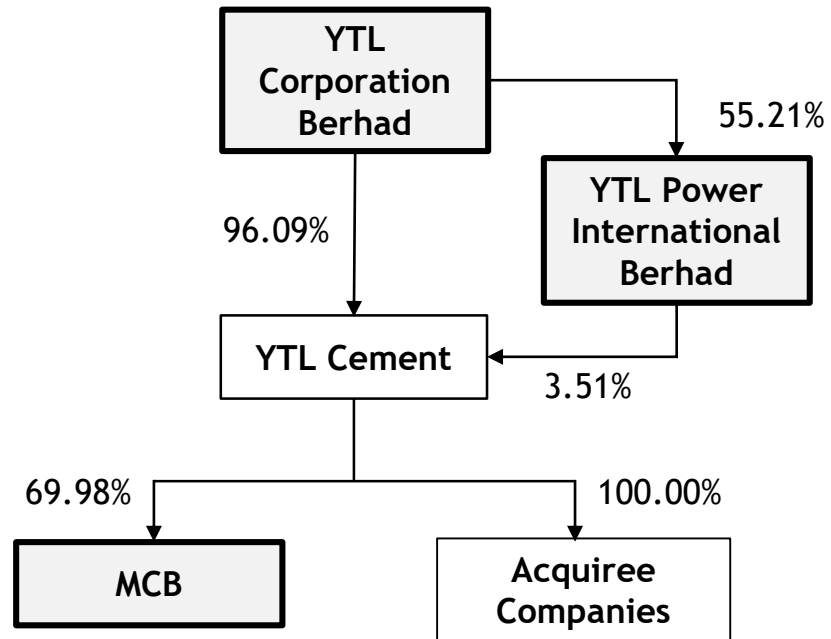
Settlement of Purchase Consideration



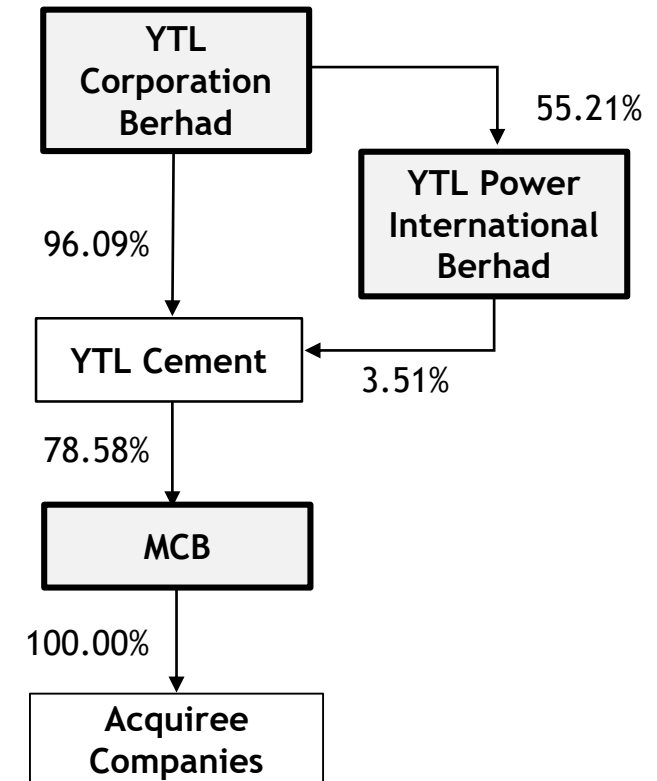
Corporate structure



As at 27 July 2021 ("LPD")



After the Proposed Acquisition



■ Listed entities



Basis and justification for the Purchase Consideration



The Purchase Consideration was arrived at based on the enterprise value (“EV”) of the Acquiree Companies of RM6,000 million determined as follows:

	RM'million
EV of the Acquiree Companies	6,000
Less : Net debt as at 30 April 2021	(842)
Equity value / Purchase Consideration	5,158

The Net Debt of the Acquiree Companies as at 30 April 2021 is as follows:

	RM'million
Bank borrowings and finance lease liabilities	375
Plus : Dividends declared but not paid	669
Less : Cash	(202)
Reference Net Debt	842

During the FYE 30 June 2021, the Acquiree Companies declared RM900 million in dividends, of which RM231 million has been paid as at 30 April 2021. The Acquiree Companies are expected to obtain additional bank borrowings of RM880 million prior to completion.

Adjustments to the Purchase Consideration

- Purchase Consideration will be adjusted as follows:
 - i. difference between **actual Net Debt** as at completion and the **Reference Net Debt of RM842 million**; and
 - ii. difference between **actual net working capital** as at completion and **RM290 million** (“**Reference Net Working Capital**”), only if the Completion Net Working Capital is lower than the Reference Net Working Capital.
- Any adjustments required will be made to the cash consideration.



Basis and justification for the Purchase Consideration (Cont'd)



- The EV of **RM6.0 billion** was evaluated after considering :
 - i. indicative EV valuation of **between RM6.3 billion and RM7.0 billion** prepared by the Independent Adviser using DCF valuation method;
 - ii. rationale and benefits of the Proposed Acquisition; and
 - iii. prospects of the Acquiree Companies.
- The issue price of the MCB Shares and ICPS of **RM3.75** was determined considering the following:
 - i. audited NA per MCB Share as at 30 June 2020 and PBR ratio of the MCB Shares;
 - ii. volume weighted average market prices (“**VWAP**”) of the MCB Shares; and
 - iii. issue price is equal to the price paid by YTL Cement for the acquisition of 51.0% equity interest in MCB and the subsequent mandatory take-over offer.

The issue price and effective conversion price represents a premium of approximately **39%** over the audited NA per MCB Share as at 30 June 2020 of RM2.69.

	NA per MCB Share	PBR based on closing price on 11 May 2021 of RM2.75	PBR based on the issue price of RM3.75
	RM	Times	times
Audited as at 30 June 2020	2.69	1.02	1.39



Rationale and benefits for the Proposals



Proposed Acquisition

- Rationalise and streamline the operations by consolidating the cement and ready-mixed concrete businesses of MCB Group and YTL Cement Group in Malaysia.
- Improve operational efficiencies and synergies.
- Reduce recurrent related party transactions significantly between MCB Group and YTL Cement Group. Estimated net reduction - RM1.30 billion for a 12-month period.
- Enable MCB Group to expand its cement and ready-mixed concrete businesses, market share and operational capacities.
- Pursue MCB Group's growth strategy with the Acquiree Companies' profitable portfolio of assets expected to complement MCB Group's existing core business activities and to contribute positively to the future earnings and cash flows of MCB's enlarged Group.

Proposed Amendments

Facilitate the issuance of the ICPS to YTL Cement pursuant to the Proposed Acquisition.



Risks of the Proposed Acquisition



Completion	<ul style="list-style-type: none">• Failure to fulfil conditions precedent in the SSPA and obtain the approvals required within the stipulated timeframe• Termination events may occur
Financing and interest rate	<ul style="list-style-type: none">• External financing to fund Cash Consideration• Exposed to fluctuation in interest rates
Integration	<ul style="list-style-type: none">• Assimilation risks of new operations and personnel and inability to successfully integrate• Anticipated benefits may not be realised• Unable to generate profits to offset the acquisition costs• Duration required to recoup investment could be longer than anticipated
Political, economic and environmental considerations	Changes in political, economic and regulatory conditions in Malaysia could affect financials and prospects
COVID-19	COVID-19 pandemic and Malaysian government's measures may interrupt the operations and financial performance



Salient terms of the ICPS



Tenure	Perpetual
Conversion ratio	1 ICPS : 1 MCB Share
Conversion mode	<ul style="list-style-type: none">• Conversion of ICPS will not require cash payment from ICPS holders.• ICPS holders to surrender requisite number of ICPS for cancellation upon conversion.
Listing status	<ul style="list-style-type: none">• ICPS will not be listed on any stock exchange.• New MCB Shares issued upon conversion will be listed and quoted on Bursa Securities.
Listing and ranking of new MCB Shares from conversion	<p>The new MCB Shares issued upon conversion shall:</p> <ul style="list-style-type: none">• be listed and tradeable upon listing and quotation on Bursa Securities;• rank pari passu in all respects with existing MCB Shares; and• not entitled to dividends, rights, allotments and/or any distributions declared or paid, the entitlement date prior to the date of allotment of such new MCB Shares.
Dividend rate	<ul style="list-style-type: none">• Each ICPS carries the right to receive dividends declared by the Directors of MCB in respect of 1 MCB Share, subject to adjustment to the Conversion Ratio.• ICPS holders has priority over shareholders of MCB to receive dividends and/or distributions declared.



Effects of the Proposed Acquisition



Issued share capital

The effect of the Proposed Acquisition on the issued share capital of MCB Group is as follows:

	No. of shares	RM'000
As at the LPD	934,695,476	2,187,669
To be issued pursuant to the Proposed Acquisition	375,506,174	1,408,148 ⁽¹⁾
After the Proposed Acquisition	1,310,201,650	3,595,817
To be issued upon full conversion of the ICPS	466,666,667	1,750,000 ⁽²⁾
Enlarged issued share capital	1,776,868,317	5,345,817

Notes:

(1) Computed based on the issue price of RM3.75 per MCB Share.

(2) Computed based on the issue price of RM3.75 per ICPS.

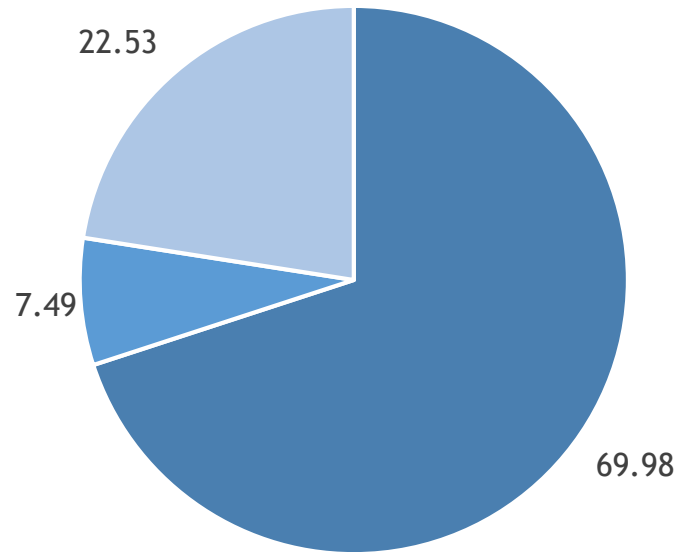


Effects of the Proposed Acquisition (Cont'd)

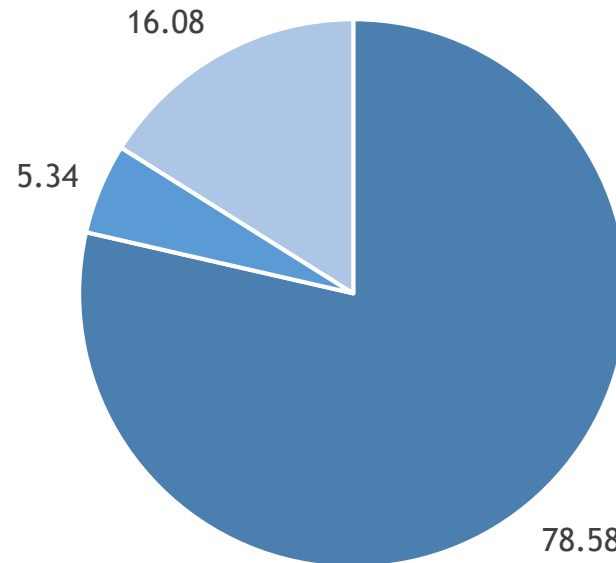


Substantial Shareholders' Shareholding

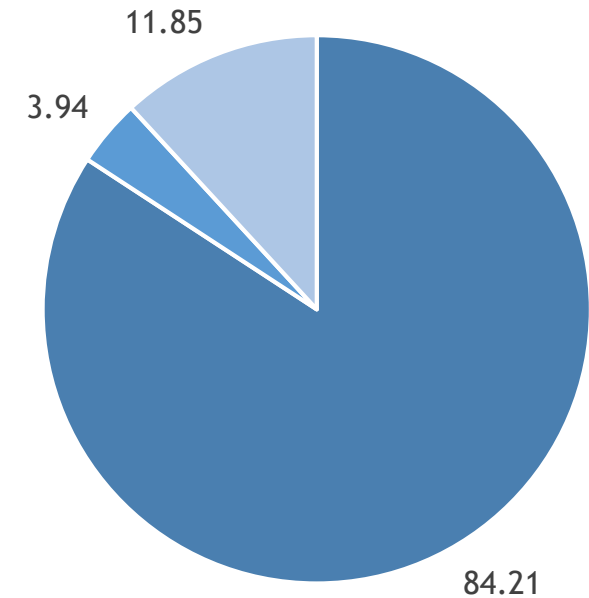
As at 27 July 2021



After the Proposed Acquisition



After full conversion of ICPS



■ YTL Cement

■ Amanah Raya Trustees Berhad - Amanah Saham Bumiputera

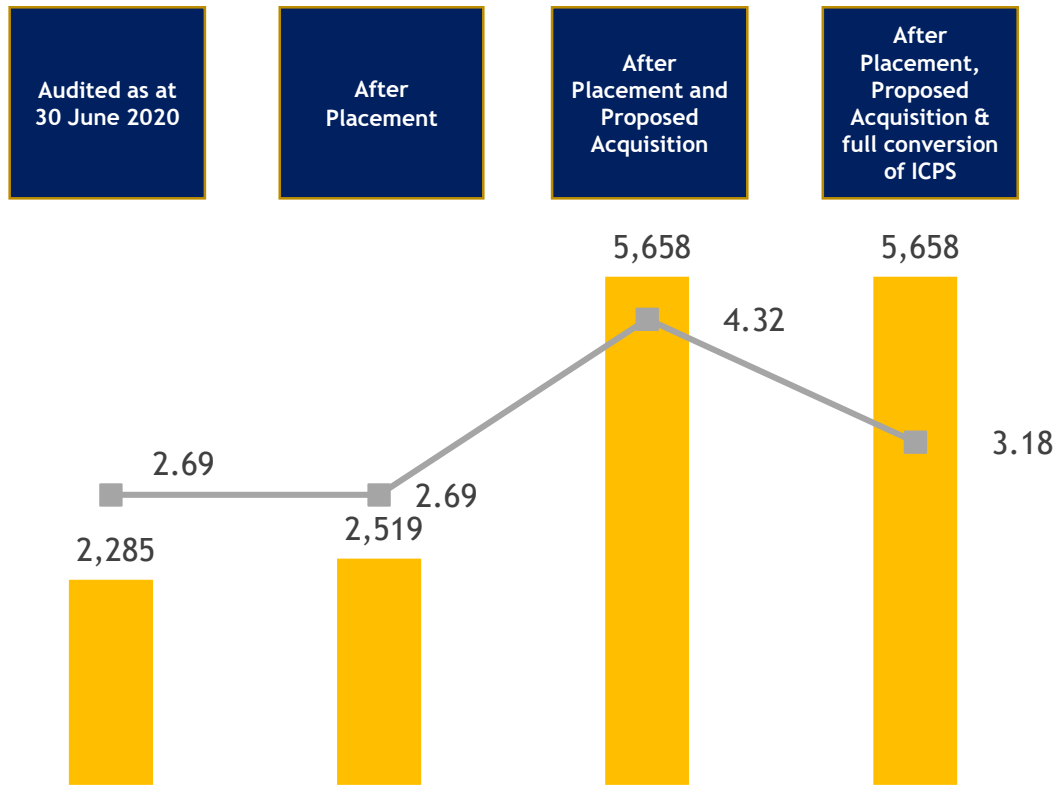
■ Other shareholders



Effects of the Proposed Acquisition (Cont'd)



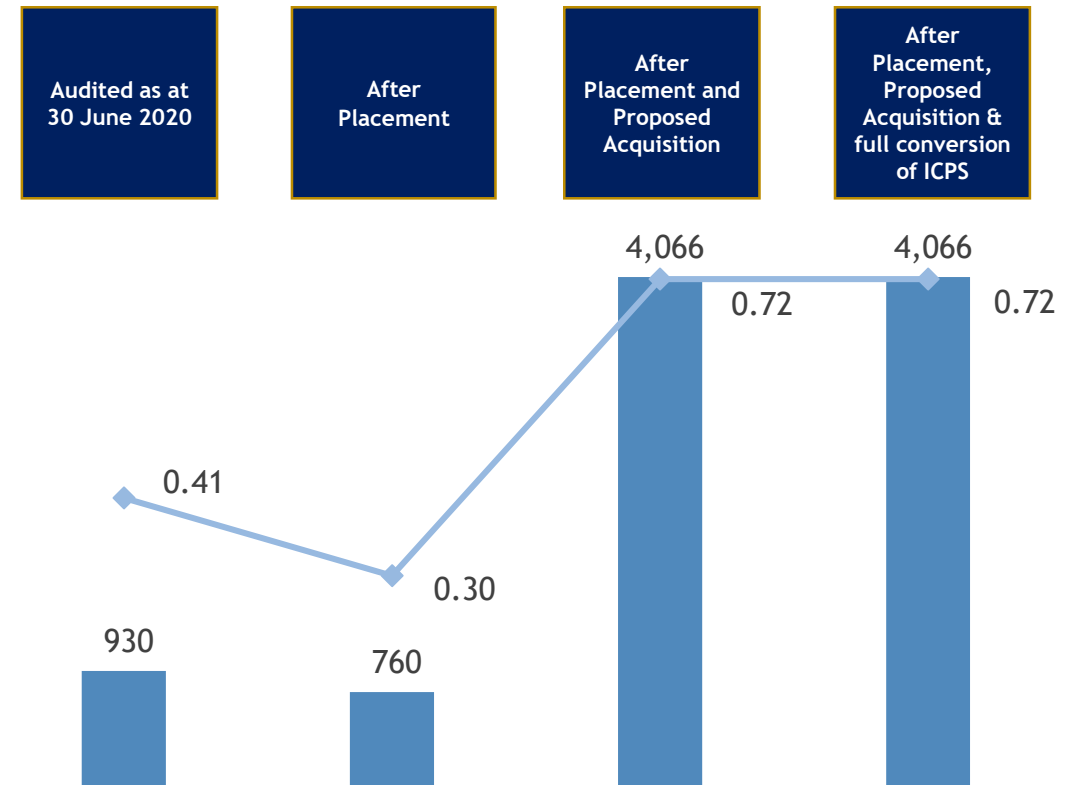
Net Assets



■ NA attributable to owners of MCB (RM'million)

—■ NA per MCB Share (RM)

Gearing



■ Total borrowings (RM'million)

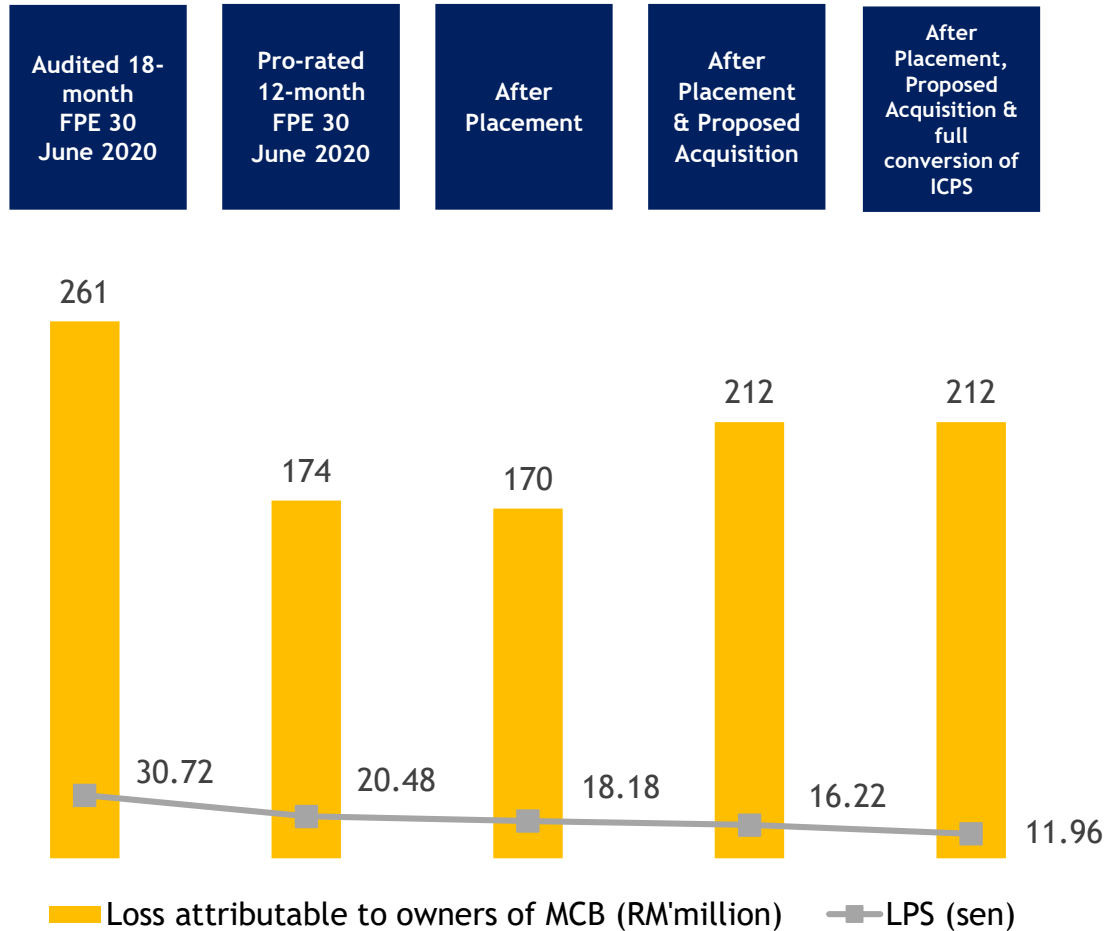
—◆ Gearing (times)



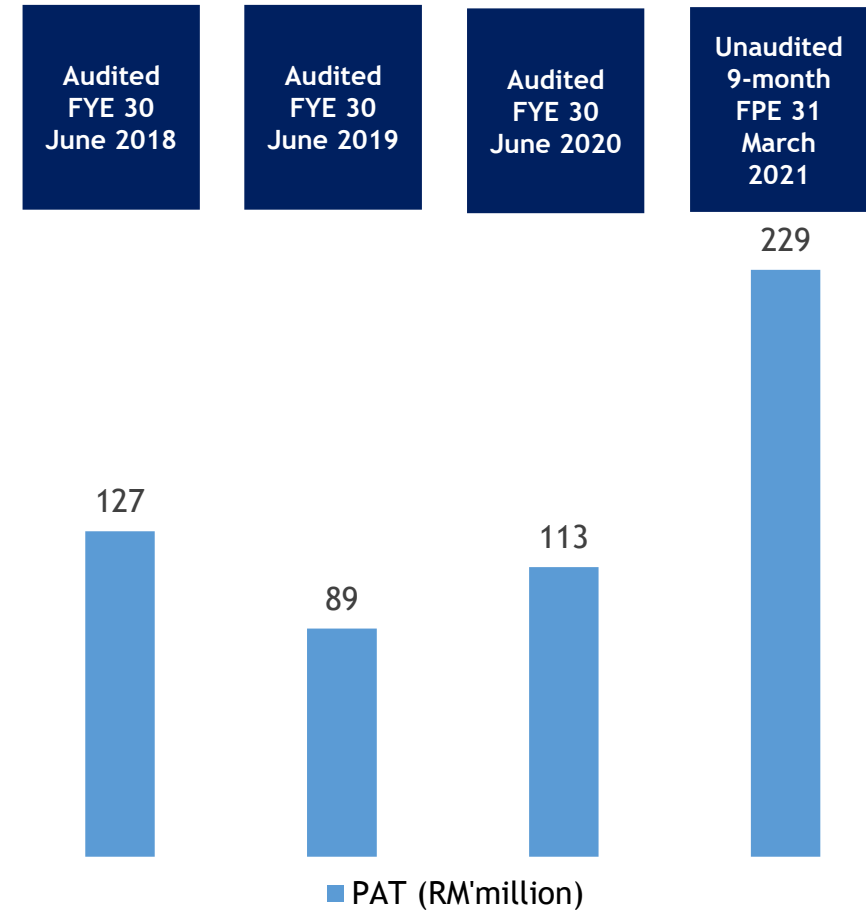
Effects of the Proposed Acquisition (Cont'd)



Earnings / Losses



PAT of Acquiree Companies



Combined financial statements of Acquiree Companies



Approvals required and conditionality of the Proposals



Approvals required

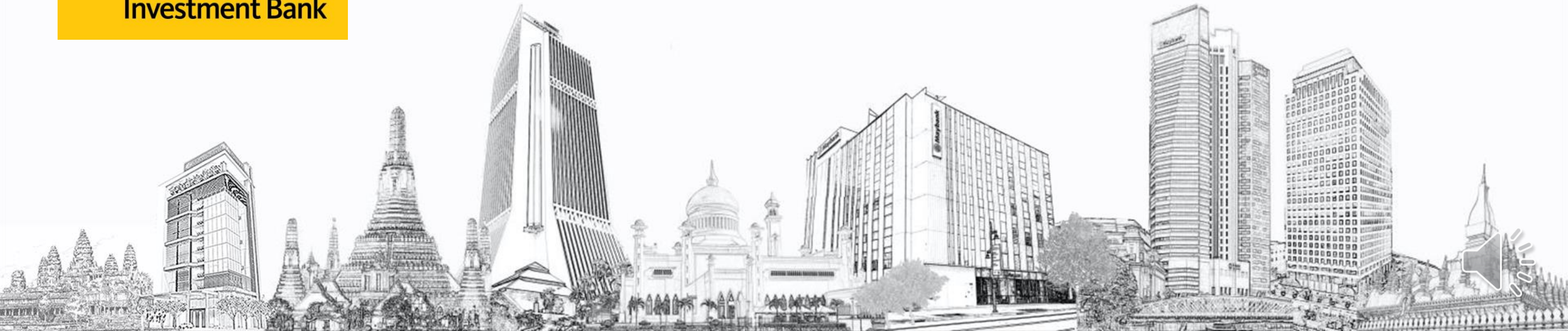
- Proposed Acquisition is a related party transaction.
- Shareholders' approval for the following:
 - (i) Proposed Acquisition
 - Ordinary resolution to be approved by minority shareholders of MCB.
 - (ii) Proposed Amendments
 - Special resolution to be approved by all shareholders of MCB.
- Any other relevant authority and/or party, if required.

Conditionality of the Proposals

- The Proposed Acquisition and Proposed Amendments are conditional upon each other.
- Save for the above, the Proposals are not conditional upon any other corporate exercise/scheme of MCB.



Thank You





MALAYAN CEMENT BERHAD
(Registration No. 195001000048 (1877-T))
(Incorporated in Malaysia)

PROPOSED ACQUISITION

Independent Adviser's Assessment



MERCURY SECURITIES SDN BHD
(Registration No. 198401000672 (113193-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

30 August 2021



Overview of the Proposed Acquisition

Proposed Acquisition

Related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements



conditional upon each other

Proposed Amendments

Amendments to facilitate the issuance of the Consideration ICPS

The Proposed Acquisition involves the acquisition by Malayan Cement Berhad (“**MCB**”) of the entire equity interest of the Acquiree Companies from YTL Cement Berhad (“**YTL Cement**”) for a **total consideration of RM5,158 million** (subject to adjustments) to be satisfied in the following manner:-

(i) Cash Consideration

RM2,000 million in cash

(ii) Consideration Shares

RM1,408 million via issuance of 375,506,174 new ordinary shares in MCB (“**MCB Shares**”) at an issue price of RM3.75 per Consideration Share (“**Issue Price**”)

(iii) Consideration ICPS

RM1,750 million via issuance of 466,666,667 new irredeemable convertible preference shares in MCB (“**ICPS**”) at an issue price of RM3.75 per Consideration ICPS

Acquiree Companies		Nature of Business
1	Buildcon Concrete Sdn Bhd	Ready-mixed concrete
2	Buildcon-Cimaco Concrete Sdn Bhd	
3	C.I. Readymix Sdn Bhd	
4	Mini-Mix Sdn Bhd	
5	SMC Mix Sdn Bhd	
6	Pahang Cement Sdn Bhd	Cement
7	Straits Cement Sdn Bhd	
8	Perak-Hanjoong Simen Sdn Bhd	
9	Slag Cement Sdn Bhd	
10	Slag Cement (Southern) Sdn Bhd	
11	PHS Trading Sdn Bhd	Storage depot management
12	YTL Cement Marketing Sdn Bhd	Cement marketing

Rationale of the Proposed Acquisition



Consolidation of cement and ready-mixed concrete businesses to be a leading player in Malaysia

The Proposed Acquisition represents an opportunity for the MCB Group to pursue its growth strategy by acquiring a profitable portfolio of assets in the cement and ready-mixed concrete industry

	Audited			Unaudited
	FYE 30 June 2018 (RM'000)	FYE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)	9M FPE 31 March 2021 (RM'000)
Revenue	1,848,912	1,822,767	1,863,647	2,155,904
Profit after tax	126,914	89,223	113,178	229,186



Larger player in the cement and ready-mixed concrete industry

Upon completion of Proposed Acquisition, the enlarged MCB Group is expected to be the leading cement producer in Malaysia

	Before the Proposed Acquisition	After the Proposed Acquisition
Annual production capacity		
- Clinker (million tonnes)	7.6 ⁽¹⁾	13.4 ⁽¹⁾
- Cement (million tonnes)	16.6	25.1
- Ready-Mixed Concrete (million cubic metres)	6.6	17.1

Note:-

(1) Including 2.5 million tonnes which require refurbishments and are not operating.



Potential synergies via greater economies of scale

Enhance operational synergies such as logistics, distribution and procurement as well as remove duplication of functions



Eliminate conflict of interests and competition within same market segment and reduce recurrent related party transactions

Based on the above, we are of the view that the rationale of the Proposed Acquisition is fair and reasonable.



Basis and Justification for the Purchase Consideration

The Acquiree Companies are principally involved in the cement and ready-mixed concrete businesses. In arriving at the valuation of the Acquiree Companies, we have adopted the discounted cash flows (“DCF”) valuation model as our valuation method.

Key bases and assumptions			Description
FCFF	Free cash flows to firm	From FYE 30 June 2021 to FYE 30 June 2031	Based on forecast of the Acquiree Companies
WACC	Weighted average cost of capital	10.10% to 10.60%	Derived using the formula: WACC = [Equity weightage x K_e + Debt weightage x $K_d(1 - T)$] + α of 2.50% to 3.00%
K_e	Cost of equity	8.30%	Derived using the Capital Asset Pricing Model $K_e = R_f + \beta (R_m - R_f)$
R_f	Risk-free rate of return	3.10%	Yield of 10-Year Malaysian Government Securities
R_m	Expected market rate of return	9.51%	10-year historical expected rate of return for FTSE Bursa Malaysia Top 100 Index
β	Beta	0.811	Un-levered beta derived based on the 5-year historical beta of selected listed companies and re-levered based on expected capital structure of the Acquiree Companies
K_d	Pre-tax cost of debt	4.40%	Estimated all-in finance cost per annum based on the term sheet provided by financiers for the additional bank borrowings of RM880 million to be obtained by the Acquiree Companies prior to the Completion Date
t	Statutory corporate income tax rate	24%	Relevant tax rate in Malaysia
g	Perpetuity growth rate	2.00% - 2.50% (beyond the FYE 30 Jun 2031)	Assumed constant growth rate for the Acquiree Companies' business until perpetuity

Based on the DCF valuation model, we have derived the equity value for the Acquiree Companies ranging from **RM5,501 million to RM6,135 million** (after deducting the Reference Net Debt of the Acquiree Companies as at 30 April 2021 of RM842 million).

The Purchase Consideration of RM5,158 million is **lower than** and represents a **discount of between RM343 million (6.24%) and RM977 million (15.93%)** over the range of equity value.

Accordingly, we view that the Purchase Consideration is **fair and reasonable**.



Basis and Justification for the Issue Price / Effective Conversion Price

In accordance with the terms of the Consideration ICPS, the Conversion Ratio shall be 1 Consideration ICPS for 1 new MCB Share, subject to adjustments in accordance with its terms. Based on the issue price of the Consideration ICPS and the Conversion Ratio, the Effective Conversion Price is RM3.75 for each new MCB Share.

Historical Market Price Performance

The graph below sets out the historical daily VWAPs of the Shares for the past 3 years prior to the LTD (11 May 2021) and up to the LPD (27 July 2021):-



The Issue Price / Effective Conversion Price is **higher than** the daily VWAPs of the MCB Shares for approximately 97.8% of the total market days (*with trading volume*) for the past 3 years prior to the LTD and up to the LPD.



Basis and Justification for the Issue Price / Effective Conversion Price (*cont'd*)

The Issue Price / Effective Conversion Price is yielding the following premium to the historical closing market prices / VWAPs of the Shares:-

	Closing market prices / VWAPs		Premium of the Issue Price / Effective Conversion Price (RM3.75) to the historical closing market prices / VWAPs	
	RM		RM	%
Up to LTD (11 May 2021):-				
Last traded market price	2.7500		1.0000	36.36
5-day VWAP	2.7911		0.9589	34.36
1-month VWAP	2.9755		0.7745	26.03
3-month VWAP	2.7281		1.0219	37.46
6-month VWAP	2.5548		1.1952	46.78
1-year VWAP	2.4824		1.2676	51.06
Up to LPD (27 July 2021):-				
Last traded market price	2.7500		1.0000	36.36
5-day VWAP	2.7677		0.9823	35.49

The Issue Price / Effective Conversion Price of RM3.75 represents:-

- (i) a range of **premium of 26.03% to 51.06%** over the last traded market price on the LTD, 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of MCB Shares up to the LTD; and
- (ii) a **premium of 36.36% and 35.49%** over the last traded market price on the LPD and 5-day VWAP up to the LPD respectively.

Basis and Justification for the Issue Price / Effective Conversion Price (*cont'd*)

Net Assets per MCB Share

Issue Price / Effective
Conversion Price
RM3.75



Net Assets per MCB Share as at 30 June 2020 / 31 March 2021
RM2.69

The Issue Price / Effective Conversion Price represents a **premium of approximately 39.41%** over the Net Assets per MCB Share as at 30 June 2020 / 31 March 2021.

Other considerations

Issue Price / Effective
Conversion Price
RM3.75



Price paid by YTL Cement for acquisition of 51.0% equity interest of MCB from Associated International Cement Limited and the subsequent mandatory take-over extended by YTL Cement to acquire all the remaining MCB Shares not already owned by YTL Cement (2019)

Issue Price / Effective
Conversion Price
RM3.75



Issue price of RM2.79 for 85,000,000 placement shares (2021)

Terms of the Consideration ICPS

Issuance of 466,666,667 Consideration ICPS at RM3.75 per Consideration ICPS

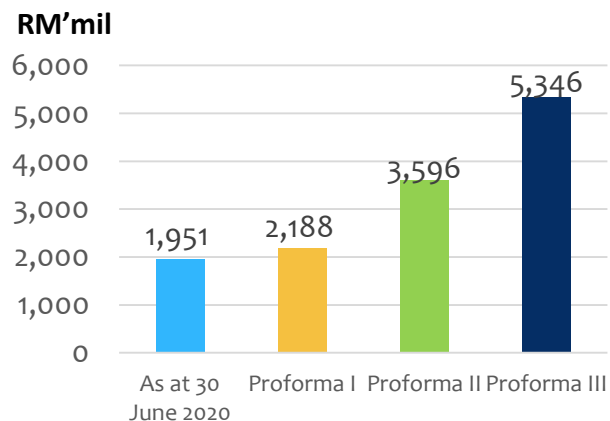
- Perpetual term
- Unlisted
- Conversion ratio of 1 Consideration ICPS into 1 new MCB Share (*subject to adjustments*)
- Carry the right to receive any dividends and/or distributions declared in respect of MCB Shares
- Rank in priority to MCB Shares and any other securities in respect of dividend and payment out of assets of the Company upon liquidation, dissolution or winding-up
- No voting rights except for specified circumstances
- Modification of rights shall require consent in writing of holders of the Consideration ICPS holding at least 75% of the then outstanding Consideration ICPS
- Transferable

The Company has obtained a written irrevocable undertaking from the Vendor that it shall not convert any of the Consideration ICPS held and/or acquire any MCB Shares if such conversion and/or acquisition will result in the Company not being able to comply with the percentage of public shareholding spread as approved by Bursa Securities, and if the Vendor transfers all or any part of the Consideration ICPS held or otherwise sell, dispose of or deal with all or any part of its interest in such Consideration ICPS to the Transferee, it shall procure such Transferee to execute and deliver the same written irrevocable undertaking to MCB.

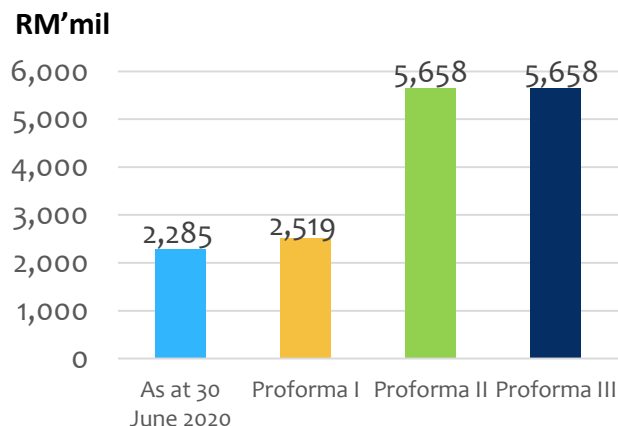
Effects of the Proposed Acquisition

Proforma I : After the Placement
 Proforma II : After Proforma I and Proposed Acquisition
 Proforma III : After Proforma II and full conversion of the Consideration ICPS

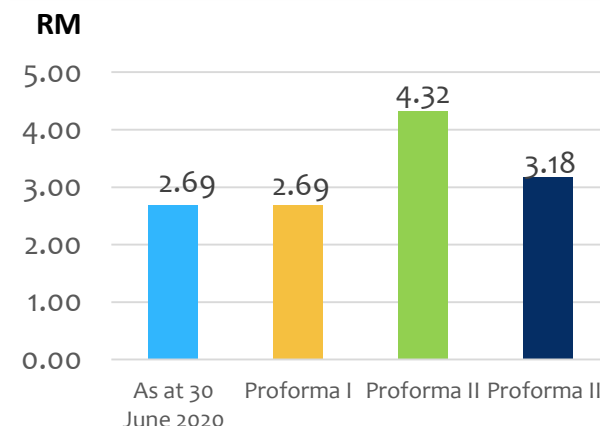
Share Capital



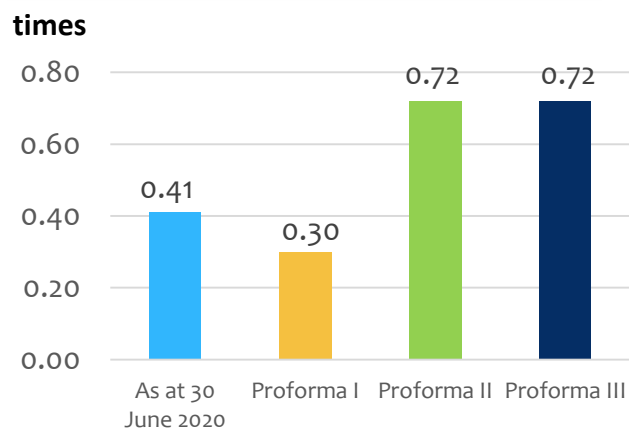
Net assets



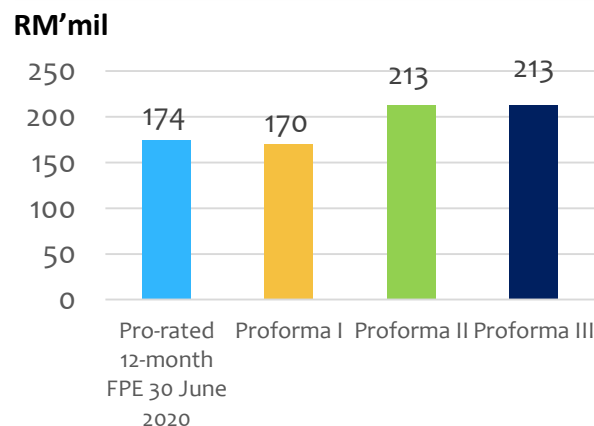
Net assets per share



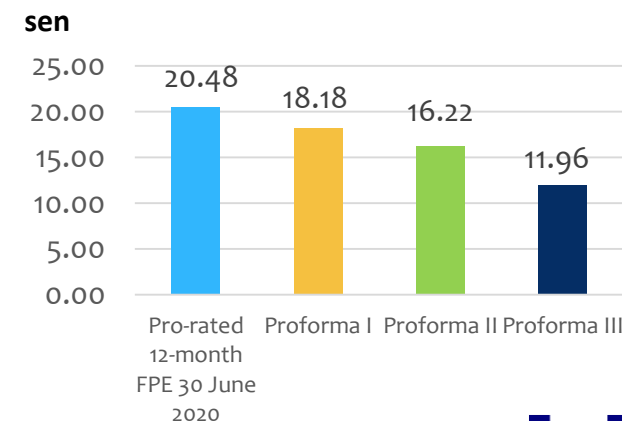
Gearing



Loss attributable to owners of MCB

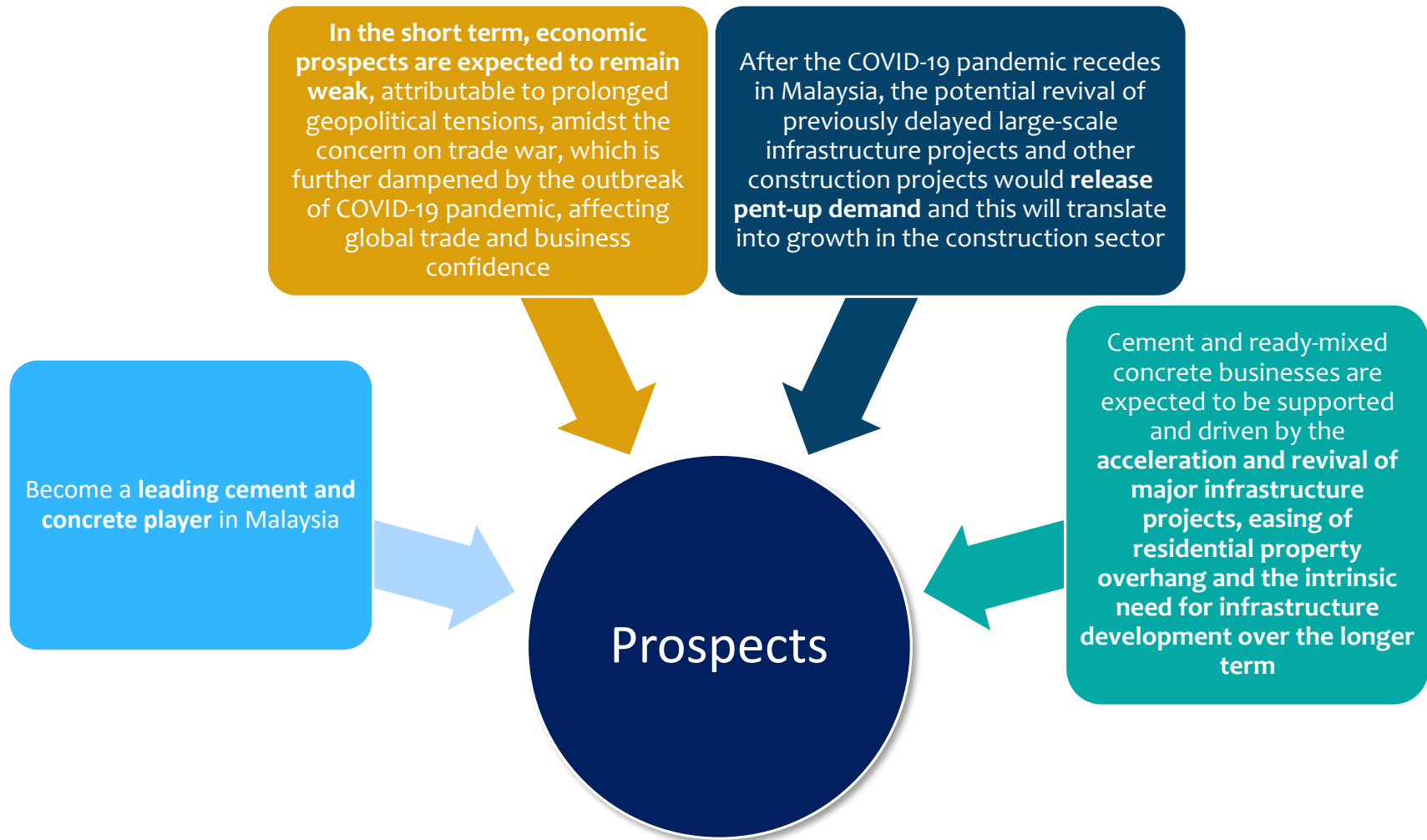


Loss per share



Based on our evaluation above, the overall effects of the Proposed Acquisition are not detrimental to the interests of the non-interested Shareholders.

Prospects



Conclusion

Premised on the above and our evaluation of the Proposed Acquisition, we are of the view that the Proposed Acquisition is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the non-interested shareholders of MCB.