

ANCOM NYLEX BERHAD

57TH ANNUAL GENERAL MEETING

Questions raised by
Minority Shareholders Watch Group

OPERATIONAL AND FINANCIAL MATTERS

MSWG Question – Q1

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Despite the improvement in profitability in FY2026, the Group's net operating cash flow declined from RM107.0 million to RM43.8 million, while net gearing increased from 0.29 times to 0.40 times. Management attributed the lower cash flow mainly to higher receivables and inventories arising from increased trading activities in the final quarter, which were expected to normalise in early FY2027 (page 29 of AR FY2026).

OPERATIONAL AND FINANCIAL MATTERS

MSWG Question – Q1 (continued)

- a) How did the Group's trade receivable collection days and inventory turnover days in FY2026 compare with FY2025? Furthermore, given that inventories written down surged to RM7.47 million in FY2026 (FY2025: RM0.84 million) mainly within the Industrial Chemicals segment (pages 221 and 250 of AR FY2026), what caused this substantial write-down?
- b) As at the latest practicable date, how much of the year-end trade receivables have been collected, and to what extent have inventory levels normalised? Have collections and inventory movements met management's expectations?
- c) What specific measures and targets has management established to improve working capital efficiency and strengthen operating cash flow in FY2027?

Company's response

The Group's turnover period of trade receivables and inventories are as follows:

	Q1 FY2027	2026	2025
	RM'000	RM'000	RM'000
Number of days	90	365	365
Revenue	533,417	1,926,358	1,874,640
Cost of sales	442,108	1,579,180	1,565,623
Inventories	170,507	223,312	183,539
Days	35 days	52 days	43 days
Trade receivables	333,001	423,234	287,520
Days	56 days	80 days	56 days

The longer trade receivable and inventory turnover periods in FY2026 were primarily due to higher average selling price for all the products due to the disruptions arising from the Iran War. These turnover periods have since normalised as of Q1 FY2027, as shown in the table above.

Inventories written down is to rationalisation of polymer business and this resulted in some impairments of the slow moving inventories.

SPECIAL BUSINESS

MSWG Question – Q2

During FY2026, the Company actively repurchased 120.75 million shares at an average price of RM0.91 per share and resold 82.03 million treasury shares at prices ranging between RM0.89 and RM0.92 per share, resulting in a net cash outflow of RM36.36 million and a RM4.64 million reduction in retained earnings (pages 194, 212 and 217 of AR FY2026). The Circular dated 30 September 2026 (page 9) also states that future share buy-backs may be funded through internally generated funds and/or bank borrowings. These activities warrant further explanation given the Group's lower operating cash flow and higher net gearing in FY2026.

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SPECIAL BUSINESS

MSWG Question – Q2 (continued)

- a) What valuation criteria and financial objectives guide the Board's decisions to repurchase shares and subsequently resell, cancel or distribute them? In particular, please explain the rationale for undertaking both purchase and resale of treasury shares during the same period, and how these activities created value for continuing shareholders.
- b) Please disclose the total expenditure on share buy-backs, proceeds from treasury share resales and the resulting net cash outflow or inflow for FY2026. To what extent were the share buy-backs financed through borrowings?
- c) How does the Board prioritise share buy-backs against debt repayment, business investment and cash dividends? What liquidity and gearing limits would trigger a reduction in, or suspension of, share buy-backs?

Company's response

The share buy-back and subsequent resales are part of active capital management, balancing shareholder returns with liquidity and capital flexibility.

Board undertakes share buy-backs when the Company's shares are considered undervalued and surplus capital is available.

The resale of shares takes place when financial institution wanted a bigger block of share, it's company's interest not to issue new shares, via resale of treasury we can satisfy the placement to institution without having to dilute all existing shareholders.

Treasury shares may be resold, distributed as dividends-in-specie, or cancelled, depending on market conditions and capital management objectives.

In FY2026, 120.75 million shares were repurchased for approximately RM110.40 million. There were 82.03 million treasury shares resold for approximately RM74.04 million. This resulting net cash outflow of RM36.36 million.

The buy-backs were funded through a mixture of internally generated funds and cash available in the Company, dependent on working capital position. There was no specific loan obtained for share buy-back purposes.

The Board prioritise business expansion and debt reduction in the management of capital. Share buy-backs are discretionary and are undertaken when the company has sufficient liquidity and gearing remain at prudent levels. The Board continuously monitors cash flows, funding requirements and borrowings against the level of share buy-backs.