

**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, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, valuation certificate and report, 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.

# *Johan Holdings Berhad*

[Registration No. 192001000038 (314-K)]  
(Incorporated in Malaysia)

## **CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

### **PART A**

- I. **PROPOSED ACQUISITION BY DYNACARE SDN BHD ("DYNACARE"), A WHOLLY-OWNED SUBSIDIARY OF JOHAN HOLDINGS BERHAD ("JOHAN"), OF A PARCEL OF INDUSTRIAL LAND BEARING TITLE PARTICULARS PN 296104, LOT 15528, MUKIM LUMUT, DISTRICT OF MANJUNG, PERAK DARUL RIDZUAN FROM SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD FOR A PURCHASE CONSIDERATION OF RM27,300,000 TO BE SATISFIED ENTIRELY VIA CASH;**
- II. **PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF JOHAN AND ITS SUBSIDIARIES TO INCLUDE THE MANUFACTURING, SALE AND DISTRIBUTION OF GLOVES ("GLOVES BUSINESS");**
- III. **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 389,342,813 NEW ORDINARY SHARES IN JOHAN ("JOHAN SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARES") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING JOHAN SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER, TOGETHER WITH 389,342,813 FREE DETACHABLE WARRANTS IN JOHAN ("WARRANT(S)") ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED FOR, AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE;**
- IV. **PROPOSED OFFER TO GEORGE KENT (MALAYSIA) BERHAD ("GEORGE KENT") TO SUBSCRIBE FOR 40% EQUITY INTEREST IN DYNACARE AT THE ISSUE PRICE OF RM1.00 PER ORDINARY SHARE AND JOHAN TO HOLD THE BALANCE OF 60% EQUITY INTEREST ("PROPOSED OFFER TO SUBSCRIBE"); AND**
- V. **PROPOSED RIGHT TO GEORGE KENT TO BUILD THE MANUFACTURING PLANT AND INSTALLATION OF MACHINERY FOR THE GLOVES BUSINESS ("GLOVES MANUFACTURING PLANT") ON THE SUBJECT PROPERTY FOR A CONTRACT SUM OF APPROXIMATELY RM624,100,000 PLUS OR MINUS 10% (EXCLUDING SALES AND SERVICE TAX) ("PROPOSED RIGHT TO EXECUTE THE WORKS")**

### **PART B**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF JOHAN IN RELATION TO THE PROPOSED OFFER TO SUBSCRIBE AND THE PROPOSED RIGHT TO EXECUTE THE WORKS**

**AND**

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser for Part A*

**UOBKayHian**

**UOB Kay Hian Securities (M) Sdn Bhd**  
[Registration No. 199001003423 (194990-K)]  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

*Independent Adviser for Part B*

**QC**  
QUANTUM SKYLIGHT  
CAPITAL

**Quantum Skylight Capital Sdn Bhd**  
[Registration No. 200501006755 (683802-A)]

The Extraordinary General Meeting of Johan ("**EGM**") will be conducted in fully virtual manner through live streaming and online remote participation from the broadcast venue at Boardroom of Johan, 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur on Monday, 31 May 2021 at 3.00 p.m, or at any adjournment thereof. The Notice of EGM together with the Proxy Form are enclosed herewith.

A member entitled to participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to participate, speak and vote on his/ her behalf. In such event, the Proxy Form must be lodged at the registered office of Johan at 11<sup>th</sup> Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur or e-mailed to [johanms1@outlook.com](mailto:johanms1@outlook.com), not less than 48 hours before the time for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form  
Date and time of the EGM

: Saturday, 29 May 2021 at 3.00 p.m.  
: Monday, 31 May 2021 at 3.00 p.m.

This Circular is dated 12 May 2021

---

## DEFINITIONS

---

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

Act	:	The Companies Act 2016 as amended from time to time and all regulations made thereunder and any re-enactment thereof
Board	:	Our Board of Directors of Johan
Bursa Securities	:	Bursa Malaysia Securities Berhad
Circular	:	This circular dated 12 May 2021 in relation to the Proposals
Dato' Ahmad	:	Dato' Ahmad Khairummuzammil Bin Mohd Yusoff
DCS	:	Diners Club (Singapore) Pte Ltd
DCS Group	:	DCS and Diners Pay Pte Ltd, collectively
Deed Poll	:	The draft deed poll to be executed by us constituting the Warrants, as may be supplemented from time to time
Director(s)	:	The director(s) of Johan and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets And Services Act 2007
Dynacare	:	Dynacare Sdn Bhd, a wholly-owned subsidiary of Johan
EGM	:	Extraordinary general meeting of Johan
Entitled Shareholders	:	Our shareholders whose names appear in the Record of Depositors of Johan on the Entitlement Date
Entitlement Date	:	A date to be determined and announced later by our Board, on which the names of our shareholders must appear in the Record of Depositors of Johan as at 5.00 p.m. in order to be entitled to participate in the Proposed Rights Issue with Warrants
EPS/ LPS	:	Earnings per share/ Loss per share
FPE	:	Financial period ended/ ending
FYE	:	Financial year ended/ ending
George Kent	:	George Kent (Malaysia) Berhad
Gloves Business	:	The manufacturing, sale and distribution of gloves
Gloves Manufacturing Plant	:	The manufacturing plant for the Gloves Business which will be constructed on the Subject Property
Johan	:	Johan Holdings Berhad
Johan Group or the Group	:	Johan and its subsidiaries, collectively
Johan Share(s) or Share(s)	:	Ordinary share(s) in Johan

---

**DEFINITIONS (CONT'D)**

---

KGVI or Independent Valuer	:	KGV International Property Consultants (M) Sdn Bhd
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
Letter of Offer	:	The letter of offer dated 29 March 2021 extended to George Kent by Johan to subscribe for 40% equity interest in Dynacare at the issue price of RM1.00 per ordinary share and Johan to hold the balance 60% equity interest. The intended equity to be contributed by shareholders of Dynacare is RM100,000,000
LPD	:	7 May 2021, being the latest practicable date prior to the printing and despatch of this Circular
LTD	:	26 March 2021, being the last traded day of Johan Shares prior to the date of the announcement of the Proposed Rights Issue with Warrants
Market Day(s)	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
NA	:	Net assets attributable to the owners of Johan
Official List	:	A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed
PAT/ LAT	:	Profit after taxation/ Loss after taxation
PBT/ LBT	:	Profit before taxation/ Loss before taxation
Proposals	:	The Proposed Acquisition, Proposed Diversification, Proposed Rights Issue with Warrants, Proposed Offer to Subscribe and the Proposed Right to Execute the Works, collectively
Proposed Acquisition	:	Dynacare had on 29 March 2021 entered into the SPA for the proposed acquisition of the Subject Property for the Purchase Consideration
Proposed Diversification	:	Proposed diversification of the existing principal activities of Johan Group to include the Gloves Business
Proposed Offer to Subscribe	:	The proposed offer to George Kent to subscribe for 40% equity interest in Dynacare at the issue price of RM1.00 per ordinary share and Johan to hold the balance 60% equity interest pursuant to the Letter of Offer
Proposed Rights Issue with Warrants	:	Proposed renounceable rights issue of 389,342,813 Rights Shares on the basis of 1 Rights Share for every 2 existing Johan Shares held on the Entitlement Date, together with 389,342,813 Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed for, at an issue price of RM0.10 per Rights Share
Proposed Right to Execute the Works	:	Dynacare to award the Right to George Kent to build the manufacturing plant and installation of machinery for the gloves manufacturing plant for a contract sum of approximately RM624,100,000 plus or minus 10% (excluding sales and service tax)
Puan Sri Tan	:	Puan Sri Datin Tan Swee Bee

---

**DEFINITIONS (CONT'D)**

---

Purchase Consideration	:	RM27,300,000, being the consideration to be paid to SME Bank pursuant to the Proposed Acquisition and to be satisfied entirely via cash
Quantum Independent Adviser	or	Quantum Skylight Capital Sdn Bhd
Rights Share(s)	:	389,342,813 new Johan Shares to be issued pursuant to the Proposed Rights Issue with Warrants
RM and sen	:	Ringgit Malaysia and sen, respectively
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
SC	:	Securities Commission Malaysia
SME Bank Vendor	or the	Small Medium Enterprise Development Bank Malaysia Berhad
SPA	:	The conditional sale and purchase agreement dated 29 March 2021 entered into between Dynacare and SME Bank for the proposed acquisition of the Subject Property
Subject Property	:	A parcel of industrial land bearing title particulars PN 296104, Lot 15528, Mukim Lumut, District of Manjung, Perak Darul Ridzuan to be acquired by Dynacare pursuant to the Proposed Acquisition
Tan Sri Tan	:	Tan Sri Dato' Tan Kay Hock
TERP	:	Theoretical ex-rights price
UOB Kay Hian Adviser	or the	UOB Kay Hian Securities (M) Sdn Bhd
VWAP	:	Volume weighted average market price
Warrant(s)	:	389,342,813 free detachable warrants in Johan with a proposed tenure of 3 years to be issued pursuant to the Proposed Rights Issue with Warrants

All references to "we", "us", "our" and "ourselves" are made to Johan, or where the context requires, shall include our subsidiaries.

All references to "you" in this Circular are made to shareholders of Johan who are entitled to participate and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

---

**TABLE OF CONTENTS**

---

	<b>PAGE</b>
<b>PART A</b>	
<b>LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSALS CONTAINING:-</b>	
EXECUTIVE SUMMARY	1
1. INTRODUCTION	6
2. PROPOSED ACQUISITION	8
3. PROPOSED DIVERSIFICATION	14
4. PROPOSED RIGHTS ISSUE WITH WARRANTS	20
5. PROPOSED OFFER TO SUBSCRIBE	28
6. PROPOSED RIGHT TO EXECUTE THE WORKS	31
7. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS	33
8. EFFECTS OF THE PROPOSALS	35
9. RISK FACTORS	38
10. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF JOHAN GROUP	43
11. HISTORICAL SHARE PRICES	52
12. APPROVALS REQUIRED/ OBTAINED	52
13. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM	54
14. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS	55
15. ADVISERS	55
16. INDEPENDENT ADVISER	55
17. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION	55
18. PROPOSALS ANNOUNCED BUT PENDING COMPLETION	56
19. DIRECTORS' STATEMENT AND RECOMMENDATION	57
20. AUDIT COMMITTEE'S STATEMENT	57
21. EGM	57
22. FURTHER INFORMATION	58

---

**TABLE OF CONTENTS (CONT'D)**

---

	<b>PAGE</b>
<b>PART B</b>	
INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF JOHAN IN RELATION TO THE PROPOSED OFFER TO SUBSCRIBE AND PROPOSED RIGHT TO EXECUTE THE WORKS	59
<b>APPENDICES</b>	
I. SALIENT TERMS OF THE SPA	114
II. VALUATION CERTIFICATE	116
III. SALIENT TERMS OF THE LETTER OF INTENT	125
IV. FUTHER INFORMATION	127
<b>NOTICE OF EGM</b>	<b>ENCLOSED</b>
<b>PROXY FORM</b>	<b>ENCLOSED</b>

**PART A**

**LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSALS**

---

## EXECUTIVE SUMMARY

---

*This Executive Summary highlights only the salient information of the Proposals. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposals before voting at the EGM.*

<b>Key information</b>	<b>Description</b>	<b>Reference to Part A of the Circular</b>
<b>Summary of the Proposals</b>	<b>1. Proposed Acquisition</b>  We had proposed to acquire the Subject Property for a purchase consideration of RM27,300,000 to be satisfied entirely via cash.	<b>Section 2</b>
	<b>2. Proposed Diversification</b>  Our Board has identified the Gloves Business as new business segment to diversify into and expand Johan Group's revenue and income stream, thereby reducing Johan Group's reliance on the hospitality and card services business.	<b>Section 3</b>
	<b>3. Proposed Rights Issue with Warrants</b>  The Proposed Rights Issue with Warrants entails an issuance of 389,342,813 Rights Shares on the basis of 1 Rights Share for every 2 existing Johan Shares held on the Entitlement Date, together with 389,342,813 Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed for by the Entitled Shareholders at an issue price of RM0.10 per Rights Share.	<b>Section 4</b>
	<b>4. Proposed Offer to Subscribe</b>  We had, via the Letter of Offer, extended an offer to George Kent for George Kent to subscribe for 40% equity interest in Dynacare and for us to hold the balance 60% equity interest in Dynacare. The intended equity to be contributed by George Kent and us as the shareholders of Dynacare is RM100,000,000 of which 60% equity interest is to be contributed by us in accordance with the aforementioned equity participation ratio.	<b>Section 5</b>
	<b>5. Proposed Right to Execute the Works</b>  Our Board (save for the Interested Directors) has proposed that George Kent be given the Right to build the plant and to install the machinery as the design and build contractor in respect of the Glove Manufacturing Plant.	<b>Section 6</b>
<b>Rationale for the Proposals</b>	<b>1. Proposed Acquisition</b>  The Proposed Acquisition is undertaken as the Gloves Business requires the construction of the Gloves Manufacturing Plant to accommodate the planned target of 42 production lines.  The Subject Property has 6 factory buildings, an office building and ancillary buildings with a total built up area of 19,965 square metres and we would only need to renovate the existing buildings rather than undertake construction works from the ground up.	<b>Section 7.1</b>



<b>Key information</b>	<b>Description</b>	<b>Reference to Part A of the Circular</b>
	<p><b>2. Proposed Diversification and Proposed Offer to Subscribe</b></p> <p>Johan Group intends to venture into the Gloves Business to provide additional source of revenue and income stream to Johan Group and in turn, improve the profitability of Johan Group. In addition, pursuant to the Proposed Offer to Subscribe, George Kent has been invited to participate in Dynacare's gloves business via the Proposed Offer to Subscribe and any financial commitment (i.e. Subscription Price, advances and/ or guarantees) required by Dynacare for the Gloves Business will be based on Johan's shareholdings in Dynacare, i.e. 60% equity interest which to a certain extent, limits Johan's exposure in the Gloves Business and ensure that Johan Group has sufficient cash flow to carry on its existing operations.</p>	<b>Section 7.2</b>
	<p><b>3. Proposed Right to Execute the Works</b></p> <p>Johan and Dynacare do not have the expertise in engineering design and construction nor the resources to undertake such a project. The construction of the Gloves Manufacturing Plant has to be undertaken on a tight schedule while meeting all the necessary quality standards.</p> <p>In this respect, George Kent has the necessary expertise, resources and track record in undertaking construction and engineering design. We are familiar with the management of George Kent which gives us the confidence of working with a contractor we are familiar with and one that has the financial strength to take on a project of this size and nature. This familiarity is crucial for the fast track nature of the project and it is preferable for the delivery of the project to be awarded to a single responsible party.</p>	<b>Section 7.3</b>
	<p><b>4. Proposed Rights Issue with Warrants</b></p> <p>The Proposed Rights Issue with Warrants will involve the issuance of new Johan Shares without diluting the existing shareholders' percentage shareholdings provided that all the Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants and will provide Entitled Shareholders with an opportunity to participate in our equity offering on a pro rata basis and ultimately, participate in the prospects and future growth of Johan Group by subscribing to the Rights Shares.</p> <p>The Warrants have been attached to the Rights Shares to provide the Entitled Shareholders with additional incentive to subscribe for the Rights Shares. The Warrants will potentially allow the Entitled Shareholders who subscribe for the Rights Shares to benefit from the possible capital appreciation of the Warrants and increase their equity participation in Johan at a predetermined price over the tenure of the Warrants. We would also be able to raise additional proceeds as and when the Warrants are exercised.</p>	<b>Section 7.4</b>

## EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to Part A of the Circular												
<b>Mode of settlement for the Purchase Consideration</b>	<p>Pursuant to the terms of the SPA, the Purchase Consideration shall be satisfied entirely via cash in the following manner:-</p> <table border="1"> <thead> <tr> <th>Payment terms</th> <th>Timing</th> <th>RM'000</th> </tr> </thead> <tbody> <tr> <td>i. Deposit (13%)</td> <td>Upon execution of the SPA</td> <td>3,549</td> </tr> <tr> <td>ii. Balance purchase consideration (87%)</td> <td>To be paid on or before 90 days from the SPA becoming unconditional or 120 days from the date of the SPA, whichever is the later</td> <td>23,751</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>27,300</b></td> </tr> </tbody> </table>	Payment terms	Timing	RM'000	i. Deposit (13%)	Upon execution of the SPA	3,549	ii. Balance purchase consideration (87%)	To be paid on or before 90 days from the SPA becoming unconditional or 120 days from the date of the SPA, whichever is the later	23,751	<b>Total</b>		<b>27,300</b>	<b>Section 2.4</b>
Payment terms	Timing	RM'000												
i. Deposit (13%)	Upon execution of the SPA	3,549												
ii. Balance purchase consideration (87%)	To be paid on or before 90 days from the SPA becoming unconditional or 120 days from the date of the SPA, whichever is the later	23,751												
<b>Total</b>		<b>27,300</b>												
<b>Utilisation of proceeds from the Proposed Rights Issue with Warrants</b>	The gross proceeds of RM37.43 million raised will be used to fund the construction of the Gloves Manufacturing Plant. The plan for the Gloves Business is to install and commission up to 42 production lines within the next 24 months to manufacture examination and surgical gloves which is expected to yield production capacity of approximately 12.00 billion pieces of gloves per annum. Commercial production of the first production line is expected to commence in August 2021 with a total of 6 production lines to be fully operational by December 2021. The remaining 36 production lines will be commissioned and operationalized in stages in 2022 and 2023.	<b>Section 4.7</b>												
<b>Risk Factors</b>	<p>Pursuant to the Proposed Diversification, Johan Group will be subject to business risks inherent in the glove industry such as:-</p> <ol style="list-style-type: none"> <li>Business risk</li> <li>Construction risk for the Gloves Manufacturing Plant</li> <li>Financing risk for the Gloves Manufacturing Plant</li> <li>No prior experience in the Gloves Business</li> <li>Dependency on key management personnel</li> <li>Political, economic and regulatory risks in relation to glove industry</li> </ol> <p>The potential risks arising from the Proposed Acquisition includes:-</p> <ol style="list-style-type: none"> <li>Non completion risk</li> <li>Acquisition risk</li> <li>Financing risk for the Purchase Consideration</li> <li>Compulsory Acquisition</li> </ol> <p>In the event the Proposed Offer to Subscribe and the Proposed Right to Execute the Works is not approved by either the shareholders of Johan or George Kent, Johan Group will be subjected to financing risk for undertaking the Gloves Business as well as project and construction risk for the Gloves Manufacturing Plant.</p>	<p><b>Sections 9.1 to 9.6</b></p> <p><b>Sections 9.7 to 9.10</b></p> <p><b>Sections 9.11 and 9.12</b></p>												

---

**EXECUTIVE SUMMARY (CONT'D)**

---

<b>Key information</b>	<b>Description</b>	<b>Reference to Part A of the Circular</b>
<b>Interested parties and any conflicts of interest from the Proposals</b>	<p><b>Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants</b></p> <p>None of our Directors, major shareholders, chief executive and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants apart from their respective entitlements under the Proposed Rights Issue with Warrants (including the right to apply for additional Rights Shares under the excess Right Shares with Warrants application), to which all other shareholders of Johan are similarly entitled.</p>	<b>Section 13.1</b>
	<p><b>Proposed Offer to Subscribe and Proposed Right to Execute the Works</b></p> <p>Save for the Interested Directors and Interested Major Shareholder, none of our other Directors, major shareholders and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Offer to Subscribe and Proposed Right to Execute the Works.</p>	<b>Section 13.2</b>
	<p><b>Conflict of interest</b></p> <p>UOB Kay Hian, KGV1 and Quantum are all independent parties, which have no conflicts of interest or potential conflicts of interest arising from their respective roles as the Principal Adviser for the Proposals, Independent Valuer for the Proposed Acquisition and Independent Adviser for the Proposed Offer to Subscribe and Proposed Right to Execute the Works.</p>	<b>Sections 2 and 3 of Appendix IV of the Circular</b>
<b>Approvals required</b>	<p>The Proposed Rights Issue with Warrants is subject to the approval from Bursa Securities which was obtained vide its letter dated 10 May 2021 for (i) the admission of the Warrants to the official list of Bursa Securities; (ii) the listing and quotation for 389,342,813 Rights Shares and 389,342,813 Warrants on the Main Market of Bursa Securities; and (iii) the listing and quotation for up to 389,342,813 new Johan Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities, subject to the conditions as disclosed in Section 12, Part A of this Circular.</p> <p>The Proposed Acquisition, Proposed Diversification, Proposed Rights Issue with Warrants, Proposed Offer to Subscribe and Proposed Right to Execute the Works are subject to our shareholders' approval and any other relevant authorities (if required).</p>	<b>Section 12</b>
<b>Conditionality of the Proposals</b>	<p>The Proposed Offer to Subscribe is not conditional upon the Proposed Acquisition, Proposed Right to Execute the Works and the Proposed Rights Issue with Warrants and vice versa. The Proposed Offer to Subscribe is conditional upon the Proposed Diversification but not vice versa.</p> <p>The Proposed Acquisition, the Proposed Diversification, Proposed Right to Execute the Works and Proposed Rights Issue with Warrants are not inter-conditional upon each other. The Proposed Right to Execute the Works is conditional upon the Proposed Acquisition and the Proposed Diversification but not vice versa. The Proposed Rights Issue with Warrants is not conditional upon the Proposed Acquisition, Proposed Diversification and the Proposed Right to Execute the Works and vice versa.</p>	<b>Section 12</b>

---

**EXECUTIVE SUMMARY (CONT'D)**

---

<b>Key information</b>	<b>Description</b>	<b>Reference to Part A of the Circular</b>
<b>Board's recommendation</b>	<p>The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by us.</p> <p>Our Board, having considered all aspects of the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants including but not limited to the rationale and justifications, the salient terms of the SPA, the basis and justification of arriving at the Purchase Consideration, the effects of the Proposed Rights Issue with Warrants as well as the proposed utilisation of proceeds to be raised from the Proposed Rights Issue with Warrants and the future prospects of the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants, is of the opinion that the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants are in our best interests.</p> <p>Accordingly, our Board recommends that you <b>VOTE IN FAVOUR</b> of the resolutions pertaining to the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants at the forthcoming EGM.</p> <p>Our Board (save for the Interested Directors), having considered all aspects of the Proposed Offer to Subscribe and the Proposed Right to Execute the Works including but not limited to the rationale and justifications, is of the opinion that the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are in our best interests.</p> <p>Accordingly, our Board (save for the Interested Directors) recommends that you <b>VOTE IN FAVOUR</b> of the resolutions pertaining to the Proposed Offer to Subscribe and the Proposed Right to Execute the Works at the forthcoming EGM.</p>	<b>Section 19</b>

# Johan Holdings Berhad

[Registration No. 192001000038 (314-K)  
(Incorporated in Malaysia)

## Registered Office

11<sup>th</sup> Floor, Wisma E&C  
No. 2, Lorong Dungun Kiri  
Damansara Heights  
50490 Kuala Lumpur

12 May 2021

## Board of Directors

Tan Sri Dato' Tan Kay Hock (*Chairman & Chief Executive*)  
Puan Sri Datin' Tan Swee Bee (*Group Managing Director*)  
Tan Sri Dato' Seri Dr Ting Chew Peh (*Non-Independent Non-Executive Director*)  
Dato' Ahmad Khairummuzammil Bin Mohd Yusoff (*Independent Non-Executive Director*)  
Ooi Teng Chew (*Independent Non-Executive Director*)

## To: Our shareholders

Dear Sir/ Madam,

- I. PROPOSED ACQUISITION;
- II. PROPOSED DIVERSIFICATION;
- III. PROPOSED RIGHTS ISSUE WITH WARRANTS
- IV. PROPOSED OFFER TO SUBSCRIBE; AND
- V. PROPOSED RIGHT TO EXECUTE THE WORKS

---

## 1. INTRODUCTION

On 29 March 2021, UOB Kay Hian had, on behalf of our Board, announced that we proposed to undertake the following:-

- i. the acquisition by Dynacare of the Subject Property from SME Bank for a purchase consideration of RM27,300,000 to be satisfied entirely via cash in accordance with the SPA dated 29 March 2021;
- ii. diversification of the existing principal activities of Johan Group to include the manufacturing, sale and distribution of gloves;
- iii. a renounceable rights issue of 389,342,813 Rights Shares on the basis of 1 Rights Share for every 2 existing Johan Shares held on the Entitlement Date, together with 389,342,813 free Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed for, at an issue price of RM0.10 per Rights Share;
- iv. proposed offer to George Kent to subscribe for 40% equity interest in Dynacare at the issue price of RM1.00 per ordinary share and for us to hold the balance 60% equity interest via the Letter of Offer. The intended equity to be contributed by shareholders of Dynacare is RM100,000,000; and
- v. proposed award of the Right to George Kent to build the Gloves Manufacturing Plant on the Subject Property for a contract sum of approximately RM624,100,000 plus or minus 10% (excluding sales and service tax).

The Proposed Offer to Subscribe and the Proposed Right to Execute the Works are deemed to be related party transactions by virtue of the following:-

- i. Tan Sri Tan being our Chairman, Chief Executive and major shareholder, is also the Chairman and major shareholder of George Kent;
- ii. Puan Sri Tan being our Group Managing Director and major shareholder, is also the Non-Independent Non-Executive Director and major shareholder of George Kent;
- iii. Dato' Ahmad is currently the Independent Non-Executive Director of both Johan and George Kent; and
- iv. Star Wealth Investment Limited is currently a major shareholder of Johan and George Kent ("**Interested Major Shareholder**").

Tan Sri Tan, Puan Sri Tan and Dato' Ahmad are collectively referred to as the "**Interested Directors**".

Accordingly, Qwantum was appointed as the Independent Adviser on 29 March 2021 to advise our non-interested Directors and non-interested shareholders as to whether the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are fair and reasonable so far as our non-interested shareholders are concerned, and whether the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are to the detriment of our non-interested shareholders.

On 11 May 2021, UOB Kay Hian had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 10 May 2021, resolved to approve the following:-

- i. admission of the Warrants to the Official List of Bursa Securities;
- ii. listing and quotation for 389,342,813 Rights Shares and 389,342,813 Warrants pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities; and
- iii. listing and quotation for up to 389,342,813 new Johan Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities,

subject to the conditions as disclosed in Section 12, Part A of this Circular.

For shareholders' information, in the announcement dated 29 March 2021 in relation to the Proposals, we had stated that the EGM for the Proposed Rights Issue with Warrants will be held separately. Nevertheless, after taking into consideration that the Proposals are integral to each other, our Board has decided to hold the EGM for the Proposals together to allow shareholders to assess the Proposals in its entirety before voting on the resolutions at the forthcoming EGM.

Further, for shareholders' information, our Board had on 24 December 2020 announced the disposal of the entire equity interest in DCS for a disposal consideration of SGD103,586,103 (equivalent to approximately RM313.98 million) ("**Disposal of DCS**"). The outstanding conditions precedent of the Disposal of DCS as at the LPD are as follows:-

<b>Conditions precedent</b>	<b>Expected date of fulfilment</b>
i. bank statement of Genesis Business Holdings Pte Ltd (" <b>Genesis</b> ") showing that Genesis is in possession of funds of at least S\$15,000,000 in cash as at the closing date having been provided to Johan Investment Private Limited (" <b>J IPL</b> "), certified as a true copy by a director or secretary of Genesis and in a form reasonably satisfactory to the JIPL in its discretion	At the closing date

Conditions precedent	Expected date of fulfilment
ii. the obtaining of (i) approval by Diners Club International Ltd. ("DCI"), and (ii) waiver by DCI of its right of first refusal under the network participation agreement dated 16 July 2019 between DCI and the JIPL, in each case in respect of the Disposal of DCS	Approval from DCI obtained on 21 April 2021
iii. the obtaining of approval from the Monetary Authority of Singapore ("MAS") in respect of Ezy Net Pte Ltd and any other person becoming a 20% controller of DCS pursuant to Section 57FD(1) of the Banking Act, Chapter 19 of Singapore	Pending
iv. the obtaining of approval by:	
a. DBS Bank Ltd., United Overseas Bank Limited and Seatown Lionfish Pte Ltd pursuant to DFS Asset Purchase Company Pte. Ltd. – 2019 Renewal Deed dated 5 September 2019 between DCS, DFS Asset Purchase Company Pte. Ltd., DBS Bank Ltd., United Overseas Bank Limited, Seatown Lionfish Pte. Ltd., Intertrust Singapore Corporate Services Pte. Ltd., DBS Trustee Limited and Yeo-Leong & Peh LLC;	Upon receipt of MAS approval
b. Malayan Banking Berhad pursuant to the letter of offer dated 14 February 2017 from Malayan Banking Berhad to DCS	Before closing date

As at the date of the announcement on the Disposal of DCS on 24 December 2020, DCS Group contributed more than 70% revenue to Johan Group, as such, the Disposal of DCS is deemed to be a major disposal pursuant to Paragraphs 10.02 and 10.11A of the Listing Requirements. The Disposal of DCS is expected to be completed in June 2021 and accordingly, upon completion of the Disposal of DCS, we will make the relevant announcements required pursuant to Paragraph 8.03A of the Listing Requirements.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR AND THE INDEPENDENT ADVICE LETTER (AS SET OUT IN PART B OF THIS CIRCULAR) TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.**

## **2. PROPOSED ACQUISITION**

The Vendor has agreed to sell and Dynacare has agreed to purchase the Subject Property free from all encumbrances and with vacant possession on an "as is where is" basis for a purchase consideration of RM27,300,000 to be satisfied entirely via cash.

The Subject Property is a parcel of industrial land with a land area of 71,980 square metres. There are a total of 6 factory buildings, an office building and other ancillary buildings erected on the Subject Property with a total built up area of 19,965 square metres. The Subject Property was previously used for the fabrication of hydro turbines and heat recovery generators and is currently vacant. Upon execution of the SPA, we will have vacant possession to the Subject Property and the right to commence the necessary works which include the submission of the necessary application to authorities for the refurbishment and retrofitting of the existing buildings to accommodate the production lines. The salient terms of the SPA are set out in Appendix I of the Circular.

The layout of the existing factory buildings are similar to warehouses and as such, minimal work is required for the design and construction of the Gloves Manufacturing Plant as major civil and structural works are not required and the existing buildings can be refurbished to accommodate the installation of the production lines. The refurbishment of the existing factory buildings for the first production line will require approximately 3 months and the installation of the first production line will be carried out concurrently with the refurbishment of the factory buildings and our target is to have commercial production of the 1st production line by August 2021 and commercial production of all 6 production lines by December 2021. Further details are set out in Section 2.7, Part A of this Circular.

Further details on the Subject Property and the Proposed Acquisition are set out in the ensuing sections.

## **2.1 Information on the Subject Property**

The Subject Property is located along Jalan Pelabuhan 3, Lumut Port Industrial Park, Kampung Acheh, 32200 Lumut, Perak Darul Ridzuan.

Access to the subject property is via Jalan Lumut turning onto Jalan Sri Manjung-Changkat Jering, Jalan Kawasan Perindustrian Kampung Acheh and finally onto Jalan Pelabuhan 3. Access is also possible via the West Coast Expressway (WCE) exiting to Plaza Tol Sitiawan Utara.

Geographically, the Subject Property is approximately 7.0 kilometres (4.4 miles) north of Sitiawan town. Ipoh town is approximately 78.0 kilometres (48.7 miles) by road north-east of the Subject Property.

Lumut Port Industrial Park is developed by Lumut Maritime Terminal Sdn Bhd and covers an area of approximately 407 hectares (1,005 acres). Industrial properties here are mostly detached factories, warehouses and vacant lots. Some of the industrial premises here include Sapura Kencana Petroleum Berhad, Lumut Lee Marine Engineering Sdn Bhd, Grade One Marine Shipyard Sdn Bhd, TPP Fabricators Sdn Bhd, Seng Heng Engineering (Pantai Remis) Sdn Bhd, HL Porcelain Sdn Bhd and May Chemical Sdn Bhd.

To the immediate west of the industrial park is the Lumut Port. The said port handles dry bulk, liquid bulk containers and all conversional/project cargoes. The Lumut Port fronts onto Sungai Manjung which flows into the Straits of Melaka which is one of the busiest shipping lanes in the world.

Approximately 7.9 kilometres (3.6 miles) by road south of the locality is the town of Sitiawan. Within this town are found commercial facilities as well as security, educational, banking, shop houses and other basic amenities. AEON Mall Sri Manjung and Tesco Manjung are located within the town.

<b>Registered owner/ Beneficial owner</b>	:	Lumut Maritime Terminal Sdn Bhd/ Small Medium Enterprise Development Bank Malaysia Berhad
<b>Postal address and identification</b>	:	PN 296104 Lot 15528 Mukim Lumut, Daerah Manjung, Negeri Perak with an address at Lot 15528 (PT 5001), Kawasan Perusahaan Kampung Acheh, 32000 Sitiawan, Perak Darul Ridzuan
<b>Brief description</b>	:	The Subject Property is a parcel of industrial land with an industrial premise consisting 6 single storey open sided factory, a single storey main office building, a single storey maintenance office building and ancillary buildings erected thereupon the Subject Property:-



		<b>Built up area (square metres)</b>
	Factory 1	3,600
	Factory 2	3,600
	Factory 3	3,600
	Factory 4	3,600
	Factory 5	2,700
	Factory 6	1,800
	Main office building	728
	Ancillary buildings	337
	<b>Total</b>	<b><u>19,965</u></b>
<b>Existing use</b>	: Vacant	
<b>Approximate age of buildings</b>	: 20 years	
<b>Aggregate land area</b>	: 71,980 square metres	
<b>Aggregate built up area</b>	: 19,965 square metres	
<b>Category of land use</b>	: Perindustrian	
<b>Express condition</b>	: Perusahaan – Lot-Lot Industri	
<b>Restriction-in-interest</b>	: Tanah ini hanya boleh dipindahmilik, dipajak atau digadai kepada orang yang diberi kebenaran bertulis oleh Pihak Berkuasa Negeri	
<b>Tenure</b>	: Leasehold 99 years expiring on 9 July 2105	
<b>Encumbrances</b>	: Nil	
<b>Net book value</b>	: RM27,300,000	

## 2.2 Information on the Vendor

SME Bank was incorporated in Malaysia and is wholly-owned by the Minister of Finance (Incorporated), except for 1 share which is held by the Federal Lands Commissioner. The directors of SME Bank are Dato' Seri Nazir Ariff, Dato' Muslim bin Hussain, Datuk Ahmad Hizzad bin Baharuddin, Zulkiflee Hashim, Mohd Sakeri Abdul Kadir, Dato' Mohammad Radhi Abdul Razak, Wan Abdul Rahman bin Wan Abu Bakar, Suharti Mohd Ali and Dato' Sharkawi Alis.

## 2.3 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the market value of the Subject Property of RM28,500,000 based on the indicative valuation letter by KGVl dated 19 March 2021 using the cost method as the primary method of valuation and the income approach by investment as the secondary method of valuation. The Purchase Consideration represents a discount of RM1,200,000 or 4.21% to the market value of the Subject Property.

The cost method was adopted as the primary method as the Subject Property is an individually-designed industrial premises. Therefore, there are no sale evidences that have the same building design as the Subject Property in terms of construction, height, size and other features. The cost method is able to account for differences in both the subject land and building components through proper adjustments in relation to the sale evidences.

In addition, our Board has also taken into consideration the rationale and prospects of the Proposed Acquisition as set out in Sections 7.1 and 9.5, Part A of this Circular, respectively which would provide Johan Group the opportunity to undertake the Glove Business as set out in Section 3, Part A of this Circular.

## 2.4 Mode of settlement for the Purchase Consideration

Pursuant to the terms of the SPA, the Purchase Consideration shall be satisfied entirely via cash in the following manner:-

Payment terms	Timing	RM
i. Deposit (13%)	Upon execution of the SPA	3,549,000
ii. Balance purchase consideration (87%)	To be paid on or before 90 days from the SPA becoming unconditional or 120 days from the date of the SPA, whichever is the later	23,751,000
<b>Total</b>		<b>27,300,000</b>

## 2.5 Source of funding

The Purchase Consideration will be funded via a combination of internally generated funds and/ or bank borrowings, the exact quantum of which will be determined at a later date upon obtaining all necessary approvals.

The indicative breakdown of the source of funding for the Purchase Consideration at this juncture is as follows:-

	RM	%
Internally generated funds	8,190,000 <sup>*1</sup>	30.0
Bank borrowings	19,110,000	70.0
	<b>27,300,000</b>	<b>100.0</b>

### Note:-

<sup>\*1</sup> The deposit of 13% amounting to RM3.55 million has been paid via internally generated funds.

The Proposed Acquisition is expected to be completed after the Proposed Offer to Subscribe has been approved by shareholders of Johan and George Kent and in this respect, our equity interest in Dynacare will be 60% and the Purchase Consideration attributable to us based on our equity interest will be RM16,380,000. In the event the Proposed Offer to Subscribe is not approved by either the shareholders of Johan or George Kent, we will fund the entire Purchase Consideration for the Proposed Acquisition. We are currently in discussion with several licensed financial institutions for the financing of the Proposed Acquisition however, as at the date of this Circular, no financing has been secured and we will proceed with securing the necessary financing once the Proposed Acquisition has been approved by our shareholders.

## 2.6 Liabilities to be assumed

Save for the obligation and liabilities in and arising from, pursuant to or in connection with the SPA, and a corporate guarantee by us to guarantee Dynacare's obligation to redeliver possession and reinstate the property to its original state and condition should the Proposed Acquisition not proceed for any reason, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by Johan Group arising from the Proposed Acquisition.

## 2.7 Additional financial commitment required

The management of Dynacare has identified the Subject Property for the construction of the Gloves Manufacturing Plant. The plan for the Gloves Business is to install and commission up to 42 production lines within the next 24 months to manufacture examination and surgical gloves which is expected to yield production capacity of approximately 12.00 billion pieces of gloves per annum. Commercial production of the first production line is expected to commence in August 2021 with a total of 6 production lines to be fully operational by December 2021. The remaining 36 production lines will be commissioned and operationalized in stages in 2022 and 2023.

For shareholders' information, examination gloves are typically used in hospitals and other caregiving centres to support non-invasive physical exam, helping prevent cross-contamination between caregivers and patients. Examination gloves are generally non sterile and are ambidextrous which means they can be worn on either the left or right hand. Surgical gloves are required during surgical procedures to prevent possible transmission of diseases between surgeons and patients. Surgical gloves have more precise sizing with a better precision and sensitivity and manufactured to higher standards. Surgical gloves are sterile and individually packaged in pairs, while examination gloves are generally non sterile and packaged in boxes. Surgical gloves are hand specific, anatomic in shape and fits completely perfect to the surgeon's hand to get a better protection while conducting surgery.

The Subject Property currently has 6 factory buildings, a main office building and other ancillary buildings with a total built up area of 19,965 square metres that will be renovated to accommodate 42 production lines. The plan is to increase the gross floor area of the Subject Property by 26,000 square metres, which will provide the Gloves Manufacturing Plant with a total built-up area of 45,965 square metres to accommodate 42 production lines and each production line is expected to yield 24 million pieces of rubber gloves per month which translate to total production of approximately 12.00 billion gloves per annum. Upon the execution of the SPA for the Subject Property, we have vacant possession to the Subject Property and the right to commence the necessary works which include the submission of the necessary application to authorities for the refurbishment and retrofitting of the existing buildings to accommodate the production lines in accordance with the terms and conditions of the SPA (as set out in Section 4, Appendix I of this Circular).

The construction of the Gloves Manufacturing Plant will not require major civil and structural works as the existing buildings can be refurbished to accommodate the installation of the production lines. The refurbishment of the existing factory buildings for the first production line will require approximately 3 months and the installation of the first production line will require approximately 2 months.

The installation of the first production line will be carried out concurrently with the refurbishment of the factory buildings and our target is to have all the 6 lines in production by December 2021 with the 1st production line by August 2021. Based on the aforementioned, our Board is confident on the viability of the commercial production of the first production line by August 2021.

The indicative time frame for the commercialisation of the abovementioned production lines are as follows:-

<b>Key events</b>	<b>Indicative time frame</b>
Refurbishment of factory building for first 6 production lines (which include utilities connection such as power, water and gas)	Completed by June 2021
Installation and commissioning of 1st production line	Completed by August 2021

Key events	Indicative time frame
Installation and commissioning of all 6 production lines	Completed by December 2021
Installation and commissioning of 30 production lines	Completed by December 2022
Installation and commissioning of 6 production lines	Completed by June 2023

For shareholders' information, the production lines will be fabricated offsite with the first production line to be installed concurrently with the refurbishment of the existing factory building. Further, we are already carrying out testing of the nitrile butadiene rubber supply from a number of shortlisted suppliers and the orders will be placed once shareholders' approval for the Proposed Diversification is obtained.

The estimated additional financial commitment required for the construction of the Gloves Manufacturing Plant and to put the Gloves Business on-stream is approximately RM652.20 million.

The breakdown of the estimated additional financial commitment required is as follows:-

	RM'000
<b>Capital expenditure</b>	
- Infrastructure and utilities <sup>*1</sup>	213,400
- Equipment, machinery and ancillary systems <sup>*2</sup>	410,700
- Business set up, IT systems, certifications	8,100
Total	<u>632,200</u>
Initial working capital for the Gloves Business (e.g. purchase of chemicals and raw materials for production of gloves and overhead cost such as employees, office supplies and utilities charges)	20,000
<b>Grand Total</b>	<u><u>652,200</u></u>

The above figures are based on quotation from suppliers and estimates from consultants.

**Notes:-**

<sup>\*1</sup> Includes civil, structural and building works, mechanical and electrical works, wastewater treatment plant with water recycling system, solar photovoltaic system, chiller system, compressed air system as well as utility connections such as electricity, gas, water, telecommunications and sewerage systems

<sup>\*2</sup> Includes the High Capacity Double Former Glove-Dipping Machine ("**Glove-Dipping Machine**"), hand formers, compounding, storage and feeding tanks, online chlorination and scrubber systems, automation and Supervisory Control and Data Acquisition ("**SCADA**") remote control systems, fully-equipped quality assurance/ quality control ("**QA/ QC**") and research and development ("**R&D**") lab, engineering workshop and spares, office equipment and furnishing, warehouse equipment, systems and loading bay. The Glove-Dipping Machine can produce nitrile or latex powder or powder free examination, surgical gloves and specialised high risk gloves interchangeably. This provides Dynacare with the flexibility to produce the type of gloves according to market demand and orders received from customers. The design and construction works will be carried out by the main contractor. The main contractor has reached an agreement with the dipping line fabricator and the other supporting equipment are at various stages of finalisation.

Further details on the Gloves Business is set out Section 3.1, Part A of this Circular.

The total additional financial commitment of RM652.20 million required to put the Gloves Business on-stream is to be funded through the RM100.00 million paid-up capital in Dynacare and the balance through project financing/ bank borrowings and internally generated funds from Dynacare's operations. If there is any shortfall in the operating cash flow of Dynacare to fund the additional financial commitment, shareholders will provide advances to Dynacare in the proportion of their shareholdings. On a best estimate, we expect to achieve payback on the investment incurred within 25 months from the commencement of commercial production.

As highlighted in Section 5.4, Part A of this Circular our cash and bank balances stood at approximately RM93.10 million as at the latest 12-month FPE 31 January 2021 and the remaining disposal consideration of RM45.00 million is expected to be received over a 3-year period from 2022 to 2024. In addition, RM37.43 million raised from the Proposed Rights Issue with Warrants will be used to fund our portion for the Gloves Business as set out in Section 4.7, Part A of this Circular.

### 3. PROPOSED DIVERSIFICATION

Johan Group is principally involved in hospitality and card services, general trading and investment holding and secretarial services. Hospitality and card services contributed approximately 98.7% while investment holding and secretarial services contributed approximately 1.3% of Johan Group's revenue for the latest audited FYE 31 January 2020. Based on the latest unaudited results of Johan Group for the 12-month FPE 31 January 2021, hospitality and card services contributed 74.2%, general trading contributed 25.1% and investment holding and secretarial services contributed 0.7% of Johan Group's revenue.

The financial results of Johan Group for the past 3 financial years up to the FYE 31 January 2020 and the latest unaudited quarterly results for the 12-month FPE 31 January 2021 is set out below:-

	Audited FYE 31 January			Unaudited 12-month FPE 31 January 2021
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Revenue	122,485	105,880	97,023	92,646
Profit/ (Loss) after tax from continuing operations	21,965	(99,267)	(13,348)	(30,650)
Profit/ (Loss) after tax from discontinued operations*	(45,189)	(3,470)	(3,946)	2,042

**Note:-**

\* Figures shown are from the discontinued operations of Prestige Ceramics Sdn Bhd ("PCSB")

Johan Group has been incurring losses for the past 3 financial years as the hospitality and card services business had been recording decreasing revenue for the past 3 financial years from RM120.40 million (FYE 31 January 2018) to RM95.73 million (FYE 31 January 2020) mainly due to loss of corporate clients by the travel business and lower service charges income earned by the cards business in Singapore as a result of regulatory compliance for unsecured customers' exposure.

PCSB which was principally in the business of manufacturing and sale of ceramic tiles had been loss making since FYE 31 January 2012 mainly due to increasing local competition which resulted in lower average selling prices of ceramic tiles, coupled with higher production cost due to aging machinery. PCSB recorded loss after tax of RM45.19 million (FYE 31 January 2018), RM3.47 million (FYE 31 January 2019) and RM3.95 million (FYE 31 January 2020).

In an effort to reduce the losses incurred by Johan Group, our Board undertook the following:-

- i. cessation of the ceramic tiles manufacturing operations of PCSB in August 2017 which was completed during the FYE 31 January 2018. The loss after tax recorded from PCSB was RM45.19 million (FYE 31 January 2018) and RM3.47 million (FYE 31 January 2019); and
- ii. disposal of a parcel of freehold land held by PCSB for a disposal consideration of RM127.00 million during the FYE 31 January 2020. PCSB recorded a loss after tax of RM3.95 million due to the write-off of factory buildings of PCSB pursuant to the disposal.

Notwithstanding our Board's effort to turn around Johan Group's financial results, Johan Group continues to incur losses and the management had identified that the core issue of Johan Group's current financial predicament is mainly due to continuing losses incurred by the hospitality and card services business.

Given the above findings, our Board has identified the Gloves Business as new business segment to diversify into and expand Johan Group's revenue and income stream, thereby reducing Johan Group's reliance on the hospitality and card services business. Further details on the Gloves Business are set out in Section 3.1, Part A of this Circular.

Based on the above and given that Johan Group's existing businesses are currently incurring losses, our Board anticipates that, barring any unforeseen circumstances, the Gloves Business may contribute 25% or more of the net profits of Johan Group and/ or result in a diversion of more than 25% of the NA of Johan Group towards the aforesaid new business activities moving forward. Furthermore, our Board anticipates that the Gloves Business will largely contribute to Johan Group's earnings in the future given our Board's intention to expand and increase production capacity of the Gloves Business to generate higher sales. As such, our Board proposes to seek the approval from shareholders for the Proposed Diversification pursuant to Paragraph 10.13 of the Listing Requirements at the forthcoming EGM.

### **3.1 Gloves Business**

For shareholders' information, gloves are personal protective equipment which are widely used in the healthcare, medical and foods and beverages industries. As set out in Section 2.7, Part A of this Circular, pursuant to the Proposed Acquisition, the plan for the Gloves Business is to install and commission up to 42 production lines within the next 24 months to manufacture examination and surgical gloves which is expected to yield production capacity of approximately 12.00 billion pieces of gloves per annum. Commercial production of the first production line is expected to commence in August 2021 with a total of 6 production lines to be fully operational by December 2021. The remaining 36 production lines will be commissioned and operationalized in stages in 2022 and 2023. The decision to embark on installation and commissioning of up to 42 production lines will reduce fixed cost of each line and enable the Gloves Business to achieve economies of scale.

The main production equipment is the Glove-Dipping Machine which can produce nitrile or latex powder or powder free examination, surgical gloves and specialised high risk gloves interchangeably. This provides Dynacare with the flexibility to produce the type of gloves according to market demand and orders received from customers. Nevertheless, the current focus of Dynacare will be the supply of examination and surgical gloves to local and overseas market. The Glove Dipping Machine will be supported by auxiliary systems which include, amongst others, wastewater treatment and water recycling systems, air compressors, chillers as well as lab and testing equipment.

In addition to selling the gloves locally, Dynacare intends to export worldwide, especially to the United States of America and Europe. Key markets such as the aforementioned would require medical-grade gloves to be registered with and/ or meet the relevant medical device regulations of the United States of America (through the United States Food and Drug Administration ("**US FDA**") and European Union ("**EU**") as set out below:-

No.	Country/ region	Necessary registrations/ approvals	Indicative timeframe for application/ approval
i.	United States of America	a. US FDA 510k Premarket Notification b. US FDA Establishment Registration & Device Listing	3rd quarter 2021/ 4th quarter 2021
ii.	EU	a. EU declaration of conformity together with the supporting technical documentation	3rd quarter 2021/ 4th quarter 2021

As Dynacare will export both medical and non-medical-grade gloves, it will need to comply with the abovementioned registrations and/ or medical device regulations. The submissions for such registrations and/ or medical device regulations will be made by the third quarter of 2021. Such registrations and/ or medical device regulations are not applicable for the export of non-medical-grade gloves.

In terms of local regulatory approvals required to renovate and expand the Gloves Manufacturing Plant for the Gloves Business, Dynacare is required to submit the relevant applications to and obtain the approval from, amongst others, the following authorities/ regulatory bodies:-

	Approvals required from Authority	Status
1.	Planning Permission (" <b>KM</b> ") from Majlis Perbandaran Manjung	Application submitted on 2 April 2021 and target approval by May 2021
2.	Building plan from Majlis Perbandaran Manjung	To be submitted after KM approval
3.	Fire and Rescue Department of Malaysia	To be submitted after KM approval
4.	Business License from Majlis Perbandaran Manjung	To be submitted after KM approval
5.	License to Manufacture Rubber Products and Export Rubber Gloves from Malaysian Rubber Board	Target submission by May/ June 2021
6.	Manufacturing License from Ministry of International Trade and Industry (MITI)/ Malaysia Investment Development Authority (MIDA)	Target submission by May/ June 2021

The consent from Department of Environment is required to determine whether the Subject Property can be converted into a manufacturing plant for the Gloves Business and in this respect, we had obtained the approval from the Department of Environment on 25 February 2021 to convert the Subject Property prior to proceeding with the Proposed Acquisition. The conditions imposed for the conversion of the Subject Property into a manufacturing plant is as follows:-

Conditions	Status of compliance
i. Melibatkan aktiviti pengeluaran sarung tangan getah dengan kapasiti pengeluaran 37 juta helai/ hari sahaja;	Noted and to be complied
ii. Sistem Pengolahan Effluen Perindustrian hendaklah dibina atau ditingkatkan dan hendaklah mengemukakan PEMBERITAHUAN BERTULIS di bawah Peraturan-Peraturan Kualiti Alam Sekeliling (Effluen Perindustrian), 2009 kepada Jabatan Alam Sekitar Negeri Perak dalam tempoh 30 hari sebelum memulakan kerja-kerja pembinaan atau peningkatan sistem pengolahan effluen tersebut	Noted and to be complied
iii. Penghasilan air sisa atau basuhan (effluen) daripada pemprosesan hendaklah dirawat melalui Sistem Pengolahan Efluen sehingga mematuhi standard B berdasarkan Peraturan-Peraturan Kualiti Alam Sekeliling (Effluen Perindustrian) 2009 sebelum dilepaskan ke mana-mana alur alir/longkang awam	Noted and to be complied
iv. Jabatan mengesyorkan supaya Sistem Pengolahan Efluen direkabentuk supaya penggunaan air dapat digunakan secara optimum dan mencapai sasaran pelepasan 'zero discharge' dalam tempoh lima (5) tahun	Noted and to be complied
v. Sebarang pemasangan Alat Pembakaran Bahanapi (seperti janakuasa) dan Sistem kawalan pencemaran udara hendaklah mengemukakan Pemberitahuan Bertulis (Written Notification) terlebih dahulu kepada Pengarah Jabatan Alam Sekitar sebelum kerja-kerja pemasangan dibuat bagi mematuhi Peraturan 5, Peraturan-Peraturan Kualiti Alam Sekeliling (Udara Bersih) 2014 dan dikemukakan kepada JAS Negeri Perak	
vi. Sebarang penghasilan buangan terjadual sepertimana tersenarai di dalam Jadual Pertama, Peraturan-Peraturan Kualiti Alam Sekeliling (Buangan Terjadual), 2005 mestilah diurus dengan sempurna mengikut kaedah-kaedah yang ditetapkan dalam peraturan tersebut	Noted and to be complied
vii. Orang yang berwibawa (competent person) hendaklah dilantik bagi mengendalikan sistem pengolahan effluen, alat kawalan pencemaran udara (scrubber / bag filter) dan juga yang menguruskan buangan terjadual dari premis	Noted and to be complied
viii. Sistem kawalan pencemaran yang cekap (Best Available Control Technique) disediakan di tapak ini bagi mengawal apa-apa masalah pencemaran yang terhasil dari aktiviti ini. Sekiranya terdapat apa-apa aduan pencemaran dari pengadu di kawasan berdekatan, pihak tuan hendaklah meningkatkan keberkesanan Best Available Technique yang lebih efisien dan langkah-langkah kawalan pencemaran terhadap aktiviti di premis	Noted and to be complied
ix. Alat kawalan pencemaran udara hendaklah dipasang / ditingkatkan di bahagian proses yang berpotensi menghasilkan pencemaran udara dan bau	Noted and to be complied



	<b>Conditions</b>	<b>Status of compliance</b>
x.	Paras bunyi bising di sempadan kilang hendaklah dikawal supaya tidak melebihi 70 dB(A) pada waktu siang dan 60 dB(A) pada waktu malam	Noted and to be complied
xi.	Pihak tuan dikehendaki mengemukakan Kajian Permodelan Kualiti Udara (Air Quality Modelling) ke Jabatan ini untuk kawalan pencemaran	Noted and to be complied
xii.	Sebarang pembakaran terbuka ke atas apa-apa bahan adalah dilarang sama sekali sebagaimana kehendak Seksyen 29A, Akta Kualiti Alam Sekeliling 1974	Noted and to be complied
xiii.	Mematuhi sepenuhnya Akta Kualiti Alam Sekeliling 1974 dan Peraturan-Peraturan di bawahnya setiap masa	Noted and to be complied

The raw materials required for the Gloves Business are as follows:-

### **Raw Materials**

1. **Nitrile Butadiene Rubber ("NBR")** - Carrying out testing of supply from a number of shortlisted suppliers. Orders will be placed once shareholders' approval for the Proposed Diversification is obtained.
2. **Compounding Materials** - Testing of compounding materials with the NBR is being carried out from a number of shortlisted suppliers. Orders will be placed once shareholders' approval for the Proposed Diversification is obtained.
3. **Other Chemicals** - Potential suppliers shortlisted and discussions will be commencing.

For shareholders' information, we have been approached by potential buyers for the gloves products, however, we have not concluded any sales, given that we have yet to procure shareholders' approval for the Proposed Diversification and pending the construction of the Gloves Manufacturing Plant.

### **3.2 Key management personnel**

Our Board has identified experienced personnel, namely Phoon Hee Yau, Azmy A Hamid and Nancy Ng Ee Poh to lead and oversee the operations of the Gloves Business moving forward. Further details of the qualification and experience of the key management personnel are set out below:-

- i. **Phoon Hee Yau ("Mr. Phoon")**, a Malaysian aged 42, was appointed as the Director of Dynacare on 3 August 2020. He is responsible for the overall planning and development of the Gloves Business.

Mr. Phoon earned his Bachelor of Mechanical Engineering degree from Universiti Tenaga Nasional in 2000 and Master of Science Degree in Energy Systems and the Environment from the University of Strathclyde, United Kingdom in 2006 under the Chevening Scholarship Programme.

He started his career in July 2000 with Tenaga Nasional Berhad as an Engineer under Generation Planning Department where he was actively involved in the development of the power generation expansion plan for Peninsular Malaysia. He was subsequently promoted to Manager in October 2007 in the Strategic Planning and then Energy Procurement Department to conduct techno-economic feasibility studies, devise strategic plans and energy policies, and manage technical and commercial matters pertaining to the independent power producers.

In May 2010, he left Tenaga Nasional Berhad to join KNM Group Berhad as the Chief Operating Officer where he helped established its renewable energy and power business. He secured and managed turnkey engineering, procurement and construction projects in Malaysia, Sri Lanka and the United Kingdom, undertook strategic investments, secured project financing, and established multiple joint ventures and strategic collaborations with project developers and technology providers.

He joined George Kent (Malaysia) Berhad in March 2016 as the General Manager for Strategic Planning and Business Development and assisted George Kent in securing a technology collaboration with a European company. He was also a key negotiator for a landmark license agreement with a US Fortune 500 company.

- ii. **Mr Azmy A Hamid ("Mr. Azmy")**, a Malaysian aged 48, is employed under Dynacare to operationalize the Glove Business for Johan Group.

Mr Azmy earned his Bachelor of Science in Biochemistry degree from the University of Dundee, Scotland in 1996 and earned his Advance Diploma in Business Administration from the University of Strathclyde, Glasgow, Scotland in 2016.

He started his career in 1996 with Unilever (Malaysia) Holdings Sdn Bhd as a Management Trainee mainly responsible for chemical sales in Malaysia and Singapore. He was subsequently promoted to Market Operations Manager, overseeing the marketing of oleochemical products in the Asia Pacific and Middle Eastern regions. In April 2001, he joined Pfizer Malaysia Sdn Bhd as a Business Development and Strategic Planning Manager, where he took charge of Pfizer Malaysia and Singapore's short to medium term strategic planning and corporate business development, initiating contract manufacturing collaborations with local pharmaceutical manufacturers.

In January 2005, he joined Du Pont Malaysia Sdn Bhd as a Regional Business Development Manager in the Building Innovations Strategic Business Unit overseeing the growth of Du Pont's acrylic solid surface business. In May 2008, he left Du Pont to set up a private company to undertake pharmaceutical manufacturing. Whilst running this outfit, he successfully delivered the ISO 13485 certification and commissioning of a surgical sutures medical device factory in Klang for a Selangor state-owned enterprise in 2016.

Prior to joining Dynacare in October 2020, Mr Azmy oversaw the operations and financial performance of a local gloves manufacturing plant, namely, SSN Medical Products Sdn Bhd with his last position as its CEO.

- iii. **Nancy Ng Ee Poh ("Ms. Nancy")**, a Malaysian, aged 53, graduated from the Chartered Institute of Management Accountants (CIMA) with a management accounting professional qualification in 1995. After her graduation, she joined Berjaya Textiles as a Management Trainee and was absorbed into Berjaya Group Bhd's Group Accounts and Budget Division as an Executive in January 1996. She subsequently left and joined Prestige Ceramics Sdn Bhd in August 2001 as a Management Accountant. She was promoted to Finance Manager in February 2008 and is responsible for overseeing the company's accounting and treasury functions, reporting to our Chief Financial Officer. She will be responsible for the finance function of the Gloves Business.

Dynacare is currently in the process of recruiting full-time management employees to complement the management team in areas such as compounding, production, engineering, quality control and quality assurance, research and development and marketing and sales to put on-stream the Gloves Business, a breakdown of which is as follows:-

<b>Position/ role</b>	<b>Total</b>
Managerial staff	25
Administrative staff	35
Technical staff (engineers and technicians)/ supervisors (quality control and research and development roles)	138
Production/ general workers	1,500
<b>Total</b>	<b>1,698</b>

Johan Group has commenced interviewing and selecting candidates for the abovementioned positions. The full time employees to be hired are based on the management's current assessment for the Gloves Business and is indicative at this juncture and the final number of employees will depend on the requirements of the Gloves Business.

Based on the above, our Board is of the opinion that by leveraging on the expertise of the aforesaid key management personnel and with the recruitment of additional manpower to undertake the various roles in the Gloves Business, Johan Group will have the expertise, capacity, capability, resources and track record to diversify into the Gloves Business and related activities.

#### **4. PROPOSED RIGHTS ISSUE WITH WARRANTS**

The Proposed Rights Issue with Warrants entails an issuance of 389,342,813 Rights Shares on the basis of 1 Rights Share for every 2 existing Johan Shares held, together with 389,342,813 Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed for by the Entitled Shareholders at an issue price of RM0.10 per Rights Share.

The Proposed Rights Issue with Warrants will be undertaken on the full subscription basis to raise a total proceeds of RM38,934,281 and is structured based on the undertakings provided by all the entities jointly controlled by Tan Sri Tan and Puan Sri Tan as well as an underwriting arrangement to be procured. Further details on the undertakings and the underwriting arrangement to be procured are set out in Section 4.5, Part A of this Circular.

As at the LPD, we have an issued share capital of RM390,701,279 comprising 778,685,627 Johan Shares. Accordingly, a total of 389,342,813 Rights Shares together with 389,342,813 Warrants will be issued pursuant to the Proposed Rights Issue with Warrants.

For shareholders' information, we had on 6 July 2020, announced a private placement exercise of up to 218,031,900 new Johan Shares ("**Placement Shares**") ("**Private Placement**"). A total of 155,737,100 Placement Shares had been issued and the remaining balance to be placed out is 62,294,800 Placement Shares. Pursuant to the Proposed Rights Issue with Warrants, our Board has undertaken not to place out the remaining Placement Shares until the completion of the Proposed Rights Issue with Warrants.

The Proposed Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders who renounce all or any part of their entitlements to the Rights Shares provisionally allotted to them under the Proposed Rights Issue with Warrants will simultaneously relinquish any accompanying entitlement to the Warrants. For avoidance of doubt, the Rights Shares and the Warrants are not separately renounceable. Only Entitled Shareholders and/ or their renounee(s) who successfully subscribe for the Rights Shares will be entitled to the Warrants.

The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately from the Rights Shares on the Main Market of Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll. Please refer to Section 4.6, Part A of this Circular for the indicative salient terms of the Warrants.

In determining the entitlement of the Entitled Shareholders under the Proposed Rights Issue with Warrants, fractional entitlements, if any, will be disregarded and dealt with in such manner and on such terms and conditions as our Board in its sole and absolute discretion deems fit or expedient and in our best interests.

The Rights Shares together with Warrants which are not taken up or validly taken up shall be made available for excess Rights Shares with Warrants application by the other Entitled Shareholders and/ or their renounee(s). Our Board intends to allocate the excess Rights Shares together with Warrants in a fair and equitable manner on a basis to be determined by our Board.

#### 4.1 Basis of determining and justification for the issue price of the Rights Shares

The issue price of RM0.10 per Rights Share has been fixed by our Board after taking into consideration, amongst others, the following:-

- i. The gross proceeds of RM38,934,281 to be raised from the Proposed Rights Issue with Warrants to meet the fund raising objectives as set out in Section 4.7, Part A of this Circular;
- ii. The prevailing market conditions and market prices of Johan Shares. The issue price of RM0.10 per Rights Share represents a discount of approximately 31.97% to the TERP of RM0.147 (computed based on the 5-day VWAP of Johan Shares up to and including the LTD of RM0.171). In addition, the issue price of RM0.10 per Rights Share also represents the following discount to the respective TERP based on the respective VWAP of Johan Shares as follows:-

##### **VWAP of Johan Shares up to and including the LTD**

	<b>VWAP RM</b>	<b>TERP RM</b>	<b>Discount to the RM</b>	<b>TERP %</b>
5-day	0.171	0.147	0.047	31.97
1-month	0.174	0.149	0.049	32.89
3-month	0.186	0.157	0.057	36.31
6-month	0.193	0.162	0.062	38.27
12-month	0.172	0.148	0.048	32.43

*(Source: Bloomberg)*

- iii. The issue price of RM0.10 per Rights Share, which represents a discount of 31.97% to the TERP of RM0.147 (computed based on the 5-day VWAP of Johan Shares up to and including the LTD), was considered reasonable by our Board in terms of the discounted value and discount percentage of the issue price as it could possibly entice Entitled Shareholders and/ or their renounee(s) to subscribe for their respective entitlements while allowing us to achieve the fund raising objectives of the Proposed Rights Issue with Warrants by raising proceeds of RM38,934,281.

#### 4.2 Basis of determining and justification for the exercise price of the Warrants

The Warrants attached to the Rights Shares will be issued at no cost to the Entitled Shareholders and/ or their renounee(s) who subscribe for the Rights Shares.

The exercise price of the Warrants has been fixed at RM0.25 per Warrant after taking into consideration, amongst others, the following:-

- i. The Warrants will be issued at no cost to the Entitled Shareholders and/ or their renounee(s) who successfully subscribe for the Rights Shares; and

- ii. The historical trading prices of Johan Shares for the past 12 months.

The exercise price of RM0.25 per Warrant represents a premium of 70.1% to the TERP of RM0.147 (computed based on the 5-day VWAP of Johan Shares up to and including the LTD).

#### **4.3 Ranking of the Rights Shares and new Johan Shares to be issued arising from the exercise of the Warrants**

The Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing Johan Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which their entitlement date precedes the date of allotment and issuance of the Rights Shares.

The new Johan Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the existing Johan Shares, save and except that the new Johan Shares to be issued arising from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which their entitlement date precedes the date of allotment and issuance of such new Johan Shares.

#### **4.4 Listing and quotation for the Rights Shares, Warrants, new Johan Shares to be issued arising from the exercise of the Warrants**

Bursa Securities had, vide its letter dated 10 May 2021, approved the admission of the Warrants to the Official List of Bursa Securities as well as the listing and quotation for the Rights Shares, Warrants and the new Johan Shares to be issued arising from the exercise of the Warrants, on the Main Market of Bursa Securities, subject to the conditions set out in Section 12, Part A of this Circular.

#### **4.5 Undertakings and underwriting arrangements for the Proposed Rights Issue with Warrants**

Our Board has determined to undertake the Proposed Rights Issue with Warrants on a full subscription basis after taking into consideration the amount of funds that we intend to raise from the Proposed Rights Issue with Warrants amounting to RM38.93 million that will be channelled towards the proposed utilisation as set out in Section 4.7, Part A of this Circular.

All entities jointly controlled by Tan Sri Tan and Puan Sri Tan, namely, Mustika Manis Sdn Bhd, Kurnia Menang Sdn Bhd, Star Wealth Investment Limited, Kin Fai International Limited, Kwok Heng Holdings Limited and Suncrown Holdings Limited (collectively, the "**Undertaking Shareholders**") which collectively holds approximately 60.67% equity interest in Johan, had on 29 March 2021, provided their respective irrevocable and unconditional undertaking to subscribe in full for their entitlement under the Proposed Rights Issue with Warrants based on their shareholdings in Johan as at 29 March 2021 ("**Undertakings**").

A summary of the Undertakings are as follows:-

Undertaking Shareholders	Shareholdings as at 29 March 2021		Rights Shares to be subscribed pursuant to Undertakings		Shareholdings after the Proposed Rights Issue with Warrants		Funding required <sup>4</sup>
	No. of Shares	% <sup>1</sup>	No. of Rights Shares	% <sup>2</sup>	No. of Shares	% <sup>3</sup>	
Mustika Manis Sdn Bhd	233,605,427	30.00	116,802,713	30.00	350,408,140	30.00	11,680,271
Kurnia Menang Sdn Bhd	74,276,613	9.54	37,138,306	9.54	111,414,919	9.54	3,713,831
Star Wealth Investment Limited	71,277,017	9.15	35,638,508	9.15	106,915,525	9.15	3,563,851
Kin Fai International Limited	37,423,000	4.81	18,711,500	4.81	56,134,500	4.81	1,871,150
Kwok Heng Holdings Limited	25,194,000	3.24	12,597,000	3.24	37,791,000	3.24	1,259,700
Suncrown Holdings Limited	30,675,000	3.94	15,337,500	3.94	46,012,500	3.94	1,533,750
<b>Total</b>	<b>472,451,057</b>	<b>60.67</b>	<b>236,225,527</b>	<b>60.67</b>	<b>708,676,584</b>	<b>60.67</b>	<b>23,622,553</b>

**Notes:-**

<sup>1</sup> Computed based on the total issued shares as at the LPD of 778,685,627 Johan Shares

<sup>2</sup> Computed based on 389,342,813 Rights Shares available for subscription

<sup>3</sup> Computed based on the total enlarged issued shares after the Proposed Rights Issue with Warrants of 1,168,028,440 Johan Shares

<sup>4</sup> Computed based on the issue price of RM0.10 per Rights Share

The Undertaking Shareholders have respectively confirmed via the Undertakings that they have sufficient financial resources to fulfil their respective Undertakings. The said confirmations had been verified by UOB Kay Hian, being the adviser for the Proposed Rights Issue with Warrants.

The remaining portion of Rights Shares for which no undertaking has been obtained will be fully underwritten. As at the LPD, the underwriting arrangements and commission have not been finalised. Such underwriting arrangements and commission will be in place prior to the implementation of the Proposed Rights Issue with Warrants, details of which will be set out in the abridged prospectus to be issued for the Proposed Rights Issue with Warrants.

As the Proposed Rights Issue with Warrants is undertaken on a full subscription basis, the Undertakings are not expected to trigger any mandatory offer obligations under the Rules.

Pursuant to Paragraph 8.02(1) of the Listing Requirements, we must ensure that at least 25% of the total listed Johan Shares are in the hands of public shareholders. For information purpose, our public shareholding spread is not expected to fall below 25% of our enlarged issued shares after the completion of the Proposed Rights Issue with Warrants, in view that the Proposed Rights Issue with Warrants is being undertaken on a full subscription basis.

#### 4.6 Indicative salient terms of the Warrants

<b>Issuer</b>	:	Johan
<b>Issue size</b>	:	389,342,813 Warrants
<b>Issue price</b>	:	The Warrants are free and shall be issued at no cost to the Entitled Shareholders and/ or their renounee(s) who successfully subscribed for the Rights Share.
<b>Form and Denomination</b>	:	The Warrants which are issued with the Rights Shares are immediately detachable upon issuance and will be separately traded on Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll.
<b>Exercise Rights</b>	:	Each Warrant carries the entitlement, at any time during the Exercise Period, to subscribe for one (1) new Johan Share at the Exercise Price, subject to the adjustments in accordance with the provisions of the Deed Poll.
<b>Exercise Period</b>	:	The Warrants may be exercised at any time within a period of <b>3</b> years commencing on and including the date of issuance of the Warrants and ending at 5.00 p.m. in Kuala Lumpur, on the date preceding the <b>3rd</b> anniversary of the date of issuance, or if such day is not a day on which Bursa Securities is open for trading in securities in Malaysia (" <b>Market Day</b> "), then it shall be the Market Day immediately preceding the said non-Market Day. Any Warrant not exercised during the exercise period will thereafter lapse and cease to be valid.
<b>Exercise Price</b>	:	RM0.25
<b>Mode of Exercise</b>	:	The Warrant holders are required to lodge an exercise form, as prescribed in the Deed Poll, with the Company's registrar, duly completed, signed and stamped together with payment of the Exercise Price by banker's draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia or by way of online transfer in accordance with the provisions of the Deed Poll.
<b>Mode of Transfer</b>	:	The Warrants are transferable in the manner provided under the Deed Poll, Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd.
<b>Ranking of Warrants</b>	:	The Warrants shall as between the Warrant holders rank equally and rateably in all aspects among themselves.
<b>Participation Rights of the Holder of the Warrants</b>	:	The Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders are issued with new Shares upon exercise of the Warrants in accordance with the Deed Poll.
<b>Ranking of New Share arising from the Exercise of Warrant</b>	:	All the Johan Shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank <i>pari passu</i> in all respects with the then existing Johan Shares, save and except that the new Johan Shares issued arising from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid before the date of allotment and issuance of such new Johan Shares.
<b>Board Lots</b>	:	For the purposes of trading on Bursa Securities, one (1) board lot of Warrants shall comprise 100 units of Warrants carrying the rights to subscribe for 100 new Johan Shares at any time during the Exercise Period, or in such denomination as determined by Bursa Securities.

**Listing and quotation of the Warrants** : The Warrants and new Johan Shares to be issued arising from the exercise of the Warrants will be listed and quoted on the Main Market of Bursa Securities.

**Adjustments in the Exercise Price and/or Number of Warrants** : The Exercise Price and/or the number of unexercised Warrants may be subject to adjustments by the Board in consultation with an approved adviser appointed by Johan or the auditors in the event of any alteration in the share capital of Johan at any time during the tenure of the Warrants, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or capital reduction, in accordance with the provisions of the Deed Poll. Any adjustment to the Exercise Price will be rounded up to the nearest 1 sen

**Rights in the event of winding up, liquidation, compromise and/or arrangement** : Where a resolution has been passed for a member's voluntary winding up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then:

- a. for the purpose of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant holders or some persons designated by them for such purpose by an extraordinary resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the Warrant holders; and
- b. in any other case, every holder of Warrants shall be entitled at any time within six (6) weeks after the passing of such resolution for a member's voluntary winding up of the Company or within six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his/her Warrants to the Company, elect to be treated as if he/she had immediately prior to the commencement of such winding up, compromise or arrangement, exercised the exercise rights represented by such Warrants to the extent specified in the relevant exercise forms and be entitled to receive out of the assets of the Company which would be available in liquidation as if he/she had on such date been the holder of the new Johan Shares to which he/she would have been entitled to pursuant to such exercise.

All exercise rights which has not been exercised within the above six (6) weeks of either the passing of such resolution for the members' voluntary winding up or the granting of the court order for the approval of such winding-up, compromise or arrangement, as the case may be, will lapse and all the unexercised new Warrants will cease to be valid for any purpose.

Subject to the foregoing, if the Company is wound up for any reason other than a members' voluntary winding-up, all Warrants which have not been exercised at the date of the passing of such resolution shall lapse and the Warrants shall cease to be valid for any purpose.



**Modifications and waiver** : The Company may, without the consent of the Warrant holders but in accordance with the terms of the Deed Poll, effect any modification to the Warrants or the Deed Poll which in its opinion:

- (a) is not prejudicial to the interests of the holders of the Warrants;
- (b) is to correct a manifest error or to comply with the mandatory provisions of Malaysian law;
- (c) is to vary or replace provisions relating to the transfer or exercise of the Warrants including the issue of Shares arising from the exercise thereof or meetings of the Warrant holders in order to facilitate trading in or the exercise of the Warrants or in connection with the book-entry (scripless) settlement system in respect of trades of the Company's securities on the Main Market of Bursa Securities, provided that such modification is not prejudicial to the interests of the Warrant holders;
- (d) relates purely to administrative matters; and/or
- (e) is required to correct any typographical errors.

Any such modification shall be binding on the Warrant holders and shall be notified to them in accordance with conditions of the Warrants as soon as practicable thereafter.

Subject to the above, any modification, amendment, deletion or addition to the Deed Poll may be effected only by Deed Poll, executed by the Company and expressed to be supplemental thereto, and only if it shall first have been sanctioned by an extraordinary resolution of the holders of the Warrants.

**Governing Law** : Laws of Malaysia

#### 4.7 Utilisation of proceeds from the Proposed Rights Issue with Warrants

The gross proceeds to be raised from the Proposed Rights Issue with Warrants will be utilised in the following manner:-

<b>Proposed utilisation</b>	<b>Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants</b>	<b>Gross proceeds raised RM'000</b>
Funding for Gloves Business <sup>*1</sup>	Within 24 months	37,434
Estimated expenses <sup>*2</sup>	Upon completion	1,500
<b>Total</b>		<b>38,934</b>

**Notes:-**

<sup>\*1</sup> *The proceeds will be used to fund the construction of the Gloves Manufacturing Plant. The plan for the Gloves Business is to install and commission up to 42 production lines within the next 24 months to manufacture examination and surgical gloves which is expected to yield production capacity of approximately 12.00 billion pieces of gloves per annum. Commercial production of the first production line is expected to commence in August 2021 with a total of 6 production lines to be fully operational by December 2021. The remaining 36 production lines will be commissioned and operationalized in stages in 2022 and 2023.*

*Further details on the additional financial commitment required for the Gloves Business are set out in Section 2.7, Part A of this Circular and the proceeds will be utilised to fund our additional financial commitment for the Gloves Business.*

<sup>2</sup> The proceeds earmarked for estimated expenses in relation to the Proposals are as follows:-

	<b>RM'000</b>
Professional fees and underwriting commission	1,200
Regulatory fees	100
Other incidental expenses in relation to the Proposals	200
<b>Total</b>	<b><u>1,500</u></b>

Pending the utilisation of proceeds from the Proposed Rights Issue with Warrants for the above purposes, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments. Any interest income earned from such deposits or instruments will be used as working capital of Johan Group.

The gross proceeds to be raised from the exercise of the Warrants is dependent on the total number of Warrants exercised during the tenure of the Warrants. As such, the exact amount to be raised from the exercise of the Warrants is not determinable at this juncture. For illustrative purposes only, the gross proceeds to be raised upon the full exercise of the Warrants based on the exercise price of RM0.25 per Warrant is set out below:-

No. of Warrants	389,342,813
Total gross proceeds raised assuming all outstanding Warrants are exercised (RM)	97,335,703

Such gross proceeds to be raised from the exercise of Warrants will be utilised as additional working capital to finance Johan Group's day to day operations and will be utilised within 12 months from the receipt of such proceeds. The proceeds may be utilised to finance, amongst others, employee salaries, payment to trade creditors as well as general expenses such as utilities and office expenses, the breakdown of which have not been determined at this juncture.

#### **4.8 Other fund raising exercises in the past 12 months**

Save for the Private Placement, we have not undertaken any other equity fund raising exercises in the past 12 months up to the LPD.

A total of 155,737,100 Placement Shares issued pursuant to the Private Placement were listed on 29 September 2020 at the issue price of RM0.063 each, raising total gross proceeds of RM9.81 million. The status of the utilisation of proceeds from the Private Placement as at the LPD is as follows:-

Details of utilisation	Timeframe for utilisation	Proceeds raised RM'000	Balance to be utilised RM'000
Business/ investment opportunities	Within 12 months from receipt of proceeds	9,651	9,651
Estimated expenses	Upon completion of the Private Placement	160	-
<b>Total</b>		<b><u>9,811</u></b>	<b><u>9,651</u></b>

Our Board intends to utilised the proceeds raised from the Private Placement to partially fund the financial commitment required to undertake the Gloves Business, details of which are set out in Section 2.7, Part A of this Circular.

## 5. PROPOSED OFFER TO SUBSCRIBE

On 29 March 2021, we had extended the Letter of Offer to George Kent and George Kent had on even date, accepted the Letter of Offer, which is subject to shareholders' approval. Pursuant to the Proposed Offer to Subscribe, George Kent will subscribe for 40% equity interest in Dynacare. The intended equity to be contributed by shareholders of Dynacare is RM100,000,000 of which 60% equity interest is to be contributed by us in accordance with the equity participation ratio ("**Equity Participation Ratio**") in Dynacare which is to be maintained at all times as follows:-

Johan	60%
George Kent	40%
	<u>100%</u>

As at the LPD, the issued share capital of Dynacare is RM3,000,000 comprising 3,000,000 ordinary shares in Dynacare ("**Dynacare Share(s)**"). Based on the intended equity value of Dynacare of RM100,000,000, our intended subscription into Dynacare is at RM60,000,000 (computed based on our Equity Participation Ratio) ("**Subscription Price**").

George Kent is invited to participate in Johan Group's Gloves Business (which is to be undertaken via Dynacare) as an equity partner only and any dealings of Dynacare with Johan and/ or George Kent shall at all times be conducted on arm's length basis. The Proposed Offer to Subscribe will be effected after obtaining shareholders' approval for the Proposed Offer to Subscribe.

### 5.1 Information on Dynacare

#### i. Incorporation and business activity

Dynacare was incorporated in Malaysia on 23 July 2020 as a private company limited by shares under the Act and having its registered office at 11th Floor, Wisma E&C, No. 2 Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur. As at the LPD, Dynacare has yet to commence business operations and it is intended for Dynacare to carry out the Gloves Business.

#### ii. Share capital and shareholders

As at the LPD, Dynacare is our wholly-owned subsidiary company with an issued share capital of RM3,000,000 comprising 3,000,000 Dynacare Shares.

Upon obtaining our shareholders' approval for the Proposed Offer to Subscribe and the approval of George Kent's shareholders, George Kent will subscribe for 2,000,000 Dynacare Shares at the issue price of RM1.00 each such that the issued share capital of Dynacare is as follows:-

	No. of Dynacare Shares	Equity interest	RM
Johan	3,000,000	60%	3,000,000
George Kent	2,000,000	40%	2,000,000
	<u>5,000,000</u>	<u>100%</u>	<u>5,000,000</u>

Pursuant to the Proposed Offer to Subscribe, Johan and George Kent intend to increase the issued share capital of Dynacare to RM100.00 million comprising 100,000,000 Dynacare Shares, of which 60,000,000 Dynacare Shares, representing 60.0% equity interest, are to be held by us whilst the remaining 40,000,000 Dynacare Shares, representing 40.0% equity interest, are to be held by George Kent.

As set out in Section 5, Part A of this Circular, the intended issued share capital of Dynacare is RM100.00 million comprising 100,000,000 Dynacare Shares. The subscription of Dynacare Shares by Johan and George Kent will be carried out as and when required based on the funding requirements of Dynacare for the Gloves Business.

**iii. Directors**

As at the LPD, Puan Sri Tan, Mr. Teh Yong Fah and Mr. Phoon Hee Yau are the directors of Dynacare.

**5.2 Information on George Kent**

**i. Incorporation and business activity**

George Kent was incorporated on 2 January 1951 and having its registered office at 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

George Kent is a public company listed on the Main Market of Bursa Securities. The principal activities of George Kent and its subsidiaries are in the provision of construction and engineering services, in the water infrastructure, rail transportation and hospital construction industry, manufacturing and sale of metering products and solutions for residential, industrial and commercial customers.

**ii. Share capital and substantial shareholders**

As at the LPD, George Kent has an issued share capital of RM187.76 million comprising 563,269,065 ordinary shares (including 40,559,200 treasury shares). The substantial shareholders of George Kent and their respective shareholdings are as follows:-

	<-----Direct----->		<-----Indirect----->	
	No. of shares	%*1	No. of shares	%*1
Star Wealth Investments Limited	78,999,999	15.11	-	-
Kin Fai International Limited	26,687,499	5.11	-	-
Puan Sri Tan	43,610,247	8.34	194,137,617*2	37.14
Tan Sri Tan	26,886,014	5.14	210,861,850*2	40.34

**Notes:-**

\*1 Excludes a total of 40,559,200 ordinary shares bought back by George Kent and held as treasury shares as at the LPD.

\*2 Deemed interested by virtue of their 100% equity interest in Kwok Heng Holdings Ltd, Kin Fai International Limited, Suncrown Holdings Limited and Star Wealth Investment Limited, and by virtue of Section 8(4) of the Act in Johan Equities Sdn Bhd, and also shares held in each other's name

For information purpose, based on the last transacted market price of George Kent share as at the LPD of RM0.805, the market capitalisation of George Kent is approximately RM420.78 million.

### iii. Directors

As at the LPD, the Board of Directors of George Kent are as follows:-

Name	Designation
Tan Sri Tan	Non-Independent Non-Executive Director/ Chairman
Puan Sri Tan	Non-Independent Non-Executive Director
Ong Seng Pheow	Independent Non-Executive Director
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	Independent Non-Executive Director
Dato' Ahmad	Independent Non-Executive Director
Ooi Chin Khoon	Non-Independent Executive Director

### 5.3 Basis of and justification for the Subscription Price

The Subscription Price is the intended capital investment by us into Dynacare to undertake the Gloves Business and will be utilised for amongst others:-

- partial settlement of the Purchase Consideration attributable to us for the acquisition of a parcel of land for the Gloves Manufacturing Plant as set out in Section 2.5, Part A of this Circular;
- the financial commitment for the construction and setting up of the Gloves Manufacturing Plant as set out in Section 2.7, Part A of this Circular; and/ or
- to finance the working capital requirements of Dynacare.

The indicative breakdown of the actual utilisation will be determined at a later date upon obtaining all the relevant approvals for the Proposals and the eventual share capital of Dynacare (which is intended to be RM100.00 million).

### 5.4 Source of funding

The Subscription Price will be funded via our internally generated funds. For shareholders information, our cash and bank balances stood at approximately RM93.10 million as at the latest 12-month FPE 31 January 2021.

Further, for shareholders' information, we had on 27 November 2019 announced the disposal of a parcel of freehold land by PCSB, our wholly-owned subsidiary, for a total disposal consideration of RM127.00 million to be satisfied via a combination of RM108.00 million in cash and RM19.00 million via payments in kind ("**Disposal of Land**").

As at the LPD, RM63.00 million in cash and RM19.00 million via payments in kind had been received (being the transfer of 7 units of properties to PCSB with an aggregate market value of RM19.00 million). Please refer to the circular dated 10 March 2020 for further information in relation to the Disposal of Land.

The breakdown of the remaining RM45.00 million of the disposal consideration to be received by us is as follows:-

Timing	RM'000
a. On or before 26 November 2022 (being 36 months from the date of the sale and purchase agreement for the Disposal of Land (" <b>Disposal SPA</b> ").	15,000
b. On or before 26 November 2023 (being 48 months from the date of the Disposal SPA).	15,000
c. On or before 26 November 2024 (being 60 months from the date of the Disposal SPA).	15,000
	<hr/> <b>45,000</b>

The Disposal of Land will be completed upon the receipt of all the cash payments due and payable under the Disposal SPA. Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Disposal of Land to be completed by end of year 2024, after the receipt of all cash payments.

#### **5.5 Salient terms of the Letter of Offer**

- i. 60% equity interest in Dynacare is to be held by Johan. The intended equity to be contributed by shareholders is RM100,000,000;
- ii. The Proposed Offer to Subscribe is subject to the approval by the respective shareholders of Johan and George Kent;
- iii. Upon subscription of the shares, the rights, powers duties and obligations of George Kent as a shareholder shall be governed by company constitution of Dynacare and George Kent shall be bound by the constitution;
- iv. George Kent shall be entitled to nominate to the board of directors of Dynacare, a number of Directors that are proportionate to its shareholding in Dynacare;
- v. The completion of the share subscription shall occur within twenty-one (21) calendar days after all the respective board and shareholders approvals have been obtained.

For avoidance of doubt, the share subscription pertains to the subscription of 2,000,000 Dynacare Shares by George Kent in the manner as set out in Section 5.1(ii), Part A of this Circular. The remaining share subscription will depend on the funding requirements of Dynacare and any subsequent subscription of Dynacare Shares by Johan and George Kent will be called up in accordance with the Equity Participation Ratio. It is expected that the remaining share subscription of Dynacare Shares will be called up within 6 months after all the respective shareholders approvals have been obtained.

#### **5.6 Additional financial commitment required by Johan**

Save for the Subscription Price, which will be paid by us as the capital investment of Dynacare and intended to be utilised for the purposes as set out in Section 5.3, Part A of this Circular, there is no other additional financial commitment required by us to put the business of Dynacare on stream at this juncture.

### **6. PROPOSED RIGHT TO EXECUTE THE WORKS**

Our Board (save for the Interested Directors) has proposed that George Kent be given the Right to build the Plant and Machinery ("**Works**") as the design and build contractor in respect of the Glove Manufacturing Plant at a global contract price of RM624,100,000.00 plus or minus 10% (excluding sale and services tax), subject to the approval of the shareholders of both Johan and George Kent. The contract price include all costs for labour, plant, machinery, tools, materials, transportation, wastage, storage, all others cost necessary for the proper performance and completion of the Works and is based on consultants' estimate and quotation. The final price will be determined after the works packages procurement process, which will be carried out by George Kent in an open book and transparent manner to ensure competitive pricing and whereby all sub-contractors/suppliers and prices are to be agreed and approved by us and Dynacare prior to any award. In view of this being a fast track project, not all the elements of the Works are ready for tender and award currently nor will all the elements be ready for tender at the same time. As such the execution shall be phased whenever packages are ready for tender and award.

George Kent has completed projects such as the LRT 2 Ampang Line Extension and is currently executing 2 hospital projects and LRT 3 as a 50% shareholder on a turnkey project with contract value in excess of RM11.00 billion. The aforementioned projects involve building construction & infrastructure work and systems engineering works. George Kent is an experienced engineering project management company and is capable to undertake another project involving civil and engineering works, i.e. the construction of the Gloves Manufacturing Plant.

George Kent as the main contractor shall be responsible to deliver the project on the prices agreed and to meet the timeline agreed with Dynacare.

The terms of the contract to be entered into between George Kent and Dynacare will include the customary construction contract terms which will be finalised after obtaining shareholders' approval for the Proposed Right to Execute the Works. For shareholders' information, "customary construction contract terms" would include the terms commonly seen in construction contracts such as provisions in relation to site conditions, variations, delay and extension of time, completion of the works, damages for non-completion, procedures for claims etc. We will use the JKR Standard Form of Design and Build Contract PWD FORM DB (Rev 1/2010) subject to any necessary amendments as may be mutually agreed between the parties.

For shareholders' information, George Kent had on 21 April 2021 accepted the letter of intent dated 20 April 2021 from Dynacare for the appointment of George Kent as the design and build contractor for 42 Double Former Glove-Dipping Lines for the Glove Manufacturing Plant (which is subject to the approval from the shareholders of Johan and George Kent) ("**Letter of Intent**"). The salient terms of the Letter of Intent are set out in Appendix III of this Circular.

## 6.1 Scope of Works

George Kent shall design, construct, complete, test and commission the Works which includes the installation of infrastructure and utilities of total of 42 Double Former Glove-Dipping Lines as well as the installation of the equipment, machinery and ancillary systems for the production lines.

A breakdown of the scope of Works is set out below:-

	<b>RM'000</b>
<b><u>Infrastructure and utilities</u></b>	
- Electricity substation, water supply & storage, wastewater treatment & recycling system, sewerage treatment plant, solar Photovoltaic system, compressed air system and chiller system	85,000
- Civil, structural and building works	82,000
- Mechanical and electrical works	46,400
	<b>213,400</b>
<b><u>Equipment, machinery and ancillary system</u></b>	
- 42 units of High Capacity Double Former Glove-Dipping Lines including ceramic formers, former holders, conveyor chain, dip tanks, compounding, storage and feeding tanks, chlorination and scrubber systems, electrical systems, auto-stripping, auto-stacking and water tight tests equipment.	390,000
- Automation and SCADA remote control systems, QA/QC and R&D Lab and testing equipment, warehouse systems and loading bay, engineering workshop and spares, and office equipment and furnishing	20,700
	<b>410,700</b>
	<b>624,100</b>

## 6.2 Duration for the Works

The expected period of the execution is 24 months in which, the Gloves Manufacturing Plant is expected to be completed by 31 July 2023 and fully operational.

## 7. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

### 7.1 Proposed Acquisition

Our Board intends to undertake the Proposed Diversification as part of its effort to diversify into new and additional streams of revenue and income. The Proposed Acquisition is undertaken as the Gloves Business requires the construction of the Gloves Manufacturing Plant to accommodate the planned target of 42 production lines.

At present, the Subject Property has 6 factory buildings, an office building and ancillary buildings with a total built up area of 19,965 square metres and we would only need to renovate the existing buildings rather than undertake construction works from the ground up. Further, the Subject Property is large enough to expand the total built-up area by 26,000 square metres, hence bringing the total built-up area of the Gloves Manufacturing Plant to approximately 45,965 square metres to accommodate the planned target of 42 production lines. As such, the Subject Property is deemed suitable for the Gloves Manufacturing Plant in terms of size and location.

Barring any unforeseen circumstances, the Proposed Acquisition will allow Johan Group to successfully undertake the Gloves Business which in turn, is expected to contribute positively to Johan Group's revenue and earnings.

### 7.2 Proposed Diversification and Proposed Offer to Subscribe

As highlighted in Section 3, Part A of this Circular, Johan Group has been in a loss making position for the past 3 financial years up to the FYE 31 January 2020. Johan Group's main revenue contributor, i.e. hospitality and card services has also been loss making for the past 2 financial years, details of which are set out as follows:-

	Audited FYE 31 January		
	2018	2019	2020
	RM'000	RM'000	RM'000
Revenue	120,399	103,595	95,728
Segment profit/ (loss)	1,256	(17,373)	(16,002)

The losses recorded from the hospitality and card services is mainly due to loss of corporate clients under the travel business and lower services charges income earned by the card business in Singapore due to regulatory compliance for unsecured customers' exposure.

Nevertheless, our Board has been actively exploring avenues to turn around the financial performance of Johan Group, most notably by ceasing the operations of PCSB to stem further losses incurred. Our Board had on 24 December 2020 announce the Disposal of DCS and subsequent to the Disposal of DCS, Johan Group will be relying on the following business:-

- i. hospitality business, i.e. the management and operations of The Orient Star Resort located in Lumut, Perak and the travel businesses in Malaysia and Singapore;
- ii. general trading; and
- iii. investment holding and secretarial services.

As part of our Board's strategy to identify additional streams of income, our Board has taken into consideration the growing market demand and sustainability potential for gloves had decided to diversify into the Gloves Business.



Johan Group intends to venture into the Gloves Business to provide additional source of revenue and income stream to Johan Group and in turn, improve the profitability of Johan Group. In addition, pursuant to the Proposed Offer to Subscribe, George Kent has been invited to participate in Dynacare's gloves business via the Proposed Offer to Subscribe and any financial commitment (i.e. Subscription Price, advances and/ or guarantees) required by Dynacare for the Gloves Business will be based on Johan's shareholdings in Dynacare, i.e. 60% equity interest which to a certain extent, limits Johan's exposure in the Gloves Business and ensure that Johan Group has sufficient cash flow to carry on its existing operations.

Barring any unforeseen circumstances, given the outlook of the glove industry as highlighted in Section 10.4, Part A of this Circular, our Board is optimistic that the Gloves Business will contribute positively to the earnings of Johan Group moving forward. Notwithstanding the above, upon completion of the Proposed Diversification, Johan Group's existing business would remain and continue as part of the core business.

### **7.3 Proposed Right to Execute the Works**

Johan and Dynacare do not have the expertise in engineering design and construction nor the resources to undertake such a project. The construction of the Gloves Manufacturing Plant has to be undertaken on a tight schedule while meeting all the necessary quality standards.

In this respect, George Kent has the necessary expertise, resources and track record in undertaking construction and engineering design. For shareholders' information, George Kent has a proven track record in delivering a variety of engineering and construction projects such as the Hospital Kuala Lipis, Ampang (AMG) Line extension project (LRT 2) as well as several water infrastructures projects. In addition, we are familiar with the management of George Kent which gives us the confidence of working with a contractor we are familiar with and one that has the financial strength to take on a project of this size and nature. This familiarity is crucial for the fast track nature of the project and it is preferable for the delivery of the project to be awarded to a single responsible party.

In addition, the Proposed Offer to Subscribe and the acceptance thereof (which are subject to shareholders' approval) to contribute RM40,000,000 in Dynacare will align the interest of George Kent with Johan with respect to the undertaking of the Gloves Business (which include the construction of the Gloves Manufacturing Plant) as they will be keen to undertake and complete the project as they will have a share of the profit from the success of the Gloves Business.

The Proposed Right to Execute the Works will allow Johan to exercise more control on the works to be carried out while transferring the construction risk to George Kent. The management of Johan and George Kent will be able to work closely together to ensure the success of the construction of the Gloves Manufacturing Plant. Further, George Kent having the expertise in undertaking such construction works as well as its familiarity in the implementation of manufacturing processes will be able to provide value engineering works to further optimise the construction cost of the Gloves Manufacturing Plant.

The Proposed Right to Execute the Works will also allow the management of Johan and Dynacare to focus on the development of the Gloves Business in terms of securing key customers and suppliers.

## 7.4 Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants is undertaken to raise proceeds to be utilised in the manner as set out in Section 4.7, Part A of this Circular. After due consideration of the various options available as well as our capital structure, our Board is of the opinion that the Proposed Rights Issue with Warrants is the most appropriate means of raising funds for the following reasons:-

- i. The Proposed Rights Issue with Warrants will involve the issuance of new Johan Shares without diluting the existing shareholders' percentage shareholdings provided that all the Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants;
- ii. The Proposed Rights Issue with Warrants will provide the Entitled Shareholders with an opportunity to participate in our equity offering on a pro rata basis and ultimately, participate in the prospects and future growth of Johan Group by subscribing to the Rights Shares; and
- iii. The Proposed Rights Issue with Warrants will strengthen Johan Group's financial position with enhanced shareholders' funds and reduced gearing level as compared to bank borrowings which are expected to facilitate the continuous long-term growth and expansion plans of Johan Group as the proceeds raised from the Proposed Rights Issue with Warrants will be used to put on-stream the Gloves Business to be undertaken by Johan Group.

The Warrants have been attached to the Rights Shares to provide the Entitled Shareholders with additional incentive to subscribe for the Rights Shares. The Warrants will potentially allow the Entitled Shareholders who subscribe for the Rights Shares to benefit from the possible capital appreciation of the Warrants and increase their equity participation in Johan at a predetermined price over the tenure of the Warrants. We would also be able to raise additional proceeds as and when the Warrants are exercised.

## 8. EFFECTS OF THE PROPOSALS

The Proposed Diversification, Proposed Offer to Subscribe and Proposed Right to Execute the Works will not have any impact on our issued share capital, substantial shareholders' shareholdings, NA and gearing and earnings and EPS of Johan Group.

### 8.1 Issued share capital

The pro forma effects of the Proposed Rights Issue with Warrants on our issued share capital are as follows:-

	<b>No. of Shares</b>	<b>RM</b>
Issued share capital as at the LPD	778,685,627	390,701,279
Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants	389,342,813	34,924,050 <sup>*1</sup>
	<u>1,168,028,440</u>	<u>425,625,329</u>
Johan Shares to be issued arising from the full exercise of Warrants	389,342,813	97,335,703 <sup>*2</sup>
Reversal of warrants reserves pursuant to full exercise of Warrants	-	4,010,231 <sup>*3</sup>
<b>Enlarged issued share capital</b>	<b><u>1,557,371,253</u></b>	<b><u>526,971,263</u></b>

**Notes:-**

<sup>\*1</sup> Computed based on the issue price of RM0.10 per Rights Share and adjusted for the apportionment of its relative fair value between the share capital account and the warrant reserve account

<sup>\*2</sup> Computed based on the exercise price of RM0.25 per Warrant

<sup>\*3</sup> Computed based on the number of Warrants multiplied by the theoretical fair value of RM0.0103 per Warrant based on the trinomial option pricing model as extracted from Bloomberg

**8.2 NA and gearing**

For illustration purposes only, based on the latest audited consolidated financial statements of Johan Group as at 31 January 2020 and on the assumption that the Proposed Rights Issue with Warrants had been effected on that date, the pro forma effects of the Proposed Rights Issue with Warrants on the audited consolidated NA per Share and gearing of Johan Group as at 31 January 2020 are as follows:-

	<b>Audited as at 31 January 2020 RM'000</b>	<b>I After adjusting for subsequent events<sup>*1</sup> RM'000</b>	<b>II After I and the Proposed Rights Issue with Warrants RM'000</b>	<b>III After II and assuming full exercise of Warrants RM'000</b>
Share capital	380,889	390,701	425,625 <sup>*2</sup>	526,971 <sup>*4</sup>
Reserves	109,587	109,587	109,587	109,587
Warrant reserve	-	-	4,010 <sup>*2</sup>	- <sup>*4</sup>
Accumulated losses	(429,172)	(429,332)	(430,832) <sup>*3</sup>	(430,832)
<b>Shareholders' equity/ NA</b>	<b>61,304</b>	<b>70,956</b>	<b>108,390</b>	<b>205,726</b>
Non-controlling interests	2,782	2,782	2,782	2,782
<b>Total equity</b>	<b>64,086</b>	<b>73,738</b>	<b>111,172</b>	<b>208,508</b>
No. of Shares in issue ('000)	622,949	778,686	1,168,028 <sup>*2</sup>	1,557,371
NA per Share (RM)	0.10	0.09	0.09	0.13
Total borrowings (RM'000)	529,246	529,246	529,246	529,246
Gearing ratio (times)	8.26	7.18	4.76	2.54

**Notes:-**

<sup>\*1</sup> After adjusting for the issuance and allotment of 155,737,100 new Johan Shares on 28 September 2020 pursuant to the Private Placement

<sup>\*2</sup> Computed based on the subscription of 389,342,813 Rights Shares at the issue price of RM0.10 per Rights Share and adjusted for the apportionment of its relative fair value between the share capital account and the warrant reserve account and the recognition of 389,342,813 Warrants at the theoretical fair value of RM0.0103 per Warrant based on the trinomial option pricing model as extracted from Bloomberg

<sup>\*3</sup> After deducting estimated expenses of RM1.50 million in relation to the Proposals

<sup>\*4</sup> Assuming all 389,342,813 Warrants are exercised at the exercise price of RM0.25 per Warrant and the corresponding reversal of the warrant reserve to share capital amounting to approximately RM4.01 million

**8.3 Earnings and EPS**

The Proposed Rights Issue with Warrants, which is expected to be completed by the third quarter of year 2021, is not expected to have any material effect on the earnings of Johan Group for the FYE 31 July 2021. However, there may be a dilution in the EPS/ loss per share of Johan Group for the FYE 31 July 2021 due to the increase in the number of Johan Shares in issue arising from the Proposed Rights Issue with Warrants. Notwithstanding that, the Proposed Rights Issue with Warrants is expected to contribute positively to the future earnings of Johan Group in the ensuing financial year(s) via the utilisation of the proceeds.

#### 8.4 Substantial shareholdings structure

The pro forma effects of the Proposed Rights Issue with Warrants on the substantial shareholders' shareholdings are as follows:-

Substantial shareholders	Shareholdings as at the LPD		After the Proposed Rights Issue with Warrants	
	<-----Direct-----> No. of Shares	%	<-----Indirect-----> No. of Shares	%
Mustika Manis Sdn Bhd	233,605,427	30.00	-	-
Kurnia Menang Sdn Bhd	74,276,613	9.54	-	-
Star Wealth Investment Limited	71,277,017	9.15	-	-
Sky Wealth Ventures Limited	-	-	398,174,444 <sup>*1</sup>	51.13
Tan Sri Tan	-	-	472,451,057 <sup>*1</sup>	60.67
Puan Sri Tan	-	-	472,451,057 <sup>*1</sup>	60.67
			350,408,140	30.00
			111,414,919	9.54
			106,915,525	9.15
			-	-
			597,261,665 <sup>*1</sup>	51.13
			708,676,584 <sup>*1</sup>	60.67
			708,676,584 <sup>*1</sup>	60.67

#### II

#### After I and assuming full exercise of Warrants

Substantial shareholders	After I and assuming full exercise of Warrants		After I and assuming full exercise of Warrants	
	<-----Direct-----> No. of Shares	%	<-----Indirect-----> No. of Shares	%
Mustika Manis Sdn Bhd	467,210,853	30.00	-	-
Kurnia Menang Sdn Bhd	148,553,225	9.54	-	-
Star Wealth Investment Limited	142,554,033	9.15	-	-
Sky Wealth Ventures Limited	-	-	796,348,886 <sup>*1</sup>	51.13
Tan Sri Tan	-	-	944,902,111 <sup>*1</sup>	60.67
Puan Sri Tan	-	-	944,902,111 <sup>*1</sup>	60.67

**Note:-**

\*1 Deemed interested by virtue of Tan Sri Tan and Puan Sri Tan jointly holding 100.0% equity interest in Sky Wealth Ventures Limited, which in turn holds 100.0% equity interest in Kin Fai International Limited, Kwok Heng Holdings Limited, Suncrown Holdings Limited, Star Wealth Investment Limited and Mustika Manis Sdn Bhd. For information purpose, as at the LPD, Suncrown Holdings Limited and Kwok Heng Holding Limited hold approximately 3.9% and 3.2% equity interest in Johan, respectively. In addition, Tan Sri Tan and Puan Sri Tan each hold 50.0% direct equity interest in Kurnia Menang Sdn Bhd.

## 8.5 Convertible securities

As at the LPD, we do not have any convertible securities.

## 9. RISK FACTORS

Pursuant to the Proposed Diversification, Johan Group will be exposed to the risk inherent in the Gloves Business, including but not limited to:-

### 9.1 Business risk

Pursuant to the Proposed Diversification, Johan Group will be subject to business risks inherent in the glove industry, in which Johan Group has not been involved in the past. These risks (which may not be exhaustive) together with the mitigating measures are elaborated as follows:-

<b>Business risks</b>	<b>Elaboration</b>	<b>Measures or steps to mitigate</b>
i. Adverse changes in supply and demand conditions	<p>As set out in Section 10.4, Part A of this Circular, there is a shortage of gloves due to overwhelming demand this year, to spill into 2021 with the industry continuing to be in an oversold position.</p> <p>Notwithstanding the above, the demand and supply of gloves are largely dependent on several factors such as the overall supply of gloves, incidence and development of diseases and the development of an effective vaccine and/ or alternative forms of treatment, which may reduce the demand for gloves.</p>	<ul style="list-style-type: none"><li>• Keep abreast with the latest development in the glove industry and general economic conditions.</li><li>• Proper due diligence in the performance of planning, budgetary cost control, development and the eventual commercialisation of new products and services will be reviewed and monitored.</li></ul>
ii. Competition from the existing players and entry of new players	<p>As set out in Section 10.4, Part A of this Circular, Johan Group is expected to face competition risk from other gloves players from Malaysia or other countries and/ or threat of new entrants, similar to Johan.</p>	<ul style="list-style-type: none"><li>• Maintain the gloves quality to be parallel and comply with the standard of global level.</li><li>• Keep abreast to invention of new technologies to be adopted in the manufacturing and production process to maintain cost competitiveness.</li><li>• Enhance the relationship between Dynacare and its stakeholders such as the suppliers and distributors and identify new customers.</li></ul>

<b>Business risks</b>	<b>Elaboration</b>	<b>Measures or steps to mitigate</b>
iii. Introduction of new legal and environmental framework, changes in certification/ licencing jurisdiction, adverse development in global and regional trade policy and downturns in regional and/ or national economies	<p>Glove industry is highly regulated with the rules and regulation from the local authority and other countries' authority, and the policies and guidelines governed by specific local and/ or national ministries.</p> <p>The developments in the rules and regulation of the glove industry and the economic, political and regulatory environment of Malaysia as well as its major trading partners, and the economics condition of the countries may affect the manner in which Dynacare carries out its operations and the market consumption.</p>	<ul style="list-style-type: none"> <li>• Keep abreast with the latest development in the rules, regulations, policies and requirements in relation to the Gloves Business.</li> <li>• Set up an operational, risk and policy committee to feed on news and provide an in-house guidelines to the employees to adhere to the standard operating procedures of the relevant rules, regulations and guidelines.</li> <li>• Engage in discussion or meeting with the relevant stakeholders and gloves association for input pertaining to the latest development of Gloves Business.</li> </ul>
iv. Changes in law and tax regulations, increase in labour cost, and changes in business and credit conditions	<p>Any increase in the operational costs, adverse development of the tax regulations, and changes in the requirements for credit/ financing may affect the margin of Gloves Business, and the ability of Dynacare obtaining trade lines, if required.</p>	<ul style="list-style-type: none"> <li>• To adopt prudent financial management, monitor the budget and implement cost control in the operations.</li> <li>• To adopt new technologies to increase the productivity and cost efficiency.</li> </ul>

The demand for gloves is influenced by various factors such as the growth in the healthcare services, increase in global industrial production activities and the incidence of the COVID-19 pandemic, where the need for personal protective equipment to curb the spread of infections has stoked the demand for gloves. Further, the development of an effective vaccine and/ or alternative forms of treatment is expected to reduce the number of COVID-19 cases, which may in turn affect the demand for gloves.

Notwithstanding the above, Johan Group seeks to mitigate these risks as set out above. However, there can be no assurance that any changes to the abovementioned factors, which are beyond the control of our Board, will not adversely affect Johan Group's Gloves Business segment.

## 9.2 Construction risk for the Gloves Manufacturing Plant

The commencement of the aforesaid construction may be interrupted and/ or delayed by more stringent movement restrictions due to continued outbreak of COVID-19 throughout Malaysia. The restrictions may cause a delay in the commencement of work, delivery of building materials, as well as approval of financing, permits and licenses. Such events will delay the commissioning of the Gloves Manufacturing Plant and may result in additional costs incurred by Dynacare and, in turn, Johan Group.

Dynacare will seek the necessary approvals from the relevant regulatory authorities for the commencement of its renovation and expansion activities for the Gloves Manufacturing Plant and enforce strict standard operating procedure for such activities at all times. In addition, the management will also monitor cost and keep abreast with the latest regulations and industry developments so as to ensure that proper mitigation plan is in place to address any uncertainties that Johan and/ or Dynacare may face. Notwithstanding the above, there is no assurance that the management will be able to mitigate all adverse developments that are beyond Johan Group's control.

### **9.3 Financing risk**

Johan Group will require funding for the additional financial commitment required for the construction of the Gloves Manufacturing Plant and working capital for the Gloves Business, details of which are set out in Section 2.7, Part A of this Circular and the additional financial commitment will be funded via internally generated funds and/ or bank borrowings. Any bank borrowings obtained will be subject to interest rate fluctuation and will require Johan Group to service periodic interest payments.

There can be no assurance that Johan Group will be able to obtain the required amount of bank borrowings and any shortfall will be required to be funded via internally generated funds. Further, there can be no assurance that Johan Group will be able to repay all of its borrowings and service all interest payments and the ability to repay the principal sum and interest payments on the bank borrowings is dependent on the Gloves Business generating sufficient cash in the future, which is subject to many external factors beyond Johan Group's control.

Nevertheless, Johan Group will seek to mitigate the abovementioned risk by adopting a prudent capital management policy and monitor the debt levels such that Johan Group will not be over geared. Further, subsequent to the Proposed Offer to Subscribe (which is subject to the approvals from the shareholders of Johan and George Kent), Johan Group's exposure in the Gloves Business is limited to its equity participation in Dynacare, i.e. 60%, which is expected to reduce Johan Group's exposure to the abovementioned risk as opposed to undertaking the Gloves Business wholly on its own.

### **9.4 No prior experience in the Gloves Business**

Johan Group is principally involved in the hospitality, trading and card services business. Given that the existing management of Johan Group does not possess any prior experience in the Gloves Business, Johan Group may be subjected to challenges and risks arising from venturing into the Gloves Business in which we have no direct experience in ensuring the success of this new business venture.

Notwithstanding the above, we intend to leverage on the combined experiences of the key management and other personnel, including new recruits for the planning, development and operations of the Gloves Business as well as the construction of the Gloves Manufacturing Plant.

As such, our Board believes that, by leveraging on the expertise of the key management and other personnel, and with the recruitment of employees with the relevant expertise in the Gloves Business, Johan Group will have the capacity, capability and resources to ensure the smooth running of the Gloves Business. Nevertheless, there can be no assurance that Johan Group will be able to retain the key management and other personnel as well as hire the necessary employees for the Gloves Business.

## **9.5 Dependency on key management personnel**

As in any other business, Johan Group's success in carrying out the Gloves Business depends largely on the abilities, skills, experience, competencies and continued effort of the key management personnel as set out in Section 3.2, Part A of this Circular. The loss of any key management personnel without timely replacement or our inability to attract and retain other qualified personnel, may adversely affect Johan Group's new business operations and hence, revenue and profitability.

Recognising the importance of the key management personnel involved, we will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity among employees. Further, we will strive to retain qualified experienced personnel who are essential to Johan Group's succession plan to ensure continuity and competency of the management team. However, there is no assurance that the loss of any such key management personnel will not adversely affect Johan Group's ability to undertake the Gloves Business.

## **9.6 Political, economic and regulatory risks in relation to glove industry**

The gloves industry is highly regulated with the rules and regulation from the local authority and other countries' authority for the export of gloves as well as the policies and guidelines governed by specific local and/ or national ministries. With the participation of Johan Group in the manufacturing of glove industry, its business, prospects, financial condition and level of profitability will be subject, to a certain extent, the developments in the rules and regulation of the glove industry and the economic, political and regulatory environment of Malaysia as well as its major trading partners.

Notwithstanding that, Johan Group will constantly keep abreast with the political, economic and regulatory developments through various media, events and/ or seminars, and may also engage in discussion or meeting with the relevant stakeholders to evaluate, introduce and/ or undertake measures with the aim of mitigating impact of the aforementioned risks. However, there can be no assurance that any adverse development in the economic, political and regulatory environment in Malaysia or other countries, will not have any material adverse effect on the business operation and financial performance of Johan Group.

The potential risk arising from the Proposed Acquisition includes, but not limited to:-

## **9.7 Non-completion of the Proposed Acquisition**

The completion of the Proposed Acquisition is subject to, amongst others, the fulfillment of the conditions precedent of the SPA. In the event any of the conditions precedent are not fulfilled, the Proposed Acquisition may not be completed, which may result in the failure of Johan Group to achieve the objectives and benefits of the Proposed Acquisition. Notwithstanding that, our Board and management shall use their best endeavours to ensure every effort is taken to procure all necessary approvals to satisfy the conditions precedent.

## **9.8 Acquisition risk**

There is no assurance that the anticipated benefits arising from the Proposed Acquisition will be realised or that we will be able to recoup its investment in the Subject Property. Notwithstanding that, our Board will seek to mitigate such risks by adopting appropriate measures in planning and developing the Subject Property such as, amongst others, conducting periodic feasibility assessments and market study, prudent planning and allocation of resources, and engaging the services of professionals/ experts.



## **9.9 Financing risk**

We intend to finance the cash portion of the Proposed Acquisition through a mixture of internally generated funds and/ or bank borrowings. Taking up additional bank borrowings would expose Johan Group to interest rate and debt servicing risks while any utilisation of internal funds is expected to result in a reduction of funds available for working capital purposes, which may have an adverse effect on Johan Group's cash flow position. Our Board is of the opinion that the mixture of funding is manageable and will endeavour to manage its cash flow position and funding requirements prudently, to address the above risks.

## **9.10 Compulsory acquisition**

Pursuant to the Land Acquisition Act, 1960, the relevant state authority has the power to compulsorily acquire any land within the jurisdiction of such relevant state authority in Malaysia in accordance with the aforesaid act. In the event of any compulsory acquisition of the Subject Property or any part thereof, the amount of compensation to be awarded will be determined on the basis prescribed in the First Schedule of the Land Acquisition Act, 1960. If all or any portion of the Subject Property is compulsorily acquired by the relevant state authority at any point in time, the amount of such compensation may be less than the purchase consideration to be paid by Johan Group under the Proposed Acquisition. In the event of any compulsory acquisition of the Subject Property or any part thereof, Johan Group may seek to minimise any potential losses from such transactions by invoking the relevant provisions in the Land Acquisition Act, 1960 in relation to its rights to submit an objection in respect of the amount of compensation, where necessary.

The potential risks that may arise in the event the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are not approved by shareholders are as follows:-

## **9.11 Financing risk**

As set out in Section 2.7, Part A of this Circular, the additional financial commitment required for the construction of the Gloves Manufacturing Plant and working capital for the Gloves Business is approximately RM652.20 million, details of which are set out in Section 2.7, Part A of this Circular. The Proposed Offer to Subscribe is expected to limit Johan Group's exposure in the Gloves Business to its equity participation in Dynacare, i.e. 60% and the additional financial commitment required will likewise be in proportion with our equity interest held in Dynacare.

In the event the Proposed Offer to Subscribe is not approved by either the shareholders of Johan or George Kent, we will be required to fund the entire additional financial commitment via our internally generated funds and/ or bank borrowings. Any bank borrowings obtained will be subject to interest rate fluctuation and will require Johan Group to service periodic interest payments and there can be no assurance that Johan Group will be able to obtain the required amount of bank borrowings and any shortfall will be required to be funded via internally generated funds.

Further, there can be no assurance that Johan Group will be able to repay all of its borrowings and service all interest payments and the ability to repay the principal sum and interest payments on the bank borrowings is dependent on the Gloves Business generating sufficient cash in the future, which is subject to many external factors beyond Johan Group's control.

Any delay in raising the necessary funding required may result in a delay in the installation and commissioning of the 42 production line and the expected benefits to be derived from the Gloves Business will be delayed accordingly as well.

## 9.12 Project and construction risk

The Proposed Right to Execute the Works will allow Johan Group to transfer the construction risk to George Kent whereby George Kent will be the sole responsible party for ensuring the delivery of the Gloves Manufacturing Plant in a timely manner. In the event the Proposed Right to Execute the Works is not approved by either the shareholders of Johan or George Kent, we will have to assume the construction risk of the Gloves Manufacturing Plant.

Further, Johan Group does not have the relevant expertise in construction and design works as well as managing such project risk. In the event the Proposed Right to Execute the Works is not approved by either the shareholders of Johan or George Kent, we will continue to undertake the construction of the Gloves Manufacturing Plant by appointing consultants with the relevant experience and project manager to support us in awarding the component works packages to suitable subcontractors (external parties who are not related to George Kent) and to oversee the overall construction of the Gloves Manufacturing Plant. The process of identifying the consultants and project manager as mentioned above may take time consuming and may result in a delay in the overall roll-out of the Gloves Business.

There can be no assurance that we will be able to identify suitable consultants and project manager in a timely manner and that the construction of the Gloves Manufacturing Plant is delivered on schedule.

## 10. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF JOHAN GROUP

### 10.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter (3Q 2020: -2.6%), largely attributable to the imposition of the conditional MCO on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

Domestic demand recorded a decline of 4.4% in the fourth quarter of 2020 (3Q 2020: -3.3%), mainly due to the subdued private consumption and public investment activities. Net exports grew by 12.4% (3Q 2020: 21.9%), with continued expansion in manufactured exports. Private consumption contracted by 3.4% (3Q 2020: -2.1%). Household spending was subdued amid continued weaknesses in income and employment conditions during the quarter. Spending was also affected by tighter movement restrictions in selected states. Nevertheless, the decline in physical spending was partly mitigated by the continued acceleration in online spending.

During the quarter, consumer expenditure also remained supported by various stimulus measures including the EPF i-Lestari withdrawals, the continued support to affected borrowers under the Targeted Repayment Assistance (TRA) and lower passenger car sales tax. Meanwhile, public consumption continued to expand, albeit at a more moderate pace of 2.7% in the fourth quarter of 2020 (3Q 2020: 6.9%), supported by spending in emoluments.

Gross fixed capital formation contracted further by 11.9% (3Q 2020: -11.6%), as capital spending from both private and public sectors remained relatively weak. By type of asset, investment in structures contracted by 13.1% (3Q 2020: -12.9) while investment in machinery & equipment declined by 9.0% during the quarter (3Q 2020: -8.3%). Private investment recorded a smaller decline of 7.0% (3Q 2020: -9.3%), mainly supported by continued capital spending in existing projects, particularly in the export-oriented industries. Meanwhile, public investment registered a larger decline of 19.8% (3Q 2020: -18.6%). This reflects lower spending on fixed assets by the general government and weaker demand in most sectors which continued to weigh on capital spending by public corporations.

*(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)*

The Malaysian economy experienced the full impact of the COVID-19 pandemic in the second quarter of 2020, with the real gross domestic product ("**GDP**") contracting by 17.1%. The contraction was mainly attributed to the imposition of the MCO to contain the outbreak. Though affecting all sectors in the economy, the move was necessary to flatten the COVID-19 curve and save lives. Hence, the Government has announced several stimulus packages totalling RM305 billion to support both households and businesses. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia's GDP is expected to contract by 4.5% in 2020, before rebounding between 6.5% and 7.5% in 2021. With the bold and swift measures undertaken Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Domestic demand is expected to contract by 3% in 2020, with private and public sectors' spending declining by 3.2% and 2.1%, respectively. In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. Nevertheless, the announcement of various stimulus packages and the gradual resumption of economic activities are expected to restore business and consumer confidence in the second half of the year. Hence, domestic demand is anticipated to turnaround to 1.5% during the period and expand further by 6.9% in 2021.

Private consumption declined by 6% during the first half of 2020, affected by the implementation of the MCO. However, household spending is anticipated to pick up during the second half of the year, on the back of various stimulus packages aimed at providing support to households and businesses. The measures include a moratorium on loan repayments, temporary optional reduction in employees' contributions to the Employees Provident Fund ("**EPF**") and discounts on electricity bill as well as low interest rates. As a result, private consumption is projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which is expected to record a marginal decrease of 0.7% in 2020.

Private consumption is anticipated to increase by 7.1% in 2021, mainly supported by higher disposable income arising from buoyant domestic economic activities, stronger export earnings, accommodative financial stance, extension of tax relief on childcare and favourable stock market conditions. Better job prospects, following broader improvement in the economy and measures addressing employability, are also expected to contribute to household spending. Furthermore, the expected recovery in the tourism-related industries following tax incentives on domestic tourism expenses for households will also provide additional impetus to private sector spending. As the nation rapidly shifts towards adopting digitalisation, the broader availability of various e-commerce platforms and rollout of 5G technology will facilitate economic activities.

*(Source: Economic Outlook 2021, Ministry of Finance Malaysia)*

## 10.2 Overview and outlook of the manufacturing industry in Malaysia

The manufacturing sector expanded by 3.0% (3Q 20: 3.3%), as robust E&E production more than offset lower activity in the consumer cluster. The strong performance in the E&E sub-sector was supported by sustained global demand for semiconductors components, which has led to a global shortage. This has resulted in a build-up of order backlogs among Malaysian producers which are highly integrated in the global value chain. The positive growth in E&E was partially offset by the weakness in consumer-cluster. In particular, the refining and manufacture of palm-oil related products was affected by disruptions in the agriculture sector amid labour shortages. Several consumer-clusters, such as food and beverages, tobacco, and textiles subsectors, were affected by weaker demand due to the re-imposition of CMCO.

*(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)*

## 10.3 Overview and outlook of the general trading business of Johan Group

Johan Group revived its general trading business via its wholly-owned subsidiary, William Jacks & Company (Malaysia) Sdn Bhd ("**WJM**"), WJM which traditionally traded in building materials and currently trades brass products for engineering use and IT related software programs. The sectors in which WJM trades have softened. In particular, copper price, which is a main cost component of brass products, has doubled from about USD5,000/MT in May 2020 to more than USD10,000/MT in May 2021. This has rendered difficulty in securing brass products at competitive price. Johan Group continues to explore other trading opportunities in the building and construction industries to complement its product base.

*(Source: Management of Johan)*

## 10.4 Overview and outlook of the gloves industry

Chart 18: Malaysia's Exports by Top 10 Major and Selected Products, Q4 2020 (Percentage Change)



Source: Department of Statistics, Malaysia

Malaysia's exports of goods continued to experience a positive momentum in Q4 2020 with an increase of 5.1 per cent year-on-year from RM258.2 billion to RM271.5 billion. This increase was mainly owing to the increase in exports of E&E products (+RM13.3 billion, +13.8%); Rubber gloves (+RM8.8 billion, +184.1%) and Palm oil and palm oil-based products (+RM4.7 billion, +28.1%). Rubber gloves was listed as top three Malaysia's major export products during the quarter along with the increasing demand resulting from the outbreak of the COVID-19.

Standard Malaysian Rubber (S.M.R.) contributed 97.4 per cent (59,918 tonnes) of total natural rubber exports with the S.M.R. 20 amounted 69.3 per cent (41,509 tonnes) to the total exports. The largest exports of rubber gloves were to the United States at 27,247 tonnes followed by China (5,611 tonnes) and Germany (5,600 tonnes). The exports value grew by 3.6 per cent in December 2020 with RM4.6 billion (November 2020: RM4.5 billion).

Domestic consumption of natural rubber recorded 42,356 tonnes a decrease of 22.7 per cent year-on-year (December 2019: 54,477 tonnes). More than 70 per cent of the natural rubber was used by the rubber gloves industry with the share of 74.4 per cent (31,498 tonnes), followed by rubber thread industry, 9.6 per cent (4,047 tonnes) and tyres and tubes industry, 6.6 per cent (2,783 tonnes).

(Source: Malaysian Economic Statistics Review Vol.2/2021, Department of Statistics, Malaysia)

## 10.5 Overview and outlook for the tourism and hospitality industry

The services sector registered a larger contraction of 4.9% in the fourth quarter of 2020 (3Q 2020: -4.0%), as tighter restrictions on mobility and stricter standard operating procedures (SOPs) affected domestic-oriented activities. The restrictions (e.g. shorter operating hours) and weak sentiments adversely impacted spending, particularly on recreational activity and non-essential retail goods, which in turn weighed on activity in the wholesale and retail trade subsector. This was partially offset by continued growth in the motor vehicle segment. In addition, the weakness in tourism activity amid continued closure of international borders weighed on key sub-sectors, such as food and beverage, accommodation as well as transport and storage. Meanwhile, finance and insurance continued to grow amid sustained loan and deposit growth. Growth in the information and communication sub-sector also improved, amid higher demand for data communication services, particularly broadband.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)

## 10.6 Future prospect of Johan Group

### 10.6.1 Current financial performance and position of Johan Group

The financial summary of Johan Group based on the audited consolidated results for the past 3 financial years up to the FYE 31 January 2020 and the latest unaudited quarterly results for the 12-month FPE 31 January 2021, is set out below:-

	←-----Audited-----→			Unaudited 12-month FPE 31 January 2021 RM'000
	FYE 31 January 2018 RM'000	FYE 31 January 2019 RM'000	FYE 31 January 2020 RM'000	
Revenue	122,485	105,880	97,023	92,646
PBT/ (LBT) from continuing operations	25,747	(104,667)	(13,199)	(30,115)
Profit/ (Loss) from continuing operations	21,965	(99,267)	(13,348)	(30,650)
Profit/ (Loss) from discontinued operations	(45,189)	(3,470)	(3,946)	2,042
PAT/ (LAT) (attributable to owners of the Company)	(22,388)	(101,690)	(18,887)	(27,797)
Earnings/ (Loss) per Share (sen)	(3.59)	(16.33)	(3.03)	(4.11)
Total interest-bearing borrowings	559,731	614,088	529,246	508,114
Total fixed deposits, cash and bank balances	76,576	68,625	63,826	93,098

	←-----Audited-----→			Unaudited
	FYE 31 January 2018 RM'000	FYE 31 January 2019 RM'000	FYE 31 January 2020 RM'000	12-month FPE 31 January 2021 RM'000
Shareholders' funds/ NA	176,917	79,787	61,304	44,213
Total equity	179,153	80,976	64,086	46,184
Weighted average no. of Shares outstanding ('000)	622,949	622,949	622,949	676,283
NA per Share (RM)	0.28	0.13	0.10	0.07
Gearing ratio (times)	3.12	7.58	8.26	11.00

### **FYE 31 January 2018**

For the FYE 31 January 2018, we recorded revenue of RM122.49 million, which represents a decrease of RM6.28 million or approximately 4.88% as compared to the preceding financial year of RM128.77 million. The decrease in revenue was mainly attributable to lower revenue recorded by Diners World Travel Pte Ltd due to loss of a significant corporate customer, and lower service charges income earned by DCS.

Our continuing operations recorded PBT of RM25.75 million as compared to the preceding financial year LBT of RM15.19 million. The PBT recorded during the FYE 31 January 2018 was mainly attributable to higher fair value gain on investment securities (namely investment in listed and quoted shares of George Kent) of RM42.46 million during the financial year under review, which represents an increase of RM14.81 million or approximately 53.56%, as compared to the preceding financial year of RM27.65 million.

The discontinued operations from our wholly-owned subsidiary, namely PCSB, which had ceased its ceramic tiles manufacturing operations during the financial year under review, recorded a loss of RM45.19 million for the FYE 31 January 2018. This has resulted in LAT of RM22.39 million recorded during the financial year under review against the LAT of RM37.22 million recorded for the preceding financial year.

For the FYE 31 January 2018, we recorded NA of RM176.92 million, which represents a decrease of RM20.53 million against the NA of RM197.45 million recorded for the FYE 31 January 2017. The decrease in NA was mainly due to the LAT of RM22.39 million recorded during the financial year under review.

For the FYE 31 January 2018, we recorded total borrowings of RM559.73 million, which represents a decrease of RM70.52 million against the total borrowings of RM630.25 million for the FYE 31 January 2017. The decrease in total borrowings was mainly attributable to lower bank overdrafts drawn down for the FYE 31 January 2018.

### **FYE 31 January 2019**

For the FYE 31 January 2019, we recorded revenue of RM105.88 million, which represents a decrease of RM16.61 million or approximately 13.56% as compared to the preceding financial year of RM122.49 million. The decrease in revenue is mainly attributable to DCS recording lower membership renewal fees and lower service charge income on lower cards receivables base due to regulatory compliance for unsecured consumers' exposure.

Our continuing operations recorded LBT of RM104.67 million for the FYE 31 January 2019 as compared to the preceding financial year PBT of RM25.75 million. The LBT recorded during the FYE 31 January 2019 was mainly attributable to the fair value loss on investment securities of approximately RM64.63 million during the financial year under review as compared to the preceding financial year fair value gain on investment securities of RM42.46 million.

We recorded LAT of RM101.69 million for the FYE 31 January 2019, primarily due to the LBT from continuing operations of RM104.67 million, the loss incurred from discontinued operations of RM3.47 million and the income tax credit recognised of RM5.40 million during the financial year under review.

For the FYE 31 January 2019, we recorded NA of RM79.79 million, which represents a decrease of RM97.13 million against the NA of RM176.92 million recorded for the FYE 31 January 2018. The decrease in NA was mainly due to the LAT of RM101.69 million recorded during the financial year under review.

For the FYE 31 January 2019, we recorded total borrowings of RM614.09 million, which represents an increase of RM54.36 million against the total borrowings of RM559.73 million for the FYE 31 January 2018. The increase in total borrowings was mainly attributable to an increase in investor certificates, which is funding from investors in relation to our securitised trade receivables during the financial year under review.

#### **FYE 31 January 2020**

For the FYE 31 January 2020, we recorded revenue of RM97.02 million, which represents a decrease of RM8.86 million or approximately 8.37%, as compared to the preceding financial year of RM105.88 million. The decrease in revenue was mainly attributable to lower contribution from DCS's charge and credit cards operations of RM79.98 million, which represents a decrease of RM9.36 million or approximately 10.5% as compared to the preceding financial year of RM89.34 million, primarily due to lower service charge income on lower cards receivables base due to regulatory compliance for unsecured consumers' exposure.

Our continuing operations recorded LBT of RM13.20 million for the FYE 31 January 2020, which represents an improvement of RM91.47 million or approximately 87.39% as compared to the preceding financial year of RM104.67 million. The improvement in LBT is mainly attributable to other income of RM4.96 million (arising from the reversal of impairment loss on bad debts), income from a lawsuit judgement sum of RM12.60 million, net fair value gain on revaluation of investment properties of RM15.27 million and net foreign exchange gain of RM2.19 million. In addition, we recorded a lower fair value loss on investment securities of RM4.95 million during the financial year under review, which represents an improvement of RM59.68 million or approximately 92.34%, as compared to the preceding financial year of RM64.63 million.

We recorded LAT of RM18.89 million for the FYE 31 January 2020, primarily due to the LBT from continuing operations of RM13.20 million and the loss incurred from discontinued operations of RM3.95 million, which mainly consisted of a loss of RM3.36 million in respect of the write-off for factories disposed by PCSB, during the financial year under review.

For the FYE 31 January 2020, we recorded NA of RM61.30 million, which represents a decrease of RM18.49 million against the NA of RM79.79 million recorded for the FYE 31 January 2019. The decrease in NA was mainly due to the LAT of approximately RM18.89 million recorded during the financial year under review.

For the FYE 31 January 2020, we recorded total borrowings of RM529.25 million, which represents a decrease of RM84.84 million against the total borrowings of RM614.09 million for the FYE 31 January 2019. The decrease in total borrowings was mainly attributable to lower bank overdrafts drawn down for the FYE 31 January 2020.

#### **12-month FPE 31 January 2021**

For the 12-month FPE 31 January 2021, we recorded revenue of RM92.65 million, which represents a decrease of RM4.37 million or approximately 4.50% as compared to the preceding financial year corresponding period of RM97.02 million. The decrease in revenue is mainly attributable to lower contribution from DCS's cards operations and offset by higher revenue from general trading business (further details on the general trading business are set out in Section 10.6.4, Part A of this Circular).

We recorded LBT of RM30.12 million which represents an increase of RM16.92 million or more than 100% for the 12-month FPE 31 January 2021 as compared to the preceding financial year corresponding period LBT of RM13.20 million. The preceding year LBT was lower due to one-off income from a lawsuit settlement and fair value gain on investment properties.

#### **10.6.2 Value creation and impact of the Proposals to Johan Group and its shareholders**

Johan Group currently operates in the following business segments, i.e. hospitality, trading, company secretarial and card services business and subsequent to the Disposal of DCS, Johan Group will be principally involved in the hospitality, general trading business only. Moving forward (subject to obtaining shareholders' approval), Johan Group will have 3 core business segments, being the hospitality and trading business and the Gloves Business as our Board has identified the Gloves Business as the new business segment for Johan Group to diversify into and expand Johan Group's income stream.

Pursuant thereto, the Proposed Acquisition is undertaken to facilitate Johan Group's venture into the Gloves Business which involves the construction of the Gloves Manufacturing Plant on the Subject Property and the proceeds raised from the Proposed Rights Issue with Warrants is expected to provide Johan Group with sufficient funds for the capital expenditure required for the construction of the Gloves Manufacturing Plant.

The Proposed Offer to Subscribe is also an invitation to George Kent to participate in the Gloves Business of Dynacare and any financial commitment required by Dynacare will be based on our shareholdings in Dynacare, i.e. 60% equity interest which limits our exposure in the Gloves Business to a certain extent and ensure we have sufficient cash flow for our existing operations.

The Proposed Right to Execute the Works is expected to ensure the timely delivery of the Gloves Manufacturing Plant as George Kent has the necessary expertise, resources and track record in undertaking such construction and engineering design projects.

Taking into consideration the above, the successful undertaking of the Gloves Business is expected to enhance shareholders' value.



### **10.6.3 Adequacy of the Proposed Rights Issue with Warrants in addressing the financial concerns of Johan Group and steps taken to improve the financial condition of Johan Group**

Johan Group has been incurring losses for the past 3 financial years as the hospitality and card services business had been recording decreasing revenue for the past 3 financial years from RM120.40 million (FYE 31 January 2018) to RM95.73 million (FYE 31 January 2020) mainly due to loss of corporate clients by the travel business and lower service charges income earned by the cards business in Singapore as a result of regulatory compliance for unsecured customers' exposure.

PCSB which was principally in the business of manufacturing and sale of ceramic tiles had been loss making since FYE 31 January 2012 mainly due to increasing local competition which resulted in lower average selling prices of ceramic tiles, coupled with higher production cost due to aging machinery. PCSB recorded loss after tax of RM45.19 million (FYE 31 January 2018), RM3.47 million (FYE 31 January 2019) and RM3.95 million (FYE 31 January 2020).

In an effort to reduce the losses incurred by Johan Group, our Board undertook the following:-

- iii. cessation of the ceramic tiles manufacturing operations of PCSB in August 2017 which was completed during the FYE 31 January 2018. The loss after tax recorded from PCSB was RM45.19 million (FYE 31 January 2018) and RM3.47 million (FYE 31 January 2019);
- iv. disposal of a parcel of freehold land held by PCSB for a disposal consideration of RM127.00 million during the FYE 31 January 2020. PCSB recorded a loss after tax of RM3.95 million due to the write-off of factory buildings of PCSB pursuant to the disposal.

Notwithstanding our Board's effort to turn around Johan Group's financial results, Johan Group continues to incur losses and the management had identified that the core issue of Johan Group's current financial predicament is mainly due to continuing losses incurred by the hospitality and card services business.

The Proposed Rights Issue with Warrants is expected to provide the funds required for Johan Group to undertake the Gloves Business and taking into consideration of the outlook of the gloves industry as set out in Section 10.4, Part A of this Circular, the Gloves Business (which is subject to shareholders' approval for the diversification of Johan Group's business) is expected to provide new and additional streams of revenue and income to Johan Group and reduce Johan Group's reliance on the hospitality and card services business.

#### 10.6.4 Contribution of the remaining business of Johan Group after the Disposal of DCS

The segmental revenue breakdown of Johan Group for the 12-month FPE 31 January 2021 is as follows:-

	RM'000	%
General trading	23,208	25.1
Hospitality and card services		
- DCS Group	62,382	67.3
- Diners World Travel Pte Ltd	492	0.5
- Diners Club (Malaysia) Sdn Bhd	2,934	3.2
- Diners World Travel (Malaysia) Sdn Bhd	185	0.2
- Lumut Park Resort Sdn Bhd	2,786	3.0
Investment holding & secretarial services	659	0.7
	<b>92,646</b>	<b>100.0</b>

As illustrated above, DCS Group contributed approximately RM62.38 million or 67.3% of Johan Group's total revenue for the 12-month FPE 31 January 2021 and the other businesses contributed approximately RM30.26 million or 32.7% of Johan Group's total revenue for the 12-month FPE 31 January 2021.

For shareholders' information, we had been in the general trading business for decades in the trading of building materials via our wholly-owned subsidiary, WJM, incorporated on 30 December 1966. Johan Group was involved in the manufacturing of ceramic tiles for the property/ construction industry through its then wholly-owned subsidiary PCSB and the marketing and sales of ceramic tiles were carried out through WJM until our Board had decided to cease the ceramic tile operations of PCSB in August 2017.

Nevertheless, with the outbreak of the Covid-19 pandemic which had affected the operations of the hospitality business, our Board had decided to re-activate the general trading business. The principal activities of WJM are investment holding, provision of data processing services and the trading of engineering and building materials and WJM is currently involved in the trading of brass products for engineering use and IT related software programs.

The contribution of the general trading business for each individual quarter from 1 February 2020 up to 31 January 2021 is as follows:-

<-----3-month FPE----->				
30 April 2020 RM'000	31 July 2020 RM'000	31 October 2020 RM'000	31 January 2021 RM'000	Cumulative total RM'000
15	15	8,446	14,732	<b>23,208</b>

As far as general trading business is concerned, we had re-activated WJM to trade in areas where there are opportunities such as brass products that were mostly procured from South Korea which are mainly used in industrial sector. Insutex Industries Sdn Bhd is our key customer for the general trading business. It is also opportune for Johan Group to utilise the cash received from the Disposal of Land to facilitate the trading activities.

(Source: Management of Johan)

## 11. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Johan Shares as traded on Bursa Securities for the past 12 months from May 2020 to April 2021 are set out below:-

	High RM	Low RM
<b>2020</b>		
May	0.085	0.060
June	0.080	0.060
July	0.095	0.060
August	0.270	0.080
September	0.180	0.120
October	0.155	0.115
November	0.170	0.120
December	0.255	0.135
<b>2021</b>		
January	0.210	0.165
February	0.200	0.160
March	0.195	0.165
April	0.170	0.135

Last transacted market price of Johan Shares as at 26 March 2021  
(being the latest trading day prior to the announcement on the Proposed Rights Issue with Warrants) 0.175

Last transacted market price on 7 May 2021  
(being the LPD prior to the printing of this Circular) 0.155

(Source: Bloomberg)

## 12. APPROVALS REQUIRED/ OBTAINED

i. The Proposed Rights Issue with Warrants is subject to the following approvals being obtained:-

a. Bursa Securities, for the following:-

- aa. admission of the Warrants to the Official List of Bursa Securities;
- bb. listing and quotation for 389,342,813 Rights Shares and 389,342,813 Warrants pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities; and
- cc. listing and quotation for up to 389,342,813 new Johan Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities,

the approval of which has been obtained vide Bursa Securities' letter dated 10 May 2021 subject to the following conditions:-

Conditions	Status of compliance
a. Johan and UOB Kay Hian must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue with Warrants;	To be complied
b. Johan and UOB Kay Hian to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;	To be complied

Conditions	Status of compliance
c. UOB Kay Hian to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Right Issue with Warrants is completed;	To be complied
d. UOB Kay Hian to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposed Rights Issue with Warrants;	To be complied
e. Johan to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable	To be complied
b. our shareholders at the forthcoming EGM; and	
c. any other relevant authorities and/ or parties, if required.	
ii. Our shareholders' approval for the Proposed Acquisition, Proposed Offer to Subscribe and Proposed Right to Execute the Works as pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable:-	
a. pursuant to the Proposed Acquisition is approximately 44.53%, computed based on the Purchase Consideration against the NA of Johan Group;	
b. pursuant to the Proposed Offer to Subscribe is approximately 97.87%, computed based on the Subscription Price against the NA of Johan Group;	
c. pursuant to the Proposed Right to Execute the Works is more than 100%, computed based on the Contract Sum against the NA of Johan Group.	
iii. Our shareholders' approval for the Proposed Diversification; and	
iv. Any other relevant authority and/ or party, if required.	

The Proposed Offer to Subscribe is not conditional upon the Proposed Acquisition, Proposed Right to Execute the Works and the Proposed Rights Issue with Warrants and vice versa. The Proposed Offer to Subscribe is conditional upon the Proposed Diversification but not vice versa.

The Proposed Acquisition, the Proposed Diversification, Proposed Right to Execute the Works and Proposed Rights Issue with Warrants are not inter-conditional upon each other. The Proposed Right to Execute the Works is conditional upon the Proposed Acquisition and the Proposed Diversification but not vice versa. The Proposed Rights Issue with Warrants is not conditional upon the Proposed Acquisition, Proposed Diversification and the Proposed Right to Execute the Works and vice versa.

The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by us.

In the event the Proposed Offer to Subscribe is not approved by either the shareholders of Johan or George Kent, we will explore other avenues of raising the necessary capital for the Gloves Business.

In the event the Proposed Right to Execute the Works is not approved by the either the shareholders of Johan or George Kent, we will continue to undertake the construction of the Gloves Manufacturing Plant by appointing consultants and project manager to support us in awarding the component works packages to suitable subcontractors (external parties who are not related to George Kent) and to oversee the overall construction of the Gloves Manufacturing Plant.

### 13. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

#### 13.1 Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants

None of our Directors, major shareholders, chief executive and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants apart from their respective entitlements under the Proposed Rights Issue with Warrants (including the right to apply for additional Rights Shares under the excess Right Shares with Warrants application), to which all other shareholders of Johan are similarly entitled.

#### 13.2 Proposed Offer to Subscribe and Proposed Right to Execute the Works

Save for the Interested Directors and Interested Major Shareholder, none of our other Directors, major shareholders and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Offer to Subscribe and Proposed Right to Execute the Works.

The direct and indirect shareholdings of the Interested Directors and Interested Major Shareholder in Johan as at the LPD are as follows:-

	Designation	Country of incorporation/ Nationality	Direct No. of Shares	%	Indirect No. of Shares	%
Star Wealth Investment Limited	-	British Virgin Island	71,277,017	9.15	-	-
Tan Sri Tan	Chairman & Chief Executive	Malaysian	-	-	472,451,057 <sup>*1</sup>	60.67
Puan Sri Tan	Group Managing Director	British	-	-	472,451,057 <sup>*1</sup>	60.67
Dato' Ahmad	Independent Non-Executive Director	Malaysian	-	-	-	-

**Note:-**

<sup>\*1</sup> Deemed interested by virtue of Tan Sri Tan and Puan Sri Tan jointly holding 100.0% equity interest in Sky Wealth Ventures Limited, which in turn holds 100.0% equity interest in Kin Fai International Limited, Kwok Heng Holdings Limited, Suncrown Holdings Limited, Star Wealth Investment Limited and Mustika Manis Sdn Bhd. For information purpose, as at the LPD, Suncrown Holdings Limited holds 30,675,000 Johan Shares and Kwok Heng Holding Limited holds 25,194,000 Johan Shares, representing approximately 3.9% and 3.2% equity interest in Johan, respectively. In addition, Tan Sri Tan and Puan Sri Tan each hold 50.0% direct equity interest in Kurnia Menang Sdn Bhd.

The Interested Directors have abstained and will continue to abstain from deliberating and voting at all relevant Board meetings in relation to the Proposed Offer to Subscribe and the Proposed Right to Execute the Works. The Interested Directors and the Interested Major Shareholder will also abstain from voting, and will ensure that persons connected with them will abstain from voting in respect of their direct and/ or indirect shareholdings on the resolutions pertaining to the Proposed Offer to Subscribe and the Proposed Right to Execute the Works at the forthcoming EGM.

**14. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS**

The total amount transacted by Johan with George Kent for the preceding 12 months up to the LPD is RM193,855.70.

**15. ADVISERS**

UOB Kay Hian has been appointed as our Principal Adviser.

KGVI has been appointed as the Independent Valuer for the Subject Property.

**16. INDEPENDENT ADVISER**

As mentioned in Section 1, Part A of this Circular, the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are deemed as related party transactions in view of the Interested Directors and Interested Major Shareholder. As such, Qwantum has been appointed by us to act as the Independent Adviser to undertake the following in relation to the Proposed Offer to Subscribe and the Proposed Right to Execute the Works:-

- i. Comment as to:-
  - a. whether the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are fair and reasonable so far as our non-interested Directors and non-interested shareholders are concerned; and
  - b. whether the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are to the detriment of our non-interested shareholders,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- ii. Advise our non-interested shareholders on whether they should vote in favour of the Proposed Offer to Subscribe and Proposed Right to Execute the Works; and
- iii. Take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subsections (i) and (ii) above.

**17. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION**

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities being obtained, the Proposed Acquisition and Proposed Rights Issue with Warrants are expected to be completed by the third quarter of 2021.

The Proposed Diversification will take effect immediately upon the approval of our shareholders at the forthcoming EGM. The Proposed Offer to Subscribe will allow Johan and George Kent to increase their equity in Dynacare as and when required subject to a maximum share capital of RM100.00 million (and also subject to the approvals by both the shareholders of Johan and George Kent). The Proposed Right to Execute the Works will allow us to award the construction of the Gloves Manufacturing Plant to George Kent (subject to the approvals by both the shareholders of Johan and George Kent) and the execution period is expected to be 24 months.

The tentative timetable for the implementation of the Proposed Rights Issue with Warrants are set out below:

Month	Events
31 May 2021	<ul style="list-style-type: none"> <li>Convening of EGM to obtain the approval of our shareholders for the Proposal</li> </ul>
Early June 2021	<ul style="list-style-type: none"> <li>Announcement on the Entitlement Date for the Proposed Rights Issue with Warrants</li> </ul>
Mid June 2021	<ul style="list-style-type: none"> <li>Entitlement Date for the Proposed Rights Issue</li> <li>Issuance of abridged prospectus in relation to the Proposed Rights Issue with Warrants</li> </ul>
Mid July 2021	<ul style="list-style-type: none"> <li>Listing of the Rights Shares and Warrants</li> <li>Completion of the Proposed Rights Issue with Warrants</li> </ul>

## 18. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, which are the subject matter of this Circular, the Private Placement, Disposal of DCS and Disposal of Land, our Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the LPD.

In respect of the Disposal of DCS, we had on 21 April 2021 announced that an extension of time has been granted to Ezy Net Pte Ltd (being the purchaser in the Disposal of DCS) of up to 17 May 2021 to fulfill the conditions precedent of the Disposal of DCS. For shareholders' information, the outstanding conditions precedent of the Disposal of DCS as at the LPD are as follows:-

Conditions precedent	Expected date of fulfilment
i. bank statement of Genesis Business Holdings Pte Ltd (" <b>Genesis</b> ") showing that Genesis is in possession of funds of at least S\$15,000,000 in cash as at the closing date having been provided to Johan Investment Private Limited (" <b>J IPL</b> "), certified as a true copy by a director or secretary of Genesis and in a form reasonably satisfactory to the JIPL in its discretion	At the closing date
ii. the obtaining of (i) approval by Diners Club International Ltd. (" <b>DCI</b> "), and (ii) waiver by DCI of its right of first refusal under the network participation agreement dated 16 July 2019 between DCI and the JIPL, in each case in respect of the Disposal of DCS	Approval from DCI obtained on 21 April 2021
iii. the obtaining of approval from the Monetary Authority of Singapore (" <b>MAS</b> ") in respect of Ezy Net Pte Ltd and any other person becoming a 20% controller of DCS pursuant to Section 57FD(1) of the Banking Act, Chapter 19 of Singapore	Pending
iv. the obtaining of approval by:	
a. DBS Bank Ltd., United Overseas Bank Limited and Seatown Lionfish Pte Ltd pursuant to DFS Asset Purchase Company Pte. Ltd. – 2019 Renewal Deed dated 5 September 2019 between DCS, DFS Asset Purchase Company Pte. Ltd., DBS Bank Ltd., United Overseas Bank Limited, Seatown Lionfish Pte. Ltd., Intertrust Singapore Corporate Services Pte. Ltd., DBS Trustee Limited and Yeo-Leong & Peh LLC;	Upon receipt of MAS approval
b. Malayan Banking Berhad pursuant to the letter of offer dated 14 February 2017 from Malayan Banking Berhad to DCS	Before closing date

Shareholders are advised to refer to the circular dated 7 January 2021 in relation to the Disposal of DCS for further information. The Disposal of DCS is expected to be completed by June 2021.

## 19. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, having considered all aspects of the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants including but not limited to the rationale and justifications, the salient terms of the SPA, the basis and justification of arriving at the Purchase Consideration, the effects of the Proposed Rights Issue with Warrants as well as the proposed utilisation of proceeds to be raised from the Proposed Rights Issue with Warrants and the future prospects of the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants, is of the opinion that the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants are in our best interests.

Accordingly, our Board recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue with Warrants at the forthcoming EGM.

Our Board (save for the Interested Directors), having considered all aspects of the Proposed Offer to Subscribe and the Proposed Right to Execute the Works including but not limited to the rationale and justifications, is of the opinion that the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are in our best interests.

Accordingly, our Board (save for the Interested Directors) recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposed Offer to Subscribe and the Proposed Right to Execute the Works at the forthcoming EGM.

## 20. AUDIT COMMITTEE'S STATEMENT

Our Audit Committee, after taking into consideration the advice from the Independent Adviser, namely Quantum, is of the opinion that the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are:-

- i. in our best interest;
- ii. fair, reasonable and on normal commercial terms; and
- iii. not detrimental to the interest of our non-interested shareholders.

In forming its views, our Audit Committee has taken into consideration, amongst others, the following:-

- a. the rationale and justification for the Proposed Offer to Subscribe and the Proposed Right to Execute the Works; and
- b. the salient terms of the Letter of Offer and the Letter of Intent.

## 21. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted in fully virtual manner through live streaming and online remote participation from the broadcast venue at Boardroom of Johan, 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur on Monday, 31 May 2021 at 3.00 p.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.



If you are unable to participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, to be deposited at the registered office of Johan at 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur or e-mailed to the Company at johanms1@outlook.com, not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from participating, speaking and voting in person at the EGM should you subsequently wish to do so. Shareholders are advised to refer to the Administrative Guide for the EGM on the registration and voting process for the EGM.

## **22. FURTHER INFORMATION**

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,  
For and on behalf of our Board  
**JOHAN HOLDINGS BERHAD**

**TAN SRI DATO' SERI DR TING CHEW PEH**  
Non-Independent Non-Executive Director

**PART B**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF JOHAN IN  
RELATION TO THE PROPOSED OFFER TO SUBSCRIBE AND PROPOSED RIGHT TO  
EXECUTE THE WORKS**

---

## EXECUTIVE SUMMARY

---

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the “Definitions” section of the Circular and as defined in the IAL herein, except where the context herein requires otherwise or where otherwise defined herein. All references to “you” are references made to the non-interested shareholders of Johan whilst references to “we”, “us”, “our” are references to Qwantum, being the Independent Adviser for the Proposed Offer to Subscribe and the Proposed Right to Execute the Works.

Set out hereunder is an executive summary which highlights some of the salient points arising from Qwantum’s independent evaluation of the Proposed Offer to Subscribe and the Proposed Right to Execute the Works. The non-interested shareholders of Johan are advised to read both this IAL and the Circular together with the accompanying appendices and carefully consider the recommendation contained in this IAL before voting on the resolutions pertaining to the Proposed Offer to Subscribe and the Proposed Right to Execute the Works to be tabled at the forthcoming EGM of Johan Holdings Berhad.

### 1. INTRODUCTION

On behalf of the Board, UOB Kay Hian announced, among other proposals, the following:

- (i) Johan had via its letter of offer dated 29 March 2021 extended the Letter of Offer to George Kent to subscribe for 40% equity interest in Dynacare at the issue price of RM1.00 per ordinary share and Johan to hold the balance 60% equity interest (“**Proposed Offer to Subscribe**”); and
- (ii) Dynacare to award the Right to George Kent to build the manufacturing plant and installation of machinery for the Gloves Business on the Subject Property for a global contract sum of approximately RM624,100,000 plus or minus 10% (excluding sales and service tax) (“**Proposed Right to Execute the Works**”),

collectively, the “**Proposed Related Party Transactions**”.

The Proposed Offer to Subscribe and the Proposed Right to Execute the Works are **not inter-conditional** upon each other.

In view of the interests of certain directors and a major shareholder set out in **Section 13.2, Part A** of the Circular, the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board (save for the Interested Directors) had on 29 March 2021, appointed Qwantum as the Independent Adviser, to advise the non-interested directors and the non-interested shareholders of Johan in respect of the Proposed Related Party Transactions.

The purpose of this IAL is to provide the non-interested shareholders of Johan with an independent evaluation on the fairness and reasonableness of the Proposed Related Party Transactions and to comment on whether the Proposed Related Party Transactions are detrimental to the non-interested shareholders of Johan, subject to the scope and limitations of our evaluation specified in **Section 4** of this IAL.

### 2. EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS

The Proposed Offer to Subscribe is conditional upon the Proposed Diversification (as elaborated in **Section 12, Part A** of the Circular) but not vice-versa, and the Proposed Right to Execute the Works is also conditional upon the Proposed Acquisition and the Proposed Diversification but not vice-versa. Therefore, whilst our evaluation of the Proposed Offer to Subscribe and the Proposed Right to Execute the Works includes an assessment of the factors associated with the Gloves Business, we do not opine on the viability of the Gloves Business, or the fairness and reasonableness of the Proposed Acquisition and the Proposed Diversification.

---

**EXECUTIVE SUMMARY (CONT'D)**

---

**2. EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS (CONT'D)**

Furthermore, our evaluation of the Proposed Right to Execute the Works does not include an assessment of the appropriateness or completeness of the scope of Works – that the scope of Works will eventuate in the successful and timely completion and commissioning of the Gloves Manufacturing Plant, or George Kent’s ability to carry out the scope of Works.

In evaluating the Proposed Related Party Transactions, we have taken into consideration the following:

No.	Item	Quantum’s comments
1.	Rationale for the Proposed Related Party Transactions	<p><b>Proposed Offer to Subscribe</b></p> <ul style="list-style-type: none"> <li>• We note that the Proposed Offer to Subscribe is expected to limit the Group’s exposure in the Gloves Business and reduces the financial commitment of the Group.</li> <li>• The Proposed Offer to Subscribe is also expected to align George Kent’s interest with Johan in respect of undertaking the Gloves Business including the construction of the Gloves Manufacturing Plant.</li> <li>• Premised on our evaluation of the rationale for the Proposed Offer to Subscribe as set out in <b>Section 8.1</b> of this IAL, we are of the view that the rationale for the Proposed Offer to Subscribe is <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.</li> </ul> <p><b>Proposed Right to Execute the Works</b></p> <ul style="list-style-type: none"> <li>• The Group does not have the expertise in engineering design, construction or the resources to undertake the construction of the Gloves Manufacturing Plant, whereas George Kent having the expertise in undertaking the construction works and its familiarity in the implementation of the manufacturing processes will be able to provide value engineering works to further optimise the construction costs of the Gloves Manufacturing Plant.</li> <li>• The Proposed Right to Execute the Works will enable the Group to exercise more control over the construction Works.</li> <li>• Premised on our evaluation of the rationale for the Proposed Right to Execute the Works as set out in <b>Section 9.1</b> of this IAL, we are of the view that the rationale for the Proposed Right to Execute the Works is <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.</li> </ul>
2.	Financial terms of the Proposed Related Party Transactions	<p><b>Proposed Offer to Subscribe</b></p> <ul style="list-style-type: none"> <li>• As elaborated in <b>Section 8.2</b> of this IAL, we have evaluated the financial terms of the Proposed Offer to Subscribe based on the following factors: <ul style="list-style-type: none"> <li>(i) Issue Price of Dynacare Shares to George Kent; and</li> <li>(ii) George Kent’s ability to fulfil its financial obligations under the Proposed Offer to Subscribe.</li> </ul> </li> </ul>

---

**EXECUTIVE SUMMARY (CONT'D)**

---

**2. EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Item	Qwantum's comments
2.	Financial terms of the Proposed Related Party Transactions (Cont'd)	<p><b>Proposed Offer to Subscribe (Cont'd)</b></p> <ul style="list-style-type: none"> <li>Based on our evaluation, the financial terms of the Proposed Offer to Subscribe are <b>fair and reasonable and not detrimental</b> to the non-interested shareholders of Johan.</li> </ul> <p><b>Proposed Right to Execute the Works</b></p> <ul style="list-style-type: none"> <li>As elaborated in <b>Section 9.2</b> of this IAL, we have evaluated the financial terms of the Proposed Right to Execute the Works based on the following factors: <ul style="list-style-type: none"> <li>(i) Analysis of capital expenditure per production line;</li> <li>(ii) Analysis of the annual production capacity per production line; and</li> <li>(iii) Analysis of the duration of construction based on the scope of Works.</li> </ul> </li> <li>Based on our evaluation, the financial terms of the Proposed Right to Execute the Works are <b>fair and reasonable and not detrimental</b> to the non-interested shareholders of Johan.</li> </ul>
3.	Salient terms of the Letter of Offer	As elaborated in <b>Section 8.3</b> of this IAL, the salient terms of the Letter of Offer are <b>reasonable</b> and <b>not detrimental</b> to the non-interested shareholders of Johan.
4.	Salient terms of the Letter of Intent	As elaborated in <b>Section 9.3</b> of this IAL, the salient terms of the Letter of Intent are <b>reasonable</b> and <b>not detrimental</b> to the non-interested shareholders of Johan.
5.	Effects of the Proposed Related Party Transactions	<p><b>Proposed Offer to Subscribe</b></p> <ul style="list-style-type: none"> <li>As elaborated in <b>Section 8.4</b> of this IAL, the Proposed Offer to Subscribe will not have any effects on the issued share capital, substantial shareholders' shareholdings, NA and gearing, and earnings and EPS of the Group. Therefore, the Proposed Offer to Subscribe is <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.</li> </ul> <p><b>Proposed Right to Execute the Works</b></p> <ul style="list-style-type: none"> <li>As elaborated in <b>Section 9.4</b> of this IAL, the Proposed Right to Execute the Works will not have any effects on the issued share capital, substantial shareholders' shareholdings, NA and gearing, and earnings and EPS of the Group. Therefore, the Proposed Right to Execute the Works is <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.</li> </ul>

**EXECUTIVE SUMMARY (CONT'D)**

**2. EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Item	Quantum's comments
6.	Risk factors associated with the Proposed Offer to Subscribe and the Proposed Right to Execute the Works	<p>As elaborated in <b>Section 8.5</b> of this IAL, in the event that Proposed Offer to Subscribe is not approved by the shareholders of Johan and/or the shareholders of George Kent, Johan will be required to fund the entire additional financial commitment and explore other avenues of raising the necessary capital in relation to the Gloves Business including internally generated funds and/or bank borrowings. We are of the view that – barring other financial or operational commitments of Johan Group and/or the eventual assessment by lenders, and other commercial and financial considerations pertinent to the business activities of Johan Group – Johan would be in a position to fulfil the additional commitment to subscribe up to RM40 million in the share capital of Dynacare.</p> <p>The key risk factors associated with the Proposed Right to Execute the Works have been considered, addressed and mitigated by the Board. Although measures could be taken by Johan to attempt to limit the risks associated with the Proposed Right to Execute the Works, no assurance can be given that one or a combination of these risks as stated in <b>Section 9.5</b> of this IAL will not occur. Notwithstanding, we are of the view that the measures the Board intends to apply to mitigate those risks are <b>reasonable</b>.</p>
7.	<p>Factors associated with the Gloves Business</p> <p>(i) Inquiries with Dynacare Management</p> <p>(ii) Industry overview, outlook and future prospects, and future prospects of Johan Group</p> <p>(iii) Risk factors associated with the Gloves Business and measures or steps to mitigate the risks</p>	<p>Given that the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are related to Johan's proposal to undertake the Gloves Business via Dynacare, we have assessed the key factors directly associated with the Gloves Business as elaborated in <b>Sections 10.1, 10.2, 10.3</b> and <b>10.4</b> of this IAL and our comments are summarised below:</p> <p>Based on our inquiries with Dynacare Management and notable findings arising from our review of the Internal Feasibility Report as set out in <b>Section 10.1 of this IAL</b>, the Gloves Business is expected to generate profits and positive cash flows to Johan Group going forward, and the Payback Period and IRR of the Gloves Business to be undertaken by Dynacare appear to be reasonably attractive from Johan's perspective. Premised on the above, we are of the view that the Proposed Related Party Transactions are <b>reasonable</b>.</p> <p>After considering the overview, outlook and future prospects of the Malaysian economy, the manufacturing and gloves industry, and the future prospects of Johan Group as elaborated in <b>Sections 10.2</b> and <b>10.3</b> of this IAL respectively, we are of the view that the Proposed Related Party Transactions are <b>reasonable</b>.</p> <p>The key risk factors associated with the Gloves Business have been considered, addressed and mitigated by the Board. Although measures could be taken by Johan to attempt to limit the risks associated with the Gloves Business, no assurance can be given that one or a combination of these risks as stated in <b>Section 10.4</b> of this IAL will not occur. Notwithstanding, we are of the view that the measures the Board intends to apply to mitigate those risks are <b>reasonable</b>.</p>

### 3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Related Party Transactions and our evaluation is set out in **Section 8, 9 and 10** of this IAL. However, we wish to highlight that our assessment of the factors associated with the Gloves Business in **Section 10** of this IAL is only intended to supplement our evaluation of the Proposed Related Party Transactions in **Sections 8 and 9** of this IAL and should not be regarded the primary basis upon which our opinion on the Proposed Related Party Transactions is formed.

The non-interested shareholders of Johan should take into account all the merits and demerits of the Proposed Related Party Transactions based on the relevant pertinent factors including those which are set out in the Circular, the relevant appendices thereof, this IAL and other publicly available information.

After having considered all the relevant factors included in our evaluation of the Proposed Related Party Transactions and based on the information made available to us, we are of the opinion that:

- (i) the Proposed Offer to Subscribe is **fair and reasonable** insofar as the non-interested shareholders of Johan are concerned and is **not detrimental** to the non-interested shareholders of Johan; and
- (ii) the Proposed Right to Execute the Works is **fair and reasonable** insofar as the non-interested shareholders of Johan are concerned and is **not detrimental** to the non-interested shareholders of Johan.

Accordingly, we recommend the non-interested shareholders of Johan should **vote in favour** of the ordinary resolutions pertaining to:

- (a) the Proposed Offer to Subscribe; and
- (b) the Proposed Right to Execute the Works,

to be tabled at the forthcoming EGM of the Company.

Our views and recommendation as contained in the IAL only cater to the non-interested shareholders of Johan at large and not to any individual non-interested shareholder. We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested shareholders. We recommend that any non-interested shareholders who require advice in relation to the Proposed Related Party Transactions, either individually or collectively, in the context of their individual investment objectives, financial situation or particular needs, consult their respective stockbrokers, bank managers, accountants, solicitors or other professional advisers.

**THE NON-INTERESTED SHAREHOLDERS OF JOHAN ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSED RELATED PARTY TRANSACTIONS TO BE TABLED AT THE FORTHCOMING EGM.**

**Quantum Skylight Capital Sdn Bhd**  
*(Formerly known as Quantum Capital Sdn Bhd)*  
**200501006755 / 683802-A**

No. 303-B, Lorong Perak  
Melawati Square Business Centre  
Taman Melawati  
53100 Kuala Lumpur

12 May 2021

**To: The Non-Interested Shareholders of Johan Holdings Berhad**

Dear Sir/Madam,

**JOHAN HOLDINGS BERHAD**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF JOHAN HOLDINGS BERHAD (“JOHAN” OR THE “COMPANY”) IN RELATION TO THE PROPOSED OFFER TO SUBSCRIBE AND THE PROPOSED RIGHT TO EXECUTE THE WORKS**

---

**1. PREAMBLE**

This independent advice letter ("IAL") is prepared for inclusion in the Circular and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined herein.

**2. INTRODUCTION**

On 29 March 2021, UOB Kay Hian, on behalf of the Board, announced, among other proposals, the following:

- (i) Johan had via its letter of offer dated 29 March 2021 extended the Letter of Offer to George Kent to subscribe for 40% equity interest in Dynacare at the issue price of RM1.00 per ordinary share and Johan to hold the balance 60% equity interest (“**Proposed Offer to Subscribe**”); and
- (ii) Dynacare, a subsidiary of Johan to award the Right to George Kent to build the manufacturing plant and installation of machinery for the Gloves Business (“**Gloves Manufacturing Plant**”) on the Subject Property for a global contract sum of approximately RM624,100,000 plus or minus 10% (excluding sales and service tax) (“**Proposed Right to Execute the Works**”).

collectively, the “**Proposed Related Party Transactions**”. The Proposed Offer to Subscribe and the Proposed Right to Execute the Works are **not inter-conditional** upon each other.



## 2. INTRODUCTION (CONT'D)

As set out in **Section 5.1, Part A** of the Circular, Dynacare was incorporated in Malaysia on 23 July 2020 as a private company limited by shares under the Act. As at the LPD, Dynacare has yet to commence business operations and it is intended for Dynacare to carry out the Gloves Business. Dynacare is a wholly-owned subsidiary of Johan with an issued share capital of RM3,000,000 comprising 3,000,000 Dynacare Shares.

In the event the Proposed Offer to Subscribe is not approved by either the shareholders of Johan or George Kent, the Group will explore other avenues of raising the necessary capital for the Gloves Business.

In the event the Proposed Right to Execute the Works is not approved by either the shareholders of Johan or George Kent, the Group will continue to undertake the construction of the Gloves Manufacturing Plant by appointing consultants and project manager to support the Group in awarding the component works packages to suitable contractors (external parties who are not related to George Kent) and to oversee the overall construction of the Gloves Manufacturing Plant.

In view that the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements by virtue of the interests of the interested parties set out in **Section 13.2, Part A** of the Circular, the Board (save for the Interested Directors) had on 29 March 2021, appointed Qwantum to act as the independent adviser to advise the non-interested directors and non-interested shareholders of Johan as to whether each of the Proposed Related Party Transactions are fair and reasonable and whether each of the Proposed Related Party Transactions are detrimental to the non-interested shareholders of Johan.

The purpose of this IAL is to provide an independent opinion as to whether each of the Proposed Related Party Transactions are fair and reasonable, and whether each of the Proposed Related Party Transactions are detrimental to the non-interested shareholders of Johan, subject to the scope and limitations of our evaluation specified in **Section 4** of this IAL. The non-interested shareholders of Johan should nonetheless rely on their own evaluation of the merits of each of the Proposed Related Party Transactions before making a decision on the course of action to be taken.

Other than for this intended purpose, this IAL should not be used for any other purpose and/or by any other persons and/or reproduced, wholly or partially, without our express written consent.

**YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED IN THIS IAL BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSED RELATED PARTY TRANSACTIONS TO BE TABLED AT THE FORTHCOMING EGM OF JOHAN HOLDINGS BERHAD.**

**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

### 3. DETAILS OF THE PROPOSED RELATED PARTY TRANSACTIONS

#### i) Proposed Offer to Subscribe

On 29 March 2021, Johan had extended the Letter of Offer to George Kent and George Kent had on even date, accepted the Letter of Offer, which is subject to shareholders' approval. Pursuant to the Proposed Offer to Subscribe, George Kent will subscribe for 40% equity interest in Dynacare. The intended equity to be contributed by shareholders of Dynacare is RM100,000,000 of which 60% equity interest is to be contributed by Johan and 40% equity interest is to be contributed by George Kent in accordance with the Equity Participation Ratio in Dynacare to be maintained at all times.

The intended equity of RM100,000,000 serves as the intended capital investment of Johan and George Kent into Dynacare to undertake the Gloves Business and to be utilised for, among others, the following:

- (a) partial settlement of the Purchase Consideration attributable to the acquisition of a parcel of land for the Gloves Manufacturing Plant as set out in **Section 2.5, Part A** of the Circular;
- (b) the financial commitment for the construction and setting up of the Gloves Manufacturing Plant as set out in **Section 2.7, Part A** of the Circular; and
- (c) to finance the working capital requirements of Dynacare.

#### ii) Proposed Right to Execute the Works

The Board (save for the Interested Directors) has proposed that George Kent be given the Right to build the Plant and Machinery as the design and build contractor in respect of the Glove Manufacturing Plant at a global contract sum of RM624,100,000 plus or minus 10% (excluding sales and service tax), subject to the approval of the shareholders of Johan and George Kent at the respective EGM to be convened.

The details of the Proposed Offer to Subscribe and Proposed Right to Execute the Works are set out in **Section 5 and Section 6, Part A** of the Circular which should be read in its entirety by the non-interested shareholders of Johan.

### 4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS

Qwantum was not involved in any formulation or any deliberation and negotiation on the terms and conditions of the Proposed Related Party Transactions. The terms of reference of our appointment as the Independent Adviser to the non-interested directors and non-interested shareholders of Johan in relation to the Proposed Related Party Transactions are in accordance with the requirements set out in Paragraph 10.08(3) of the Listing Requirements and Best Practice Guide in relation to IALs ("**IAL Guide**") issued by Bursa Securities.

#### 4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS (CONT'D)

The Proposed Offer to Subscribe is conditional upon the Proposed Diversification (as elaborated in **Section 12, Part A** of the Circular) but not vice-versa, and the Proposed Right to Execute the Works is also conditional upon the Proposed Acquisition and the Proposed Diversification but not vice-versa. Therefore, whilst our evaluation of the Proposed Offer to Subscribe and the Proposed Right to Execute the Works includes an assessment of the factors associated with the Gloves Business, we do not opine on the viability of the Gloves Business, or the fairness and reasonableness of the Proposed Acquisition and the Proposed Diversification.

Furthermore, our evaluation of the Proposed Right to Execute the Works does not include an assessment of the appropriateness or completeness of the scope of Works – that the scope of Works will eventuate in the successful and timely completion and commissioning of the Gloves Manufacturing Plant, or George Kent's ability to carry out the scope of Works.

Our scope is limited to expressing an independent opinion on the fairness and reasonableness of each of the Proposed Related Party Transactions insofar as the non-interested shareholders of Johan are concerned based on the following information and documents made available to us:

- (i) the announcement made on behalf of the Board by UOB Kay Hian on 29 March 2021;
- (ii) the information contained in Part A of the Circular and the appendices attached thereto;
- (iii) the letter of offer dated 29 March 2021 to George Kent ("**Letter of Offer**");
- (iv) the letter of intent dated 20 April 2021 issued by Dynacare to George Kent ("**Letter of Intent**");
- (v) internal feasibility study dated 24 March 2021 prepared by Dynacare ("**Internal Feasibility Report**");
- (vi) the Annual Report of Johan for the financial year ended 31 January 2020 and the quarterly announcement of Johan for the 12-month financial period ended 31 January 2021;
- (vii) quarterly announcement of George Kent for the 12-month period ended 31 January 2021;
- (viii) discussions with and representations by the Board and/or the management of Johan and Dynacare (the "**Management**");
- (ix) other relevant information, documents, confirmations and representation furnished to us by the Board and/or Management; and
- (x) other publicly available information.

We have made all reasonable enquiries to the Board and Management and have relied upon the information and documents as mentioned above. Accordingly, Quantum shall not assume any responsibility or liability whatsoever to any party. We are satisfied that all relevant facts, information and representations necessary for our evaluation of the Proposed Related Party Transactions have been disclosed to us and that such information is sufficient, accurate, valid and there is no omission of any material facts, which would make any information provided to us incomplete, misleading or inaccurate

#### **4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS (CONT'D)**

The Board (save for the Interested Directors) has seen and approved this IAL. The directors of Johan individually and collectively accept full responsibility for the validity, accuracy and completeness of the information provided to us in order for us to perform our evaluation and arrive at our conclusion. The Board has confirmed to us that all relevant facts and information essential to the evaluation of the Proposed Related Party Transactions have been disclosed to us and has accepted full responsibility for the accuracy of the information provided to us. After making all reasonable enquiries and to the best of our knowledge and belief, we are satisfied with the disclosures from the Board and Management and have no reason to believe that any of the information provided is unreliable, incomplete, misleading or inaccurate.

In rendering our advice, we had taken note of pertinent factors, which we believe are necessary and of importance to our assessment of the Proposed Related Party Transactions and therefore of general concern to the non-interested shareholders of Johan.

As such:

- (i) the scope of Qwantum's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of each of the Proposed Related Party Transactions only. Comments or points of consideration which may be commercially oriented are included for our overall evaluation as we deem it necessary for disclosure purposes to enable the non-interested shareholders of Johan to consider and form their views thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Related Party Transactions;
- (ii) Qwantum's views and recommendation as contained in the IAL only cater to the non-interested shareholders of Johan at large and not to any individual non-interested shareholder. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual shareholder or any specific group of shareholders; and
- (iii) we recommend that any individual shareholder or group of shareholders who is in doubt as to the action to be taken or require advice in relation to the Proposed Related Party Transactions in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account of the information, events and conditions arising after the LPD.

**4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS (CONT'D)**

We will notify the shareholders of Johan if, after the despatch of this IAL, we become aware that the information or document previously circulated or provided:

- (i) contains a material statement which is false or misleading;
- (ii) a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

Under the above circumstances and if considered necessary, a supplementary IAL will be sent to the shareholders of Johan.

**5. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE**

We confirm that there is no situation of conflict of interest that exists or is likely to exist in relation to our role as the Independent Adviser in connection to the Proposed Related Party Transactions. Other than our current appointment for the Proposed Related Party Transactions, we have advised the directors and shareholders of Johan in relation to the Proposed Disposal by Johan Investment Private Limited, a wholly owned subsidiary of Johan, of the entire equity interest in Diners Club (Singapore) Private Limited to Ezy Net Pte Ltd for a disposal consideration of SGD103.59 million or approximately RM313.98 million. The IAL was issued on 7 January 2021.

Qwantum is not aware of any existing conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of Qwantum's appointment as the Independent Adviser in respect of the Proposed Related Party Transactions.

Save for the professional fee Qwantum is entitled to as the Independent Adviser for the Proposed Related Party Transactions, Qwantum does not receive or derive any financial interest or benefit from the Proposed Related Party Transactions and there is no interest to be derived from Qwantum's appointment as the Independent Adviser to Johan in respect of the Proposed Related Party Transactions.

Accordingly, we have given our confirmation to the Company that we are not aware of any conflict of interest which exists or is likely to exist in our capacity as the Independent Adviser in respect of the Proposed Related Party Transactions.

Qwantum is an approved corporate finance adviser within the meaning of the Principal Adviser Guidelines issued by the Securities Commission Malaysia. Qwantum's experience as the Independent Adviser is described below:

## 5. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE (CONT'D)

- the provision of independent advice to the shareholders of Johan in relation to the Proposed Disposal by Johan Investment Private Limited, a wholly owned subsidiary of Johan, of the entire equity interest in Diners Club (Singapore) Private Limited to Ezy Net Pte Ltd for a disposal consideration of SGD103.59 million or approximately RM313.98 million. The IAL was issued on 7 January 2021; and
- the provision of independent advice to the non-interested shareholders of Impiana Hotels Berhad (“**Impiana**”) in relation to the Proposed Acquisitions by Impiana Tioman Villas & Residences Sdn Bhd, a wholly owned subsidiary of Impiana, of five (5) contiguous parcels of lands for a purchase consideration of RM7.5 million. The IAL was issued on 25 March 2021.

In addition to the abovementioned independent advisory assignments, Qwantum had, over the last two years, provided a range of advisory services which include, amongst others, the provision of financial advisory services to GPP Resources Berhad (“**GPP**”) in conjunction with the proposed listing and quotation of GPP’s shares on the LEAP Market of Bursa Securities, the appraisal of the fair value of the equity of certain private companies for the purpose of capital raising proposals, and financial due diligence reviews. Further information on Qwantum is available on our website, [www.qwantum.com.my](http://www.qwantum.com.my)

In regards to independent advisory assignments, the managing director of Qwantum, Mr Lee King Loon has experience as an independent adviser under his previous employment with a firm now known as Crowe Malaysia PLT, where he was the lead person in-charge of a number of independent advisory assignments, carried out under the former names of the aforesaid firm, including:

- (a) the provision of independent advice to the shareholders of Mitrajaya Holdings Berhad on the acquisition of 40% equity interest in Samrand Mitrajaya Development (Pty) Ltd for a cash consideration of Rand30,000,000 or approximately RM15.3 million and the proposed acquisition of two pieces of vacant freehold farmland located in Gauteng in the State City of Centurion, South Africa for a total cash consideration of Rand11,400,000 or approximately RM5,841,360. The IAL was issued on 17 April 2001;
- (b) the provision of independent advice to the non-interested directors and non-interested shareholders of Lion Corporation Berhad (“**LCB**”) in connection with the related party transactions undertaken by LCB pursuant to LCB Group’s proposed corporate and debt restructuring exercises comprising: (i) the proposed acquisition of 40% equity interest in Megasteel Sdn Bhd for a purchase consideration of RM1,007.92 million; (ii) the proposed acquisition of 50.45% equity interest in Lion Land Berhad (“**LLB**”) for a total purchase consideration of RM260.47 million; (iii) the proposed acquisition of 419.26 million shares in Amsteel Corporation Berhad (“**ACB**”) for a total purchase consideration of RM419.26 million; (iv) proposed divestment of 6.35% equity interest in Silverstone Berhad for a total consideration of RM16.24 million;

**5. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE (CONT'D)**

(b) Cont'd

(v) proposed divestment of 13.5% equity interest in Hiap Joo Chong Realty Sdn Bhd for a total consideration of RM1.82 million, to be satisfied by various transactions including upfront cash payment, issuance of LCB "B" Bonds with detachable new LCB Shares, issuance of new LCB Shares, exchange of shares in certain public-listed companies, and set-off of inter-company balances; and (vi) proposed settlement of inter-company balances of LCB, ACB, LLB and Angkasa Marketing Berhad. The IAL was issued on 17 January 2003;

(c) the provision of independent advice to the non-interested directors and non-interested shareholders of Berjaya Media Corporation Berhad (formerly known as Nexnews Berhad ("**Nexnews**")) on the related party transactions to be undertaken by Nexnews comprising: (i) the acquisition of the entire equity interest in Sun Media Corporation Sdn Bhd for a total consideration of RM40,000,000; (ii) the proposed full and final settlement by Nexnews of indebtedness due and owing; and (iii) the proposed acquisition of 70% of the equity interest in The Edge Communications Sdn Bhd for a total consideration of RM14,000,000 satisfied by the issuance of 14,000,000 new irredeemable convertible preference shares ("**ICPS**") in Nexnews; and the provision of independent advice to the non-interested shareholders of Nexnews in connection with the proposed exemption to Net Edge Online Sdn Bhd and parties acting in concert with it from the obligation to extend a mandatory offer for all the remaining Nexnews Shares and ICPS not already held by them upon completion of the rights issue; and the proposed exemption to Tan Sri Dato' Seri Tan Chee Yioun from the obligation to extend a mandatory offer for all the remaining Nexnews Shares not already held by him upon completion of the rights issue. The IAL was issued on 17 June 2003; and

(d) the provision of independent advice to the shareholders DutaLand Berhad (formerly known as Mycom Berhad ("**Mycom**")) on the transactions undertaken by Mycom pursuant to and forming part of its debt and corporate restructuring scheme comprising: (i) the settlement of the trade and other creditors of certain subsidiaries amounting to RM65.8 million; (ii) the proposed inter-company settlement of net amount owing by Mycom to Olympia Industries Berhad ("**OIB**") of RM140.7 million, to be satisfied by various transactions including the issuance of new Mycom Shares, waiver of debts and issuance of Irredeemable Convertible Loan Stocks; and (iii) the transfer of entitlement by Mycom at no cost to its existing shareholders of part of the Mycom Entitlement to subscribe for 9.8 million new ordinary shares of RM1.00 each in OIB ("**OIB Shares**") with 9.8 million detachable free warrants to be issued pursuant to the renounceable rights issue to be undertaken by OIB on the basis of one (1) new ordinary OIB Share with one (1) detachable free warrant for every four (4) existing Mycom Shares held (subsequent to the Proposed Capital Reduction and Proposed Capital Consolidation) at an issue price of RM1.00 per OIB Share. The IAL was issued on 29 September 2003.

Premised on the above, Qwantum is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Johan in relation to the Proposed Related Party Transactions.

## 6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

The interests of the Interested Directors and the interested major shareholders of Johan and/or persons connected to them are set out in **Section 13.2, Part A** of the Circular.

The Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in relation to the Proposed Related Party Transactions. The Interested Directors and interested major shareholders will abstain from voting, and will ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in Johan on the resolutions pertaining to each of the Proposed Related Party Transactions to be tabled at the forthcoming EGM.

## 7. EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS

In arriving at our opinion and recommendation as the Independent Adviser in respect of the Proposed Related Party Transactions, we have assessed the fairness and reasonableness of the Proposed Related Party Transactions.

The Proposed Offer to Subscribe is conditional upon the Proposed Diversification (as elaborated in **Section 12, Part A** of the Circular) but not vice-versa, and the Proposed Right to Execute the Works is also conditional upon the Proposed Acquisition and Proposed Diversification but not vice-versa. Therefore, whilst our evaluation of the Proposed Offer to Subscribe and the Proposed Right to Execute the Works includes an assessment of the factors associated with the Gloves Business, we do not opine on the viability of the Gloves Business or the fairness and reasonableness of the Proposed Acquisition and the Proposed Diversification.

Furthermore, our evaluation of the Proposed Right to Execute the Works does not include an assessment of the appropriateness or completeness of the scope of Works – that the scope of Works will eventuate in the successful and timely completion and commissioning of the Gloves Manufacturing Plant, or George Kent’s ability to carry out the scope of Works.

Notwithstanding, given that the Proposed Related Party Transactions are directly related to the Gloves Business, we performed a review of the Internal Feasibility Report and made inquiries with Dynacare’s management (“**Dynacare Management**”) with regards to its plans in carrying on the Gloves Business from a macro perspective, and our findings are summarised in **Section 10.1** of this IAL. In our evaluation of the Proposed Related Party Transactions, we have considered the following factors:

No.	Items	Sections
	<b>Assessment of factors specific to the Proposed Offer to Subscribe</b>	<b>Section 8</b>
(a)	Rationale for the Proposed Offer to Subscribe	Section 8.1
(b)	Financial terms of the Proposed Offer to Subscribe	Section 8.2
(c)	Salient terms of the Letter of Offer	Section 8.3
(d)	Effects of the Proposed Offer to Subscribe	Section 8.4
(e)	Risk factor associated with the Proposed Offer to Subscribe	Section 8.5



## 7. EVALUATION OF THE PROPOSED RELATED PARTY TRANSACTIONS (CONT'D)

Assessment of factors specific to the Proposed Right to Execute the Works		Section 9
(a)	Rationale for the Proposed Right to Execute the Works	Section 9.1
(b)	Financial terms of the Proposed Right to Execute the Works	Section 9.2
(c)	Salient terms of the Letter of Intent	Section 9.3
(d)	Effects of the Proposed Right to Execute the Works	Section 9.4
(e)	Risk factors associated with the Proposed Right to Execute the Works	Section 9.5
Assessment of factors associated with the Gloves Business		Section 10
(a)	Inquiries with Dynacare Management	Section 10.1
(b)	Industry overview, outlook and future prospects	Section 10.2
(c)	Future prospects of Johan Group	Section 10.3
(d)	Risk factors associated with the Gloves Business and measures or steps to mitigate the risks	Section 10.4

The views expressed by Qwantum in this IAL are based on, amongst others, current economic, market and political conditions prevailing as at the LPD. In this respect, the non-interested shareholders of Johan should take note of any announcements relevant to their consideration of the Proposed Related Party Transactions which may be released after the LPD.

## 8. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED OFFER TO SUBSCRIBE

### 8.1 Rationale for the Proposed Offer to Subscribe

#### (i) Limit the Group's exposure in the Gloves Business

As set out in **Section 7.2, Part A** of the Circular, The Board has been actively exploring avenues to turn around the financial performance of the Group. As part of the Board's strategy to identify additional streams of income, the Board has taken into consideration the growing market demand and sustainability potential of the Gloves Business.

As set out in **Section 5, Part A** of the Circular, we note that the Letter of Offer extended by the Group allows George Kent to subscribe for 40% equity interest in Dynacare and the Equity Participation Ratio in Dynacare which shall be maintained at all times as follows:

**Table A**

No.	Shareholders	Equity Interest
(i)	Johan	60%
(ii)	George Kent	40%
		<u>100%</u>

## 8. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED OFFER TO SUBSCRIBE (CONT'D)

### 8.1 Rationale for the Proposed Offer to Subscribe (Cont'd)

#### (i) Limit the Group's exposure in the Gloves Business (Cont'd)

Following George Kent's acceptance of the offer, any financial commitment (i.e. advances and/or guarantees) required by Dynacare for the Gloves Business will be based on Johan's shareholdings in Dynacare, i.e. 60% equity interest which to an extent, limits Johan's exposure in the Gloves Business and allows Johan to conserve its cash flow to carry on its existing operations.

#### (ii) Reduce the financial commitment of the Group

As set out in **Section 2.7, Part A** of the Circular, the estimated additional financial commitment required for the construction of the Gloves Manufacturing Plant and to put the Gloves Business on-stream is approximately RM652.2 million.

We note that the total additional financial commitment of RM652.2 million required to put the Gloves Business on-stream will be funded by the RM100.00 million paid-up capital in Dynacare and the balance through project financing/bank borrowings and internally generated funds from Dynacare's operations. If there is a shortfall in the operating cash flow of Dynacare to fund the additional financial commitment, Johan and George Kent will provide advances to Dynacare in proportion to their shareholdings.

The participation of George Kent as an equity partner is expected to reduce the financial commitment of Johan in relation to the Gloves Business.

#### (iii) Alignment of George Kent's interest with Johan

The Proposed Offer to Subscribe is also expected to align George Kent's interest with Johan in respect of undertaking the Gloves Business including the construction of the Gloves Manufacturing Plant.

Premised on the above, we are of the view that the rationale of the Proposed Offer to Subscribe is **reasonable and not detrimental** to the non-interested shareholders of Johan.

### 8.2 Financial terms of the Proposed Offer to Subscribe

#### (i) Issue Price of Dynacare Shares to George Kent

As at the LPD, Dynacare is a wholly-owned subsidiary company of Johan with an issued share capital of RM3 million comprising 3 million Dynacare Shares. On 29 March 2021, Johan had via its Letter of Offer extended an offer to George Kent to subscribe for 40% equity interest in Dynacare at the issue price of RM1.00 per ordinary share and Johan will hold the remaining 60% equity interest.

## 8. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED OFFER TO SUBSCRIBE (CONT'D)

### 8.2 Financial terms of the Proposed Offer to Subscribe (Cont'd)

#### (i) Issue Price of Dynacare Shares to George Kent (Cont'd)

As set out in **Section 5.1, Part A** of the Circular, we note that George Kent, upon obtaining shareholders' approval will subscribe for 2,000,000 Dynacare Shares at the issue price of RM1.00 each and the issued share capital of Dynacare will be as follows:

**Table B**

	No. of Dynacare Shares	Equity Interest	RM
Johan	3,000,000	60%	3,000,000
George Kent	2,000,000	40%	2,000,000
	<u>5,000,000</u>		<u>5,000,000</u>

It is Johan and George Kent's intention to increase the issued share capital of Dynacare subsequently to RM100 million comprising 100 million Dynacare Shares, of which 60 million Dynacare Shares, representing 60% equity interest, will be held by Johan whilst the remaining 40 million Dynacare Shares, representing 40% equity interest will be held by George Kent.

We note that the offer to George Kent to subscribe for 40% equity interest in Dynacare will be based on an issue price of RM1.00 per Dynacare Share which is equivalent to the issue price at which Johan had subscribed for the existing Dynacare Shares, i.e. at an issue price of RM1.00 per Dynacare Share.

Subsequently, the intention to increase the share capital of Dynacare to RM100 million comprising 100,000,000 Dynacare Shares, which shall be subscribed by Johan and George Kent in accordance with the equity participation ratio of 60% : 40% respectively, will be based on the same issue price of RM1.00 per Dynacare Share to both Johan and George Kent.

#### (ii) George Kent's ability to fulfil its financial obligations under the Proposed Offer to Subscribe

Based on George Kent's announcement to Bursa Securities on 29 March 2021, we noted that its subscription into Dynacare of RM40.0 million will be via its internally-generated funds and/or bank borrowings, the allocation of which is not determinable at this juncture.

Our evaluation of George Kent's ability to meet its financial obligation to subscribe into Dynacare is set out below:

## 8. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED OFFER TO SUBSCRIBE (CONT'D)

### 8.2 Financial terms of the Proposed Offer to Subscribe (Cont'd)

#### (ii) George Kent's ability to fulfil its financial obligations under the Proposed Offer to Subscribe (Cont'd)

Financial considerations	Qwantum's comments
Deposits, cash and bank balances	The consolidated deposits, cash and bank balances of George Kent and its subsidiaries ("George Kent Group") as at 31 January 2021 amounted to RM201.1 million <sup>(1)</sup> . Barring other financial or operational commitments of George Kent Group, the consolidated deposits, cash and bank balances of George Kent Group appears adequate to meet George Kent's obligation to subscribe RM40.0 million into Dynacare.
Current ratio	The current ratio of George Kent Group as at 31 January 2021 of 2.64 <sup>(2)</sup> indicates that George Kent Group's liabilities due within a year were less than its short-term assets (assets expected to be converted to cash within a year or less), which also indicates that George Kent Group is able to meet its short-term obligations when they fall due.
Gearing ratio	The gearing ratio of George Kent Group as at 31 January 2021 was 15.9% <sup>(3)</sup> . Subject to the eventual assessment by lenders and other commercial and financial considerations pertinent to the business activities of George Kent Group, it appears that George Kent has the capacity to borrow additional monies, if required, to meet its obligation to subscribe RM40.0 million into Dynacare.
Debt-to-equity ratio	The debt-to-equity ratio of George Kent Group as at 31 January 2021 of 0.16 <sup>(4)</sup> indicates that a substantial amount of George Kent Group's assets were financed by equity as opposed to debt.

**Notes:**

- (1) As disclosed in latest quarterly announcement of George Kent for the 12-month period ended 31 January 2021.
- (2) Based on the current assets of RM508.29 million over current liabilities of RM192.19 million, as at 31 January 2021, as disclosed in latest quarterly announcement of George Kent for the 12-month period ended 31 January 2021.
- (3) Based on the total loans and borrowings of RM82.79 million as a percentage of total equity of RM520.59 million, as at 31 January 2021, as disclosed in latest quarterly announcement of George Kent for the 12-month period ended 31 January 2021.
- (4) Based on the total loans and borrowings of RM82.79 million over total equity of RM520.59 million, as at 31 January 2021, as disclosed in latest quarterly announcement of George Kent for the 12-month period ended 31 January 2021.

Premised on the above, we are of the view that the financial terms of the Proposed Offer to Subscribe are **fair and reasonable and not detrimental** to the non-interested shareholders of Johan.

## 8. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED OFFER TO SUBSCRIBE (CONT'D)

### 8.3 Salient terms of the Letter of Offer

Our comments on the salient terms of the Letter of Offer as extracted from **Section 5.5, Part A** of the Circular are as follows:

Salient terms of Letter of Offer	Qwantum's comments
1. <i>60% equity interest in Dynacare is to be held by Johan. The intended equity to be contributed by shareholders is RM100,000,000.</i>	It is the Management intention to increase the intended equity to RM100 million and is therefore reasonable.
2. <i>The Proposed Offer to Subscribe is subject to the approval by the respective shareholders of Johan and George Kent</i>	Shareholders' approval is required in order to comply with the Listing Requirements and is therefore reasonable.
3. <i>Upon subscription of the shares, the rights, power duties and obligations of George Kent as a shareholder shall be governed by company constitution of Dynacare and George Kent shall be bound by the constitution</i>	It is reasonable that the rights, power duties and obligations of the shareholders shall be bound by the constitution of the investee.
4. <i>George Kent shall be entitled to nominate to the board of directors of Dynacare, a number of Directors that are proportionate to its shareholding in Dynacare</i>	The clause is typical to transactions of such nature and is therefore reasonable.
5. <i>The completion of the share subscription shall occur within twenty-one (21) calendar days after all the respective board and shareholders approvals have been obtained</i>	The timeframe for the share subscription is reasonable.

The share subscription pertains to the subscription of 2,000,000 Dynacare Shares by George Kent in the manner as set out in **Section 5.1(ii), Part A** of the Circular. The remaining share subscription will depend on the funding requirements of Dynacare and any subsequent subscription of Dynacare Shares by Johan and George Kent shall be in accordance with the Equity Participation Ratio. It is expected that the remaining share subscription of Dynacare Shares will be called up within 6 months after all the respective shareholders approvals have been obtained.

Premised on the above, we are of the opinion that the abovementioned salient terms of the Letter of Offer are **reasonable and not detrimental** to the non-interested shareholders of Johan.

### 8.4 Effects of the Proposed Offer to Subscribe

As disclosed in **Section 8, Part A** of the Circular, we noted that the Proposed Offer to Subscribe will not have any impact on the issued share capital, substantial shareholders' shareholdings, NA and gearing, earnings and EPS of the Group.

Premised on the above, we are of the view that the Proposed Offer to Subscribe is **reasonable and not detrimental** to the non-interested shareholders of Johan.

## 8. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED OFFER TO SUBSCRIBE (CONT'D)

### 8.5 Risk factor associated with the Proposed Offer to Subscribe

As disclosed in **Section 9.11, Part A** of the Circular, we note that in the event the Proposed Offer to Subscribe is not approved by either the shareholders of Johan or George Kent, Johan will be required to fund the entire additional financial commitment and explore other avenues of raising the necessary capital in relation to the Gloves Business including internally generated funds and/or bank borrowings.

Any bank borrowings obtained will be subject to interest rate fluctuation and will require Johan Group to service periodic interest payments and there can be no assurance that Johan Group will be able to obtain the required amount of bank borrowings and any shortfall will be required to be funded via internally generated funds. Further, there can be no assurance that Johan Group will be able to repay all of its borrowings and service all interest payments and the ability to repay the principal sum and interest payments on the bank borrowings is dependent on the Gloves Business generating sufficient cash in the future, which is subject to many external factors beyond Johan Group's control. Any delay in raising the necessary funding required may result in a delay in the installation and commissioning of the 42 production line and the expected benefits to be derived from the Gloves Business will be delayed accordingly.

We have also considered the scenario whereby Johan utilises its own funds (either internally generated and/or borrowed) to fulfil the additional commitment to subscribe up to RM40 million in the share capital of Dynacare (if the shareholders do not approve the Proposed Offer to Subscribe). In this regard, we have evaluated Johan's ability to meet the additional financial obligation to subscribe into Dynacare as set out below:

Financial considerations	Quantum's comments
Deposits, cash and bank balances	The consolidated deposits, cash and bank balances of Johan Group as at 31 January 2021 amounted to RM93.1 million <sup>(1)</sup> . Barring other financial or operational commitments of Johan Group, the consolidated deposits, cash and bank balances of Johan Group appears adequate to meet the additional obligation to subscribe RM40.0 million into Dynacare.
Current ratio	The current ratio of Johan Group as at 31 January 2021 of 1.30 <sup>(2)</sup> indicates that Johan Group's liabilities due within a year were less than its short-term assets (assets expected to be converted to cash within a year or less), which also indicates that Johan Group is able to meet its short-term obligations when they fall due.
Gearing ratio and Debt-to-equity ratio	The gearing ratio and debt-to-equity of Johan Group as at 31 January 2021 were 1,149% <sup>(3)</sup> and 11.5, respectively. Notwithstanding, Johan Group's gearing ratio and debt-to-equity ratio are expected to decrease significantly upon completion of the disposal of DCS, as disclosed in Johan's Circular to Shareholders (pertaining to the proposed disposal of DCS) dated 7 January 2021. Subject to the completion of the disposal of DCS and the eventual assessment by lenders and other commercial and financial considerations pertinent to the business activities of Johan Group, it appears that Johan has the capacity to borrow additional monies, if required, to meet the additional obligation to subscribe RM40.0 million into Dynacare.

## 8. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED OFFER TO SUBSCRIBE (CONT'D)

### 8.5 Risk factor associated with the Proposed Offer to Subscribe (Cont'd)

*Notes:*

- (1) *As disclosed in latest quarterly announcement of Johan for the 12-month period ended 31 January 2021.*
- (2) *Based on the current assets of RM748.28 million over current liabilities of RM574.09 million, as at 31 January 2021, as disclosed in latest quarterly announcement of Johan for the 12-month period ended 31 January 2021.*
- (3) *Based on the total loans and borrowings (including investor certificates and lease liabilities) of RM508.14 million as a percentage of equity attributable to equity holders of the parent of RM44.21 million, as at 31 January 2021, as disclosed in latest quarterly announcement of Johan for the 12-month period ended 31 January 2021.*
- (4) *Based on the total loans and borrowings (including investor certificates and lease liabilities) of RM508.14 million over equity attributable to equity holders of the parent of RM44.21 million, as at 31 January 2021, as disclosed in latest quarterly announcement of Johan for the 12-month period ended 31 January 2021.*

Premised on the above, in the event that Proposed Offer to Subscribe is not approved by the shareholders of Johan and/or the shareholders of George Kent, we are of the view that – barring other financial or operational commitments of Johan Group and/or the eventual assessment by lenders, and other commercial and financial considerations pertinent to the business activities of Johan Group – Johan would be in a position to fulfil the additional commitment to subscribe up to RM40 million in the share capital of Dynacare.

The rest of this page is intentionally left blank

## **9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS**

### **9.1 Rationale for the Proposed Right to Execute the Works**

#### **(i) The Group does not have the expertise in engineering design, construction or the resources to undertake the construction works**

As set out in **Section 7.3, Part A** of the Circular, the construction of the Gloves Manufacturing Plant has to be undertaken on a tight schedule while meeting all the necessary quality standards, and both the Group and Dynacare do not have the expertise in engineering design, construction, or the resources to undertake the construction works. George Kent having the expertise in undertaking the construction works and its familiarity in the implementation of the manufacturing processes will be able to provide value engineering works to further optimise the construction cost of the Gloves Manufacturing Plant.

We note that George Kent is a public company listed on the Main Market of Bursa Securities and has a proven track record in delivering a variety of engineering and construction projects including Hospital Kuala Lipis, Ampang (AMG) Line extension project (LRT 2) as well as several water infrastructure projects. In addition, George Kent is currently executing 2 hospital projects and LRT 3 as a 50% shareholder on a turnkey project with contract value in excess of RM11.00 billion. The aforementioned projects involve building construction & infrastructure work and systems engineering works. George Kent is an experienced engineering project management company and is capable to undertake another project involving civil and engineering works, i.e. the construction of the Gloves Manufacturing Plant.

As set out in **Section 6, Part A** of the Circular, the final price of the Global Contract Sum will be determined after the works packages procurement process, which will be carried out by George Kent in an open book and transparent manner to ensure competitive pricing and whereby all sub-contractors/suppliers and prices are to be agreed and approved by Johan and Dynacare prior to any award.

Given the track record and experience of George Kent in undertaking major construction projects, it can be reasonably expected that George Kent, as the design and build contractor for the Works, which is to be undertaken in a fast-track manner, will be able to complete the Works on time and meet the requirements of relevant authorities/regulatory bodies.

#### **(ii) Enable the Group to exercise more control on the construction works**

The Proposed Right to Execute the Works will allow Johan to exercise more control over the works to be carried out while transferring the construction risk to George Kent. In addition, the Proposed Offer to Subscribe and the acceptance thereof (which are subject to shareholders' approval of both Johan and George Kent) will give rise to an obligation on the part of George Kent to contribute RM40 million to the equity of Dynacare, thereby aligning the interest of George Kent with Johan in respect of the undertaking of the Gloves Business including the construction of the Gloves Manufacturing Plant.



## 9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

### 9.1 Rationale for the Proposed Right to Execute the Works (Cont'd)

#### (ii) Enable the Group to exercise more control on the construction works (Cont'd)

Johan is familiar with the management of George Kent which gives Johan the confidence of working with a contractor that they are familiar with and one that has the financial strength to take on a project of this size and nature, which is crucial for the fast track nature of the project and it is preferable for the delivery of the project to be awarded to a single responsible party.

Given the relationship between Johan and George Kent, it can be reasonably expected that the management of Johan and George Kent will be able to work closely together to ensure the successful and timely completion of the construction of the Gloves Manufacturing Plant. In addition, Johan and Dynacare will be able to focus on the development of the Gloves Business in terms of securing key customers and suppliers.

Premised on the above, we are of the view that the rationale for the Proposed Right to Execute the Works is **reasonable and not detrimental** to the non-interested shareholders of Johan.

### 9.2 Financial terms of the Proposed Right to Execute the Works

As set out in **Section 6, Part A** of the Circular, we note that George Kent has been granted the Right to build the Plant and Machinery as the design and build contractor in respect of the Gloves Manufacturing Plant at a global contract sum of RM624.1 million ("**Global Contract Sum**") plus or minus 10% (excluding sales and service tax), subject to the approval of the shareholders of Johan and George Kent at an EGM to be convened. The Global Contract Sum includes all costs for labour, plant, machinery, tools, materials, transportation, wastage, storage and all other cost necessary for the proper performance and completion of the Works and is based on consultant's estimate and quotation.

We noted that the final price of the Global Contract Sum will be determined after the works packages procurement process, which will be carried out by George Kent in an open book and transparent manner to ensure competitive pricing and whereby all sub-contractors/suppliers and prices are to be agreed and approved by Johan and Dynacare prior to any award. In view of this being a fast track project, not all the elements of the Works are ready for tender and award currently nor will all the elements be ready for tender at the same time. As such, the execution shall be phased whenever packages are ready for tender and award.

George Kent shall design, construct, complete, test and commission the Works which includes the installation of infrastructure and utilities of 42 Double Former Glove-Dipping Lines as well as the installation of the equipment, machinery and ancillary systems for the production lines. The expected duration for the Works is 24 months in which, the Gloves Manufacturing Plant is expected to be completed and fully operational by 31 July 2023.

## 9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

### 9.2 Financial terms of the Proposed Right to Execute the Works (Cont'd)

The analysis of the Global Contract Sum is as follows:

**Table C**

Item	Description of the Works	Amount (RM'000)
<b><u>Infrastructure and utilities</u></b>		
(i)	Electricity substation, water supply & storage, wastewater treatment & recycling system, sewerage treatment plant, solar Photovoltaic system, compressed air system and chiller system	85,000
(ii)	Civil, structural and building works	82,000
(iii)	Mechanical and electrical works	46,400
<b>Subtotal (A)</b>		<b>213,400</b>
<b><u>Equipment, machinery and ancillary system</u></b>		
(iv)	42 units of High-Capacity Double Former Glove-Dipping Lines including ceramic formers, former holders, conveyor chain, dip tanks, compounding, storage and feeding tanks, chlorination and scrubber systems, electrical systems, auto-stripping, auto-stacking and water tight tests equipment	390,000
(v)	Automation and SCADA remote control systems, QA/QC and R&D Lab and testing equipment, warehouse systems and loading bay, engineering workshop and spares, and office equipment and furnishing	20,700
<b>Subtotal (B)</b>		<b>410,700</b>
<b>Total (A) + (B)</b>		<b>624,100</b>

The Global Contract Sum was derived based on the following:

- (a) Consultant's preliminary design of the Subject Property based on the Subject Property's layout;
- (b) Quantity surveyor's estimate based on Bill of Materials;
- (c) Quotation from potential suppliers; and
- (d) Reference to similar projects.

**9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)**

**9.2 Financial terms of the Proposed Right to Execute the Works (Cont'd)**

In assessing the fairness and reasonableness of the Proposed Right to Execute the Works, we had evaluated the fairness and reasonableness of the Global Contract Sum, and the reasonableness of the scope of Works based on the following key factors:

Description	Table reference
(i) The capital expenditure per production line	D
(ii) The annual production capacity per production line	E
(iii) The duration of the scope of Works	F

Our evaluation of the capital expenditure per production line, the annual production capacity per production line and the duration of the scope of Works was based on data deduced from publicly available information and/or announcements by other public-listed companies that are either already in the Gloves Business or are diversifying into the Gloves Business (“**Comparable Transactions**”).

The rest of this page is intentionally left blank

9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

9.2 Financial terms of the Proposed Right to Execute the Works (Cont'd)

- (i) The analysis of capital expenditure per production line is tabulated below:

**Table D**

Date of document /announcement	Company	A Capital Expenditure (RM'm)	B Number of Production Lines	A ÷ B Capital Expenditure / Production Line (RM'm)	Source of reference
14 October 2020	Aspen Glove Sdn Bhd	1,500	96	15.63	Analyst Briefing Presentation of Aspen Glove Sdn Bhd
30 October 2020	Joe Holding Berhad (Formerly known as GPA Holdings Berhad)	150	12	12.50	Circular to Shareholders of GPA Holdings Berhad
11 November 2020	Gets Global Berhad	231	12	19.25	Circular to Shareholders of Gets Global Berhad
4 December 2020	Mah Sing Group Berhad	160	12	13.33	Circular to Shareholders of Mah Sing Group Berhad
21 December 2020	Notion Vtec Berhad	120	9	13.33	Circular to Shareholders of Notion Vtec Berhad
23 March 2021	PNE PCB Berhad	60	5	12.00	Company announcement of PNE PCB Berhad
1 April 2021	HARPS Holdings Berhad	411	20	20.55	Prospectus Exposure of HARPS Holdings Berhad
<b>Contract Sum</b>		<b>624.1</b>	<b>42</b>	<b>14.86</b>	<b>Table C of this IAL</b>

Based on the above analysis, the average capital expenditure per production line deduced from the Contract Sum and the number of production lines to be installed and commissioned, of RM14.86 million is within the range of capital expenditure per production line of the Comparable Transactions of between RM12.00 million to RM20.55 million per production line, and is therefore **fair and reasonable**.

9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

9.2 Financial terms of the Proposed Right to Execute the Works (Cont'd)

- (ii) The analysis of the annual production capacity per production line is tabulated below:

**Table E**

	A	B	A ÷ B	Source of reference
Date of document /announcement	Production Capacity (Pieces)	Number of Production Lines	Annual Production Capacity / Production Line (Pieces)	
14 October 2020	26.4 to 28.1 billion	96	275 to 292.7 million	Analyst Briefing Presentation of Aspen Glove Sdn Bhd
30 October 2020	3.6 billion	12	300 million	Circular to Shareholders of GPA Holdings Berhad
11 November 2020	4.6 billion	12	383 million	Circular to Shareholders of Gets Global Berhad
4 December 2020	3.68 billion	12	306.7 million	Circular to Shareholders of Mah Sing Group Berhad
21 December 2020	2.16 billion	9	240 million	Circular to Shareholders of Notion Vtec Berhad
23 March 2021	1.34 billion	5	268 million	Company announcement of PNE PCB Berhad
1 April 2021	8.0 billion	20	400 million	Prospectus Exposure of HARPS Holdings Berhad
<b>Production capacity based on the Works</b>	<b>12 billion</b>	<b>42</b>	<b>285.7 million</b>	<b>Section 2.7, Part A of the Circular</b>

Based on the above analysis, the annual production capacity per production line deduced from the estimated production capacity from the scope of Works of 12 billion over the planned number of production lines, of 285.7 million pieces (of gloves) is within the range of the Comparable Transactions of between 240 million pieces to 400 million pieces per production line, and is therefore **reasonable**.

9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

9.2 Financial terms of the Proposed Right to Execute the Works (Cont'd)

- (iii) The analysis of the duration of construction based on the scope of Works is tabulated below:

**Table F**

	A	B	A ÷ B	
	Estimated timeline	Number of Production Line	Construction Period / Production Line (Month)	Source of reference
Date announced	Company			
14 Oct 2020	Aspen Glove Sdn Bhd	96	0.53	Analyst Briefing Presentation of Aspen Glove Sdn Bhd
30 October 2020	Joe Holding Berhad (Formerly known as GPA Holdings Berhad)	12	2	Circular to Shareholders of GPA Holdings Berhad
11 November 2020	Gets Global Berhad	12	2	Circular to Shareholders of Gets Global Berhad
21 October 2020 & 4 December 2020	Mah Sing Group Berhad	12	0.75	Company Announcement & Circular to Shareholders of Mah Sing Group Berhad
21 December 2020	Notion Vtec Berhad	9	N/A	Circular to Shareholders of Notion Vtec Berhad
23 March 2021	PNE PCB Berhad	5	2.4	Company announcement of PNE PCB Berhad
1 Apr 2021	HARPS Holdings Berhad	20	1.20	Prospectus Exposure of HARPS Holdings Berhad
<b>Duration of the Works</b>		<b>42</b>	<b>0.57</b>	<b>Section 2.7, Part A of the Circular</b>

Based on the above analysis, the duration of construction per production line deduced from the estimated timeline of the scope of Works over the planned number of production lines, of 0.57 months per production line is within the range of the Comparable Transactions of between 0.53 months to 2.4 months per production line, and is therefore **reasonable**.

## 9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

### 9.2 Financial terms of the Proposed Right to Execute the Works (Cont'd)

The above analysis merely provides a comparison of the deduced average capital expenditure per production line, average production capacity per production line and construction period per production line against the Comparable Transactions and is not to be considered as an evaluation of the fairness or appropriateness of the Works.

It should be noted that the Comparable Transactions have been selected on a best effort basis and may, in fact, not be directly comparable to the Works due to various factors which include, amongst others, specifications of the production line, condition of the factory, geographical location, and the availability of utilities and other infrastructure. Hence, we suggest that the reasonableness of the scope of Works should not be determined solely by the assessment of the Comparable Transactions but to take into account of our evaluation as set out in **Section 9 and Section 10** of this IAL as a whole.

Premised on the above, we are of the view that the financial terms of the Proposed Right to Execute the Works are **fair and reasonable and not detrimental** to the non-interested shareholders of Johan.

### 9.3 Salient terms of the Letter of Intent

We note that George Kent had on 21 April 2021 accepted the Letter of Intent dated 20 April 2021 from Dynacare for the appointment as the design and build contractor for the Works (which is subject to the approval from the shareholders of Johan and George Kent). Our comments on the salient terms of the Letter of Intent as extracted from **Appendix III** of the Circular are as follows:

Salient terms of the Letter of Intent	Qwantum's comments
<p><b>1. Contract Price</b></p> <p>a. <i>The contract price shall be RM624,100,000 plus or minus 10.0% (excluding sales and service tax) as per Section 6, Part A of the Circular;</i></p> <p>b. <i>The contract price is deemed to include all costs for labour, plant, machinery, tools, materials, transportation, wastage, storage, all others cost necessary for the proper performance and completion of the Works. The contract price shall not be subject to change or amendment due to any forms of inflation and/or drop in local currency value in the present and future, changes in economic conditions. The contract price shall not be adjusted or altered in any way whatsoever otherwise than in accordance with the express provisions of the contract.</i></p> <p>c. <i>In consideration of George Kent having the benefit of securing the contract from Dynacare via direct negotiation, George Kent as the Design &amp; Build Contractor shall conduct its procurement process in an open book and transparent manner to ensure competitive pricing.</i></p>	<p>Based on our evaluation of the financial terms of the Proposed Right to Execute the Works in <b>Section 9.2</b> of this IAL, the contract price is fair and reasonable, and not detrimental to the non-interested shareholders of Johan. Therefore, this clause is <b>reasonable</b>.</p>

## 9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

### 9.3 Salient terms of the Letter of Intent (Cont'd)

Salient terms of Letter of Intent	Qwantum's comments
<p><b>1. Contract Price (Cont'd)</b></p> <p>c. <i>Cont'd</i></p> <p><i>In this regard, individual work packages will be tendered and awarded to unrelated third parties whereby all sub-contractors/suppliers and prices are to be agreed and approved by Dynacare prior to any award. In the event where the final tender price of individual work packages is lower than that quoted by George Kent, the difference between the final tender price including George Kent's overheads and profit; and George Kent's quoted price shall be adjusted in the contract price for the benefit of Dynacare.</i></p> <p>d. <i>The contract price shall be adjusted before the final account is formalised.</i></p>	<p>The award of individual work packages on a tendered basis to unrelated parties and passing on any cost savings to Dynacare (should the final quoted price of individual work packages be lower than that quoted by George Kent), and adjusting (lowering) the contract price accordingly, is fair and reasonable to Dynacare. Therefore, this clause is reasonable.</p>
<p><b>2. Scope of Work</b></p> <p><i>George Kent shall design, construct, complete, test and commission the Works which includes the installation of infrastructure and utilities of total of 42 units of Double Former Glove-Dipping Lines for the Glove Manufacturing Plant as well as the installation of the equipment, machinery and ancillary systems for the production lines.</i></p>	<p>This clause is consistent with the terms of the Proposed Right to Execute the Works (as evaluated in <b>Section 9.2</b> of this IAL), and is therefore reasonable.</p>
<p><b>3. George Kent's sub-contracting packages</b></p> <p><i>The Works will be divided into the main work packages as detailed in Section 6.1, Part A of this Circular which may be subdivided into further sub-packages depending on George Kent's procurement strategies which is still under planning.</i></p>	<p>This clause is typical of contracts related to the construction and commissioning of manufacturing facilities and is therefore reasonable.</p>
<p><b>4. Variation</b></p> <p><i>Dynacare may issue written instructions effecting a variation. George Kent shall forthwith comply with such instructions. No variation instructed by Dynacare shall vitiate or invalidate the Contract. The value of variations shall be ascertained as appropriate by Dynacare after consultation with the George Kent in accordance with the following principles: (a) where the varied work is similar in character to and executed under similar conditions to work set out in the pricing document, such work shall be valued at the applicable rates and prices in the pricing document; and</i></p>	<p>This clause is typical of contracts related to the construction and commissioning of manufacturing facilities and is therefore reasonable.</p>



**9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)**

**9.3 Salient terms of the Letter of Intent (Cont'd)**

Salient terms of Letter of Intent	Quantum's comments
<p><b>4. Variation (Cont'd)</b></p> <p><i>(b) where the varied work cannot be properly valued in accordance with (a) above, George Kent shall submit such supporting document as required by Dynacare to assist Dynacare to establish a new rate or price for such work which shall be fair and reasonable in the circumstances.</i></p> <p><i>No claim shall be made or nor any payment due under a variation if such variation is necessary to cure or arises from any default or breach by George Kent.</i></p>	<p>As above.</p>
<p><b>5. Performance Security</b></p> <p><i>Performance securities to Dynacare shall be in the form of a retention sum equivalent to 5% of the Contract Price ("Retention Sum"), which shall be deducted from every interim payment made to George Kent until the total amount deducted is equivalent to the Retention Sum. 2.5% of the Retention Sum shall be released to George Kent upon overall completion of the whole project and the remaining 2.5% of the Retention Sum shall be released on expiry of the defect liability period.</i></p>	<p>This clause is typical of contracts related to the construction and commissioning of manufacturing facilities and is therefore reasonable.</p>
<p><b>6. Completion Date and Sectional Completion</b></p> <p><i>a. The expected contract period is twenty four (24) months. The overall completion date is on 31 July 2023, with several sectional completion dates for the glove dipping lines, subject only to extension in accordance with the terms of the contract;</i></p> <p><i>b. The sectional completion date for the first production line is 31 August 2021. The sectional completion dates for the following 5 production lines in stages by December 2021 and the remaining 36 production lines in stages between 2022 and 2023, which dates to be confirmed before the contract is awarded.</i></p>	<p>Based on our evaluation set out in Section 9.2 of this IAL, the expected contract period of twenty-four (24) months for the construction of forty-two (42) production lines is reasonable.</p> <p>In view of this being a fast-track project, the undertaking of the installation and commissioning of the production lines on a sectional basis is reasonable.</p>

## 9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

### 9.3 Salient terms of the Letter of Intent (Cont'd)

Salient terms of Letter of Intent	Qwantum's comments
<p><b>7. Delay and Liquidated Damages</b></p> <p><i>If George Kent fails to complete the Works by the Completion Date or Sectional Completion Date, as the case may be, Dynacare shall be entitled to recover from George Kent Liquidated and Ascertained Damages (LAD) at a rate which will be determined once all the elements are available and shall be mutually agreed between Dynacare and George Kent and confirmed before the Contract is awarded.</i></p>	<p>The provision for LAD is typical of contracts related to the construction and commissioning of manufacturing facilities and is therefore reasonable.</p> <p>However, we noted that the LAD rate has yet to be determined. Notwithstanding, Johan's Board has confirmed that it will ensure that negotiations for LAD rates between Dynacare and George Kent shall be conducted on an arm's length basis and that the LAD rate and terms shall be in line with standard commercial terms.</p>
<p><b>8. Design and Product Warranty &amp; Defect Liability Period</b></p> <p><i>a. George Kent warrants that each dipping line and all related services shall be of the kind and quality described in this contract and industry standards, and free of any defects in design, workmanship and material for a period of 12 months from date of complete successful commissioning of each dipping line and after the date of Dynacare's written acceptance of the respective dipping line;</i></p> <p><i>b. All other works under the contract shall have a defect liability period of twelve (12) months from the date of overall completion of the Works which is 31st July 2023.</i></p>	<p>Based on our inquiry with Dynacare Management, the majority of the third-party vendors and suppliers for the Works have indicated that the product warranty and defect liability period for their respective equipment, products and/or services is approximately 12 months. On this basis, the defect liability period to be warranted by George Kent appears to be on a back-to-back basis with that of the majority of the third-party vendors and suppliers for the Works, and is therefore reasonable.</p>

Premised on the above evaluation of the salient terms of the Letter of Intent, Qwantum is of the view that the terms provided the Letter of Intent are **reasonable and not detrimental** to the non-interested shareholders of Johan.

### 9.4 Effects of the Proposed Right to Execute the Works

As disclosed in **Section 8, Part A** of the Circular, we noted that the Proposed Right to Execute the Works will not have any impact on the issued share capital, substantial shareholders' shareholdings, NA and gearing, earnings and EPS of the Group.

Premised on the above, we are of the view that the Proposed Right to Execute the Works is **reasonable and not detrimental** to the non-interested shareholders of Johan.

## 9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

### 9.5 Risk factors associated with the Proposed Right to Execute the Works

#### 9.5.1 Construction risk for the Gloves Manufacturing Plant

As disclosed in **Section 9.2, Part A** of the Circular, the commencement of the construction may be interrupted and/or delayed by more stringent movement restriction due to the outbreak of COVID-19 throughout Malaysia. The restrictions may cause a delay in the commencement of work, delivery of building materials, as well as approval of financing, permits and licenses. Such events will delay the commissioning of the Gloves Manufacturing Plant and may result in additional costs incurred by Dynacare and, in turn, Johan.

We note that the Group plans to seek necessary approvals from the regulatory authorities in relation to the commencement of renovation and expansion activities for the Glove Manufacturing Plant and enforce stringent operating procedures at all times. The Management will implement cost monitoring measures and keep abreast with the latest regulations and industry developments to ensure mitigation plan is in place to address any uncertainties that the Group and / or Dynacare may face. There is no assurance that the Management will be able to mitigate all adverse developments that are beyond the Group's control.

#### 9.5.2 Financing risk

As disclosed in **Section 9.3, Part A** of the Circular, the additional financial commitment required for the construction of the Gloves Manufacturing Plant including the Works, will be financed via internally generated funds and/or bank borrowings. Any bank borrowings obtained will be subject to interest rate fluctuation and will require the Group to service periodic payments. There can be no assurance that the Group will be able to obtain the required amount of bank borrowings and any shortfall will be required to be funded via internally generated funds. There can be no assurance that the Group will be able to repay the bank borrowings and service all interest payments and the ability to repay the principal sum and interest payments on the bank borrowings are dependent on the financial performance of the Gloves Business, which is subject to various external factors beyond the Group's control.

We note that the Group plans to adopt a prudent capital management policy and monitor the debt levels to ensure the Group will not be over geared. Subsequent to the Proposed Offer to Subscribe (which is subject to the approvals from the shareholders of Johan and George Kent), the Group's exposure to the Gloves Business is limited to its equity participation in Dynacare, i.e. 60%, which reduces the Group's exposure to the abovementioned risk as opposed to undertaking the Gloves Business entirely on its own.

## 9. ASSESSMENT OF FACTORS SPECIFIC TO THE PROPOSED RIGHT TO EXECUTE THE WORKS (CONT'D)

### 9.5 Risk factors associated with the Proposed Right to Execute the Works (Cont'd)

As disclosed in **Section 9.12, Part A** of the Circular, we note that in the event that the Proposed Right to Execute the Works is not approved by either the shareholders of Johan or George Kent, Johan Group will continue to undertake the construction of the Gloves Manufacturing Plant and assume the construction risk of the Gloves Manufacturing Plant.

We note that Johan Group does not have the relevant expertise in construction and design works as well as managing such project risk. In the event that the Proposed Right to Execute the Works is not approved by either the shareholders of Johan or George Kent, Johan Group will appoint consultants with the relevant experience and project manager to support the Group in awarding the component work packages to suitable subcontractors (external parties who are not related to George Kent) and to oversee the overall construction of the Gloves Manufacturing Plant. The process of identifying the aforesaid consultants and project manager may be time consuming and may result in a delay in the overall roll-out of the Gloves Business. There can be no assurance that the Group will be able to identify suitable consultants and project manager in a timely manner and that the construction of the Gloves Manufacturing Plant will be delivered on schedule.

We wish to highlight that whilst efforts and measures are being taken by Johan to mitigate the risks associated with the Proposed Right to Execute the Works, no assurance can be given that one or a combination of risk factors stated above will not give rise to material and adverse impact on the business and operations of the Group, its financial performance, financial position or prospects thereon. Notwithstanding, we are of the view that the measures the Board intends to apply to mitigate those risks are **reasonable**.

The rest of this page is intentionally left blank

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS

Given that the Proposed Offer to Subscribe and the Proposed Right to Execute the Works are related to Johan’s proposal to undertake the Gloves Business via Dynacare, we also assessed the key factors directly associated with the Gloves Business as elaborated in **Sections 10.1, 10.2, 10.3 and 10.4** of this IAL. However, we wish to highlight that our assessment of the factors associated with the Gloves Business is only intended to supplement our evaluation of the Proposed Related Party Transactions in **Sections 8 and 9** of this IAL and should not be regarded the primary basis upon which our opinion on the Proposed Related Party Transactions is formed.

### 10.1 Inquiries with Dynacare Management

#### 10.1.1 Business operations of Dynacare

We made inquiries with Dynacare Management with regards to the business operations of Dynacare covering eight (8) core areas and a summary of our key findings are as follows:

Core areas	Key findings
1. Permits and licenses	Dynacare requires a number of business licences, permits and approvals issued by various government authorities and regulatory agencies, and these licences, permits and approvals are essential for the conduct of its business and operations. Dynacare Management is in the process of applying for such licenses, permits and approvals, and has also set an internal timeline for doing so.
2. Customer base	Dynacare intends to sell its products as an Original Equipment Manufacturer (“ <b>OEM</b> ”) where it sells its products to distributors (who will label the products under their own brandname) and also as an Original Brand Manufacturer (“ <b>OBM</b> ”) whereby Dynacare will sell its products under its own brandname. Dynacare Management is in the process of establishing a customer-base in developed markets (such as North America, South America, Europe, Australia and New Zealand) as well as emerging markets (particularly Asia including Japan).
3. Product mix, specifications and quality standards	Dynacare intends to focus primarily on the production and sales of nitrile and latex medical examination gloves. In addition to applying for the relevant business licenses and permits, Dynacare has also set a timeline to obtain the certifications and accreditations for its manufacturing process and its products. These certifications and accreditations include (i) ISO 13485, (ii) EU declaration of conformity, (iii) US FDA 510k, and (iv) US FDA Registration and Device Listing.

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.1 Inquiries with Dynacare Management (Cont'd)

#### 10.1.1 Business operations of Dynacare (Cont'd)

Core areas	Key findings
3. Product mix, specifications and quality standards (Cont'd)	Dynacare is working with external consultants to formulate and develop the compounds for the production and commercialisation of the desired end products, and intends to recruit an experienced person to head its research and development activities in due course. This person is expected to continue to work with the external consultants to further develop and improve on the compounds. Dynacare will also implement the necessary policies and procedures to safeguard and protect the formula of the compounds and other intellectual properties.
4. Supply chain	Dynacare is aware of the importance of securing a reliable and sustainable supply of raw materials (including nitrile butadiene rubber, formers, and other chemicals and materials) to meet its production requirements. Dynacare Management is in the process of establishing a network of suppliers including suppliers based in China, South Korea and Malaysia.
5. Management team	Dynacare recognises the importance of recruiting and maintaining a competent and experienced management team. In addition to its existing Management Team as disclosed in <b>Section 3.2, Part A</b> of the Circular, Dynacare is in the process of recruiting full-time management employees to complement the management team in areas such as compounding, production, engineering, quality control and quality assurance, research and development and marketing and sales to put on-stream the Gloves Business.
6. Human resource and labour practices	Dynacare is aware of the importance of recruiting and maintaining a stable supply of labour for its production activities, and also to ensure that the relevant standards of employment are adhered to. Dynacare Management is in the process of establishing a network of labour recruitment agencies and is also recruiting an experienced Human Resource Manager to manage this function.
7. Treasury management	As most of Dynacare' sales will be denominated in foreign currency (namely US Dollars and Euro) whilst a substantial amount of its operating costs will be denominated in RM, Dynacare intends to recruit a person experienced in treasury management to manage and mitigate its exposure to foreign exchange fluctuations.

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.1 Inquiries with Dynacare Management (Cont'd)

#### 10.1.1 Business operations of Dynacare (Cont'd)

Core areas	Key findings
8. Memberships in trade organisations and associations	<p>Dynacare recognises the importance of keeping abreast with industry standards and to establish a channel of communication among its peers. In addition, it is one of the Board's strategy to mitigate the risk of changes to the political, economic and regulatory risks in relation to the gloves industry. Premised on the foregoing, Dynacare intends to apply for membership in the following organisations:</p> <ul style="list-style-type: none"> <li>(i) MARGMA - Malaysian Rubber Glove Manufacturers Association</li> <li>(ii) MREPC - Malaysian Rubber Export Promotion Council</li> <li>(iii) FMM - Federation of Malaysian Manufacturers</li> <li>(iv) MMDA - Malaysia Medical Device Association</li> <li>(v) AMMI - Association of Malaysian Medical Industries</li> </ul>

#### 10.1.2. Internal Feasibility Report

We have considered and discussed the Internal Feasibility Report with Dynacare Management and the notable conclusions drawn from our discussion are summarised below:

- (i) Dynacare Management had taken into consideration of the global gloves demand, rubber gloves supply, average selling prices and trends, price trends of raw materials, capital and operating expenditure estimates, strategic positioning and market differentiation in their evaluation of the feasibility of the Gloves Business.
- (ii) The financial analysis and projections have been prepared based on several scenarios including base-case and worst-case scenarios.
- (iii) Dynacare Management had conducted a sensitivity analysis to analyse the profitability of the Gloves Business based upon the changes in both the Average Selling Prices (“**ASPs**”) and Nitrile Butadiene Rubber (“**NBR**”) prices from year 2022 to 2024, and the adjustments and estimations of ASPs have been taken into consideration in the preparation of financial projections and overall evaluation of the Gloves Business.
- (iv) From Dynacare Management's perspective, the Gloves Business is still reasonably viable even after imputing a 30% reduction in the ASPs from the Base Case Scenario – at a reduced ASP of USD24.40/carton – as illustrated in the sensitivity analysis included in the Internal Feasibility Report.

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.1 Inquiries with Dynacare Management (Cont'd)

#### 10.1.2. Internal Feasibility Report (Cont'd)

- (v) The breakeven ASPs for Dynacare is USD 22.74/carton at USD1,000/MT NBR price which is within the range of ASPs during pre-COVID period.
- (iv) The demand for nitrile/latex examination gloves is expected to be strong even after the COVID-19 pandemic as governments globally are looking to stock-up on medical protective equipment and increase healthcare budgets. The emergence of new users from a multitude of industries (including food and beverage, hospitality, airlines, and manufacturing.) and the expected increase in per capita usage of gloves in highly populated countries such as China and India are also expected to generate additional demand for nitrile/latex examination gloves; and
- (v) Upon attaining intended targeted production capacity of 12 billion pieces per annum, Dynacare is expected to be positioned as one of the top ten (10) rubber glove manufacturers in the world.

Based on our inquiries with Dynacare Management, the Gloves Business is expected to generate profits and positive cash flows to Johan Group moving forward, and the Payback Period and IRR of the Gloves Business to be undertaken by Dynacare appear to be reasonably attractive from Johan's perspective. We take cognisance of the key factors considered by Dynacare Management in their evaluation of the feasibility of the Gloves Business and are of the view that the Proposed Related Party Transactions are **reasonable**.

### 10.2 Industry Overview and Outlook

#### 10.2.1 Overview and outlook of the Malaysian economy

##### Malaysian Economy

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter (3Q 2020: -2.6%). This is mainly due to the imposition of the conditional MCO on selected states since mid-October which causes mobility restrictions on inter-district and inter-state travel. Although the continued improvement in external demand supported the growth, all economic sectors except for manufacturing continued to record a negative growth. While on the expenditure side, private consumption and public investment activities weighed on domestic demand. The economy registered a decline of 0.3% in the fourth quarter (3Q 2020: +18.2%) on a quarter-on-quarter seasonally-adjusted basis.



## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.2 Industry Overview and Outlook (Cont'd)

#### 10.2.1 Overview and outlook of the Malaysian economy (Cont'd)

##### Domestic Demand

In the fourth quarter of 2020, domestic demand recorded a decline of 4.4% (3Q 2020: -3.3%) mainly due to subdued private consumption and public investment activities. Net exports grew by 12.4% (3Q 2020: 21.9%), with continued expansion in manufactured exports. Private consumption contracted by 3.4% (3Q 2020: -2.1%), as household spending was subdued amid continued weaknesses in income and employment conditions during the quarter and also tighter movement restrictions in selected states. The decline in physical spending was partly mitigated by the continued acceleration in online spending and the consumer expenditure remained supported by various stimulus measures including the EPF i-Lestari withdrawals, the continued support to affected borrowers under the Targeted Repayment Assistance (TRA), and lower passenger car sales tax. Public consumption continued to expand at a moderate pace of 2.7% (3Q 2020: 6.9%), supported by spending on emoluments.

In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. Nevertheless, the announcement of various stimulus packages and the gradual resumption of economic activities are expected to restore business and consumer confidence in the second half of the year. Hence, domestic demand is anticipated to turn around to 1.5% during the period and expand further by 6.9% in 2021.

##### Investment Activity

In the fourth quarter of 2020, gross fixed capital formation (GFCF) contracted further by 11.9% (3Q 2020: -11.6%), as capital spending from both private and public sectors remained relatively weak. By type of asset, investment in structures contracted by 13.1% (3Q 2020: -12.9) while investment in machinery & equipment (M&E) declined by 9.0% during the quarter (3Q 2020: -8.3%).

Private investment recorded a smaller decline of 7.0% (3Q 2020: -9.3%), mainly supported by continued capital spending in existing projects, particularly in the export-oriented industries. Meanwhile, public investment registered a larger decline of 19.8% (3Q 2020: -18.6%). This reflects lower spending on fixed assets by the general government and weaker demand in most sectors which continued to weigh on capital spending by public corporations.

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.2 Industry Overview and Outlook (Cont'd)

#### 10.2.1 Overview and outlook of the Malaysian economy (Cont'd)

##### Gross domestic product (“GDP”)

The real GDP of Malaysia contracted by 17.1%, due to the impact of the COVID-19 pandemic and the imposition of the Movement Control Order (“MCO”) in the second quarter of 2020. The Government has announced several stimulus packages totaling RM305 billion to support both households and businesses. Reinforced by the reopening of the economy in stages, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Malaysia's GDP is expected to contract by 4.5% in 2020, before rebounding between 6.5% and 7.5% in 2021.

##### Private consumption

Due to the implementation of the MCO, private consumption declined by 6% during the first half of 2020. Nonetheless, household spending is anticipated to pick up during the second half of the year, on the back of various stimulus packages aimed at providing support to households and businesses. The measures include a moratorium on loan repayments, temporary optional reduction in employees' contributions to the Employees Provident Fund (“EPF”), discounts on the electricity bill, and low interest rates. Consequently, private consumption is projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which is expected to record a marginal decrease of 0.7% in 2020. Private consumption is anticipated to increase by 7.1% in 2021, mainly supported by higher disposable income arising from buoyant domestic economic activities, stronger export earnings, accommodative financial stance, the extension of tax relief on childcare, and favourable stock market conditions.

In addition, the expected recovery in the tourism related industries following tax incentives on domestic tourism expenses for households will also provide additional impetus to private sector spending. Furthermore, as the nation rapidly shifts towards adopting digitalisation, the broader availability of various e-commerce platforms and rollout of 5G technology will facilitate economic activities.

*Source: Section 10.1, Part A of the Circular*

#### 10.2.2 Overview and outlook of the manufacturing industry in Malaysia

##### Manufacturing Sector

In the fourth quarter of 2020, the manufacturing sector expanded by 3.0% (3Q 20: 3.3%), as robust E&E production more than offset by lower activity in the consumer cluster. The strong performance in the E&E sub-sector was supported by sustained global demand for semiconductors components, which has led to a global shortage. This has resulted in a build-up of order backlogs among Malaysian producers which are highly integrated in the global value chain.

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.2 Industry Overview and Outlook (Cont'd)

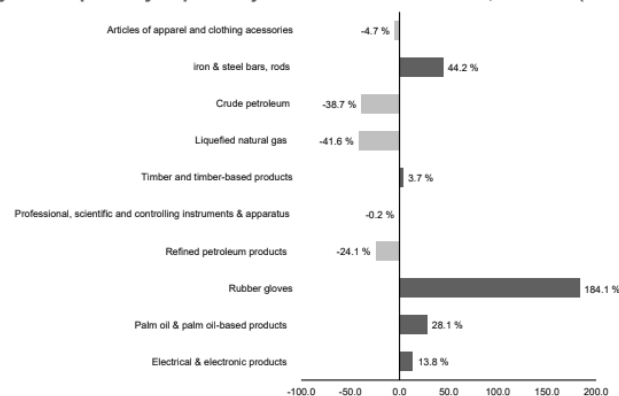
#### 10.2.2 Overview and outlook of the manufacturing industry in Malaysia (Cont'd)

Furthermore, the positive growth in E&E was partially offset by the weakness in consumer-cluster. In particular, the refining and manufacture of palm-oil related products was affected by disruptions in the agriculture sector amid labour shortages. Due to the re-imposition of CMCO in certain states, several consumer-clusters such as food and beverages, tobacco, and textiles subsectors were affected by weaker demand.

*Source: Section 10.2, Part A of the Circular*

#### 10.2.3 Overview and outlook of the gloves industry

Chart 18: Malaysia's Exports by Top 10 Major and Selected Products, Q4 2020 (Percentage Change)



Source: Department of Statistics, Malaysia

According to Department of Statistics Malaysia (“DOSM”), the exports of goods continued to experience a positive momentum in Q4 2020 with an increase of 5.1 per cent year-on-year from RM258.2 billion to RM271.5 billion. This increase was mainly owing to the increase in exports of E&E products (+RM13.3 billion, +13.8%); Rubber gloves (+RM8.8 billion, +184.1%) and Palm oil and palm oil-based products (+RM4.7 billion, +28.1%). Rubber gloves was listed as top three Malaysia’s major export products during the quarter along with the increasing demand resulting from the outbreak of the COVID-19.

Standard Malaysian Rubber (S.M.R.) contributed 97.4 per cent (59,918 tonnes) of total natural rubber exports with the S.M.R. 20 amounted 69.3 per cent (41,509 tonnes) to the total exports. The largest exports of rubber gloves were to the United States at 27,247 tonnes followed by China (5,611 tonnes) and Germany (5,600 tonnes). The exports value grew by 3.6 per cent in December 2020 with RM4.6 billion (November 2020: RM4.5 billion). Domestic consumption of natural rubber recorded 42,356 tonnes a decrease of 22.7 per cent year-on-year (December 2019: 54,477 tonnes). More than 70 per cent of the natural rubber was used by the rubber gloves industry with the share of 74.4 per cent (31,498 tonnes), followed by rubber thread industry, 9.6 per cent (4,047 tonnes) and tyres and tubes industry, 6.6 per cent (2,783 tonnes).

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.2 Industry Overview and Outlook (Cont'd)

#### 10.2.3 Overview and outlook of the gloves industry (Cont'd)

Domestic consumption of natural rubber recorded 42,356 tonnes a decrease of 22.7 per cent year-on-year (December 2019: 54,477 tonnes). More than 70 per cent of the natural rubber was used by the rubber gloves industry with the share of 74.4 per cent (31,498 tonnes), followed by rubber thread industry, 9.6 per cent (4,047 tonnes) and tyres and tubes industry, 6.6 per cent (2,783 tonnes).

*Source: Section 10.4, Part A of the Circular*

#### **Quantum's comments**

Based on the abovementioned industry overview and outlook, the Proposed Offer to Subscribe and the Proposed Right to Execute the Works, individually and collectively, are **reasonable**.

The rest of this page has been intentionally left blank

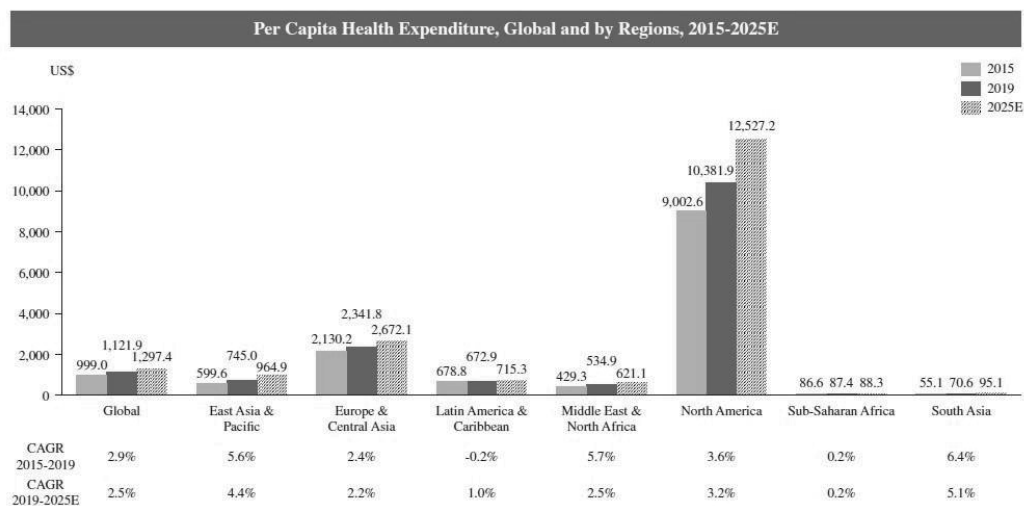
## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.3 Future prospects of Johan Group

As set out in **Section 10.6.2, Part A** of the Circular, the Group currently operates in the following business segments, i.e. hospitality, trading, company secretarial and card services business and subsequent to the Disposal of DCS, the Group will be principally involved in the hospitality and general trading business only. The Board has identified the Gloves Business as the new business segment for the Group to diversify into and expand Johan Group's income stream. The Group will leverage on the combined experience of the key management set out in **Section 3.2, Part A** of the Circular together with new recruitment of employees with relevant expertise for the Gloves Business.

In addition to our evaluation on the overview and outlook of the gloves industry set out in **Section 10.2.3** of this IAL, we note the following:

- (i) According to Frost & Sullivan Report (included in the Draft Prospectus of Top Glove Corporation Berhad for the purpose of public offering in Hong Kong), demand for gloves has accelerated with the worldwide spread of COVID-19 pandemic, which has resulted in unprecedented growth in global demand for personal protective equipment. Coupled with factors such as increasing hygiene awareness, heightened safety standards for workers in various countries and a growing global economy, it is expected that the global demand for gloves will be sustained at high levels in the near to medium term. The following chart illustrates per capita health expenditure globally and by region from 2015 to 2025:



(Source: Frost & Sullivan Report)

- (ii) As published in the article by Malay Mail on 6 December 2020, MARGMA predicts the industry's revenue for 2021 to range between RM36 billion and RM38 billion (as compared to RM32.2 billion in 2020), on the back of robust demand, notwithstanding the vaccine coming in to play. The industry is expected to extend its bullish sentiment in line with the deployment of the COVID-19 vaccine, which is set to boost the demand for rubber gloves by up to 18 billion pieces a year, assuming that 60 per cent of the world's population of 7.5 billion people would get the vaccine in two doses annually.

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.3 Future prospects of Johan Group (Cont'd)

- (iii) As published in the Independent Market Research Report issued by Vital Factor Consulting Sdn Bhd on 8 March 2021 (for the inclusion in the Prospectus Exposure of HARPS Holdings Berhad) (“**VF-IMR**”), the average selling price (“**ASP**”) of Gloves post COVID-19 will not fall back to pre-COVID-19 ASP. This is substantiated by observations from the two latest outbreak of virulent diseases namely H1N1 (2009) and Bird Flu (2017) where the ASP grew by 15.5% and 21.5% respectively post-outbreak compared to pre-outbreak levels. The increase in ASP is expected to be higher than H1N1 and Bird Flu as COVID-19 was estimated to have affected 113.5 million people in 237 countries with 2.5 million fatalities globally as of 28 February 2021.
- (iv) As published in the article by The Edge Markets on 15 March 2021 (“**The Edge Article**”), MARGMA projects the global supply of rubber gloves to reach 420 billion pieces for 2021, some 80 billion pieces short of the projected demand of 500 billion pieces as compared to the shortfall of 100 billion pieces of rubber gloves when global demand reached 460 billion in 2020. Dr Supramaniam Shanmugam (president of MARGMA) is of the view that, post pandemic, the demand for gloves will still grow more than pre-COVID-19 rates, with an estimated annual growth of between 12% to 15%, compared with an annual growth of 8% to 10% before COVID-19 and the glove demand is expected to be robust until the second quarter of 2022 (2Q22) as new norms due to Covid-19 are expected to stay and sustain current elevated demand. The ASPs of gloves will not see a sharp decline because the majority of glove producers today, which have big government contracts, are facing difficulty in fulfilling the demand.

#### Quantum’s comments

We note that the prospects of the Group upon completion of the Disposal of DCS depend on, amongst others, the prospects of the existing business activity (hospitality and general trading business) and the Gloves Business. The Board is optimistic that the Gloves Business will contribute positively to the earnings of the Group moving forward and barring any unforeseen circumstance, the Proposed Offer to Subscribe and the Proposed Right to Execute the Works, individually and collectively, are expected to contribute positively to the Group’s future financial performance.

As set out in **Section 9.2 (ii)** of this IAL, we note that the annual production capacity of other public-listed companies that are either already in the Gloves Business or are diversifying into the Gloves Business are estimated to be up to 51.48 billion and the production lines are expected to be commissioned in the next one (1) to (2) years. We also take cognisance of MARGMA’s prediction that the supply of gloves will be 80 billion pieces short of the projected demand of 500 billion pieces in 2021 and that the deployment of COVID-19 vaccine is expected to boost the demand for rubber gloves by up to 18 billion pieces a year (with an assumption that 60 per cent of the world’s population of 7.5 billion people would get the vaccine in two doses annually).

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.3 Future prospects of Johan Group (Cont'd)

#### Quantum's comments (Cont'd)

Based on the foregoing, it can be deduced that the additional annual production capacity of other public-listed companies that are either already in the Gloves Business or are diversifying into the Gloves Business is still insufficient to fill the shortage of supply. Further, MARGMA has also predicted that the demand for gloves is expected to be robust until the second quarter of 2022 (2Q22) as new norms due to COVID-19 are expected to stay and sustain current elevated demand.

As such, it can be reasonably expected that there will be adequate demand for the gloves to be produced from Dynacare's new production lines to be commissioned in the next one (1) to two (2) years.

As a result of the increased production of gloves globally – and as mentioned in the VF-IMR, by 2023, it is forecasted that there will be a surplus in production capacity exceeding demand by 18% followed by a 49% surplus in production capacity by 2024 – there is a possibility that the excess of supply over demand of gloves may reduce the ASPs of gloves. Notwithstanding, we note that the Board and Management have taken into consideration the possible reduction in the ASPs of gloves and the Internal Feasibility Report contains sensitivity analysis on the impact of changes to both the ASPs and NBR raw material prices over a five-year period, on the financial analysis and projections of the Gloves Business. We also take cognisance of the statement from the former MARGMA president, Denis Low Jau Foo (as published in the Edge Article) that the ASPs of gloves are unlikely to experience a sharp decline in the near future in view that majority of glove producers today, which have big government contracts, are still facing difficulty in fulfilling the demand.

Premised on the above, we are of the view that the Gloves Business is expected to contribute positively to the Group's earnings upon successful and timely commercialisation. Therefore, the Proposed Offer to Subscribe and the Proposed Right to Execute the Works, individually and collectively, are **reasonable**.

### 10.4 Risk factors associated with the Gloves Business

In considering the Proposed Related Party Transactions, the non-interested shareholders of Johan are advised to give careful consideration to the risk factors associated with the Gloves Business as set out in **Section 9, Part A** of the Circular. The non-interested shareholders of Johan should also note that the risk factors mentioned therein are not exhaustive.

**10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)**

**10.4 Risk factors associated with the Gloves Business (Cont'd)**

**10.4.1 Business risks**

Business risks	Elaboration	Measures or steps to mitigate the risks
(i) Adverse changes in supply and demand conditions	<p>As disclosed in <b>Section 9.1, Part A</b> of the Circular, the shortage of gloves is due to overwhelming demand and spill-over effect from 2020.</p> <p>Notwithstanding the above, the demand and supply of gloves are largely dependent on several factors such as the overall supply of gloves, incidence and development of an effective vaccine and/or alternative forms of treatment, which may reduce the demand for gloves.</p>	<ul style="list-style-type: none"> <li>• Keep abreast with the latest developments in the glove industry and general economic conditions.</li> <li>• Exercise proper due diligence in the performance of planning, budgetary cost control, development and the eventual commercialisation of new products and services will be reviewed and monitored.</li> </ul>
(ii) Competition from the existing players and entry of new players	<p>As disclosed in <b>Section 9.1, Part A</b> of the Circular, the Group is expected to face competition risk from other gloves players from Malaysia or other countries and / or threat of new entrants.</p>	<ul style="list-style-type: none"> <li>• Maintain the gloves quality to be parallel and comply with the global standards.</li> <li>• Keep abreast to new technologies to be adopted in the manufacturing and production process to maintain cost competitiveness.</li> <li>• Enhance relationship between Dynacare and its stakeholders such as the suppliers and identify new customers.</li> </ul>



**10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)**

**10.4 Risk factors associated with the Gloves Business (Cont'd)**

**10.4.1 Business risks (Cont'd)**

Business risks	Elaboration	Measures or steps to mitigate the risks
<p><b>(iii) Introduction of new legal and environmental framework, changes in certification / licensing jurisdiction, adverse development in global and regional trade policy and down turns in regional and / or national economies</b></p>	<p>As disclosed in <b>Section 9.1, Part A</b> of the Circular, the glove industry is highly regulated with rules and regulations from the local authorities and authorities of other countries, and policies and guidelines governed by specific local and national ministries.</p> <p>The development in the rules and regulations of the glove industry and the economic, political and regulatory environment of Malaysia and its major trading partners, and the economic conditions of the countries may affect the manner in which Dynacare carry out its operations as well as the market consumption.</p>	<ul style="list-style-type: none"> <li>• Keep abreast with the latest development in the rules and regulations, policies and requirements in relation to the Gloves Business.</li> <li>• Set up an operational, risk and policy committee to feed on news and provide in-house guidelines to the employees to adhere to the standard operating procedures of the relevant rules, regulations and guidelines.</li> <li>• Engage in discussion or meeting with the relevant stakeholders and gloves association for input pertaining to the latest development of the Gloves Business.</li> </ul>
<p><b>(iv) Changes in law and tax regulations, increase in labour cost and changes in business and credit conditions</b></p>	<p>As disclosed in <b>Section 9.1, Part A</b> of the Circular, any increase in operational costs, adverse development of the tax regulations, and changes in the requirements for credit/financing may affect the margin of Gloves Business and the ability of Dynacare in obtaining trade lines, if required.</p>	<ul style="list-style-type: none"> <li>• To adopt prudent financial management, monitor the budget and implement cost control in the operations.</li> <li>• To adopt new technologies to increase the productivity and cost efficiency.</li> </ul>

**10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)**

**10.4 Risk factors associated with the Gloves Business (Cont'd)**

**10.4.2 Other risks**

Other risks	Elaboration	Measures or steps to mitigate the risks
<p><b>(a) No prior experience in the Gloves Business</b></p>	<p>As disclosed in <b>Section 9.4, Part A</b> of the Circular, the Group is principally involved in the hospitality, trading and card services business. Given that the existing management of the Group does not possess any prior experience in the Gloves Business, the Group may be subjected to challenges and risks arising from the Gloves Business in which the Group has no direct experience in ensuring the success of this new business venture.</p>	<ul style="list-style-type: none"> <li>• The Group intends to leverage on the combined experience of the key management and other personnel, including new recruits for the planning, development and operations of the Gloves Business as well as the construction of the Gloves Manufacturing Plant.</li> <li>• The Board believes that by leveraging on the expertise of the key management and other personnel, and with the recruitment of employees with the relevant expertise in the Gloves Business, the Group will have the capacity, capability and resources to ensure the smooth running of the Gloves Business.</li> </ul>
<p><b>(b) Dependency on key management personnel</b></p>	<p>As disclosed in <b>Section 9.5, Part A</b> of the Circular, the Group's success in carrying out the Gloves Business depends largely on the abilities, skills, experience, competencies and continued effort of the key management personnel of Dynacare as set out in <b>Section 3.2, Part A</b> of the Circular. The loss of key management personnel without timely replacement or the Group's inability to attract and retain qualified personnel, may adversely affect the Group's new business operations and hence, revenue and profitability.</p>	<ul style="list-style-type: none"> <li>• The Group will adopt appropriate approaches, including incentives, remuneration packages and provide a good working environment to promote productivity of the employees.</li> <li>• The management will also strive to retain qualified experienced personnel as part of the Group's succession plan to ensure continuity and competency of the management team.</li> </ul>

**10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)**

**10.4 Risk factors associated with the Gloves Business (Cont'd)**

**10.4.2 Other risks (Cont'd)**

Other risks	Elaboration	Measures or steps to mitigate the risks
<p><b>(c) Political, economic and regulatory risks in relation to the Gloves Industry</b></p>	<p>As disclosed in <b>Section 9.6, Part A</b> of the Circular, the gloves industry is highly regulated and subject to the rules and regulations from the local and foreign authorities for the export of gloves as well as the policies and guidelines governed by specific local and/or national ministries. With the participation of Johan Group in the gloves industry, its business, prospects, financial condition and level of profitability will, to a certain extent, be subject to the developments in the rules and regulations of the gloves industry and the economic, political and regulatory environment of Malaysia as well as its major trading partners.</p>	<ul style="list-style-type: none"> <li>The Group will constantly keep abreast with the political, economic and regulatory developments through various media, events and/or seminars and may also engage in discussion or meeting with relevant stakeholders to evaluate, introduce and/or undertake measures with the aim of mitigating the impact of the aforementioned risks.</li> </ul>

The rest of this page is intentionally left blank

## 10. ASSESSMENT OF FACTORS ASSOCIATED WITH THE GLOVES BUSINESS (CONT'D)

### 10.4 Risk factors associated with the Gloves Business (Cont'd)

#### Quantum's comments

We note that the demand for gloves is influenced by various factors such as the growth in healthcare services, increase in global industrial production activities and the incidence of the COVID-19 pandemic, where the need for personal protective equipment to curb the spread of infections has stoked the demand for gloves. Further, the development of an effective vaccine and/or alternative forms of treatment is expected to reduce the number of COVID-19 cases, which may in turn affect the sales volumes and selling prices of gloves.

We wish to highlight that whilst efforts and measures are being taken by Johan to mitigate the risks associated with the Gloves Business, no assurance can be given that one or a combination of risk factors stated in **Section 9, Part A** of the Circular or the paragraphs above will not give rise to material and adverse impact on the business and operations of the Group, its financial performance, financial position or prospects thereon. Notwithstanding, we are of the view that the Board has identified the major risks associated with the Gloves Business and the measures it intends to apply to mitigate those risks are **reasonable**.

## 11. RECOMMENDATION BY THE BOARD

We note from **Section 19, Part A** of the Circular that the Board, save for the Interested Directors, has recommended the shareholders of Johan to vote in favour of the ordinary resolutions pertaining to the Proposed Offer to Subscribe and the Proposed Right to Execute the Works to be tabled at the forthcoming EGM of the Company.

## 12. CONCLUSION AND RECOMMENDATION

The non-interested shareholders of Johan should take into account all the merits and demerits of the Proposed Offer to Subscribe and the Proposed Right to Execute the Works based on all relevant pertinent factors including those which are set out in the Circular, the relevant appendices thereof, this IAL and other publicly available information.

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Offer to Subscribe and the Proposed Right to Execute the Works based on all relevant and pertinent factors including those which are set out above and summarised below are the pertinent factors which you should consider carefully prior to making a decision whether to accept or reject the Proposed Offer to Subscribe and the Proposed Right to Execute the Works.

The rest of this page is intentionally left blank

## 12. CONCLUSION AND RECOMMENDATION (CONT'D)

Our evaluation of the each of the Proposed Related Party Transactions is summarised below:

No.	Item	Assessment of the Proposed Offer to Subscribe	Assessment of the Proposed Right to Execute the Works
1.	Rationale of the Proposed Related Party Transactions	Premised on our evaluation of the rationale for the Proposed Offer to Subscribe as set out in <b>Section 8.1</b> of this IAL, we are of the view that the rationale for the Proposed Offer to Subscribe is <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.	Premised on our evaluation of the rationale for the Proposed Right to Execute the Works as set out in <b>Section 9.1</b> of this IAL, we are of the view that the rationale for the Proposed Right to Execute the Works is <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.
2.	Financial terms of the Proposed Related Party Transactions	As elaborated in <b>Section 8.2</b> of this IAL, we have evaluated the financial terms of the Proposed Offer to Subscribe based on the following factors:  (i) Issue Price of Dynacare Shares to George Kent; and (ii) George Kent's ability to fulfil its financial obligations under the Proposed Offer to Subscribe.  Based on our evaluation, the financial terms of the Proposed Offer to Subscribe are <b>fair and reasonable and not detrimental</b> to the non-interested shareholders of Johan.	As elaborated in <b>Section 9.2</b> of this IAL, we have evaluated the financial terms of the Proposed Right to Execute the Works based on the following factors:  (i) Analysis of capital expenditure per production line; (ii) Analysis of the annual production capacity per production line; and (iii) Analysis of the duration of construction based on the scope of Works.  Based on our evaluation, the financial terms of the Proposed Right to Execute the Works are <b>fair and reasonable and not detrimental</b> to the non-interested shareholders of Johan.
3.	Salient terms of the Letter of Offer	As elaborated in <b>Section 8.3</b> of this IAL, the salient terms of the Letter of Offer are <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.	Not applicable.
4.	Salient terms of the Letter of Intent	Not applicable.	As elaborated in <b>Section 9.3</b> of this IAL, the salient terms of the Letter of Intent are <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.

12. CONCLUSION AND RECOMMENDATION (CONT'D)

No.	Item	Assessment of the Proposed Offer to Subscribe	Assessment of the Proposed Right to Execute the Works
5.	Effects of the Proposed Related Party Transactions	As elaborated in <b>Section 8.4</b> of this IAL, the Proposed Offer to Subscribe will not have any effects on the issued share capital, substantial shareholders' shareholdings, NA and gearing, and earnings and EPS of the Group. Therefore, the Proposed Offer to Subscribe is <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.	As elaborated in <b>Section 9.4</b> of this IAL, the Proposed Right to Execute the Works will not have any effects on the issued share capital, substantial shareholders' shareholdings, NA and gearing, and earnings and EPS of the Group. Therefore, the Proposed Right to Execute the Works is <b>reasonable and not detrimental</b> to the non-interested shareholders of Johan.
6.	Risk factors associated with the Proposed Offer to Subscribe and the Proposed Right to Execute the Works	<p>As elaborated in <b>Section 8.5</b> of this IAL, in the event that Proposed Offer to Subscribe is not approved by the shareholders of Johan and/or the shareholders of George Kent, Johan will be required to fund the entire additional financial commitment and explore other avenues of raising the necessary capital in relation to the Gloves Business.</p> <p>We are of the view that – barring other financial or operational commitments of Johan Group and/or the eventual assessment by lenders, and other commercial and financial considerations pertinent to the business activities of Johan Group – Johan would be in a position to fulfil the additional commitment to subscribe up to RM40 million in the share capital of Dynacare.</p>	The key risk factors associated with the Proposed Right to Execute the Works have been considered, addressed and mitigated by the Board. Although measures could be taken by Johan to attempt to limit the risks associated with the Proposed Right to Execute the Works, no assurance can be given that one or a combination of these risks as stated in <b>Section 9.5</b> of this IAL will not occur. Notwithstanding, we are of the view that the measures the Board intends to apply to mitigate those risks are <b>reasonable</b> .

The rest of this page is intentionally left blank

**12. CONCLUSION AND RECOMMENDATION (CONT'D)**

No.	Item	Assessment of the factors associated with the Gloves Business
7.	Inquiries with Dynacare Management	Premised on our inquiries with Dynacare Management and the notable findings from the Internal Feasibility Report as set out in <b>Section 10.1</b> of this IAL, we are of the view that the Proposed Related Party Transactions are <b>reasonable</b> .
8.	Industry overview, outlook and future prospects, and future prospects of Johan Group	After considering the overview, outlook and future prospects of the Malaysian economy, the manufacturing and gloves industry, and the future prospects of Johan Group as elaborated in <b>Sections 10.2</b> and <b>10.3</b> of this IAL respectively, we are of the view that the Proposed Related Party Transactions are <b>reasonable</b> .
9.	Risk factors associated with the Gloves Business and measures or steps to mitigate the risks	The key risk factors associated with the Gloves Business have been considered, addressed and mitigated by the Board. Although measures could be taken by Johan to attempt to limit the risks associated with the Gloves Business, no assurance can be given that one or a combination of these risks as stated in <b>Section 10.4</b> of this IAL will not occur. Notwithstanding, we are of the view that the measures the Board intends to apply to mitigate those risks are <b>reasonable</b> .

The rest of this page is intentionally left blank

## 12. CONCLUSION AND RECOMMENDATION (CONT'D)

The non-interested shareholders of Johan should take into account all the merits and demerits of the Proposed Offer to Subscribe and the Proposed Right to Execute the Works based on all relevant pertinent factors including those which are set out in the Circular, the relevant appendices thereof, this IAL and other publicly available information.

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Offer to Subscribe and the Proposed Right to Execute the Works based on all relevant and pertinent factors including those which are set out above and summarised below are the pertinent factors which you should consider carefully prior to making a decision whether to accept or reject the Proposed Offer to Subscribe and the Proposed Right to Execute the Works.

Based on our evaluations set out in this IAL and summarised in the above section, we are of the opinion that:

- (i) the Proposed Offer to Subscribe is **fair and reasonable** insofar as the non-interested shareholders of Johan are concerned and is **not detrimental** to the non-interested shareholders of Johan; and
- (ii) the Proposed Right to Execute the Works is **fair and reasonable** insofar as the non-interested shareholders of Johan are concerned and is **not detrimental** to the non-interested shareholders of Johan.

Accordingly, we recommend that the non-interested shareholders of Johan should **vote in favour** of the ordinary resolutions pertaining to:

- (a) the Proposed Offer to Subscribe; and
- (b) the Proposed Right to Execute the Works,

to be tabled at the forthcoming EGM of the Company.

Yours faithfully,  
For and on behalf of  
**QWANTUM SKYLIGHT CAPITAL SDN BHD**

**Lee King Loon**  
Managing Director

**Ameeruzaman Bin S N S Bukhari**  
Executive Director



---

## APPENDIX I – SALIENT TERMS OF THE SPA

---

### 1. SALE AND PURCHASE

The Purchase agrees to purchase from the Vendor the Subject Property free from all encumbrances on a "as is where is" basis subject to the terms and conditions stipulated in the SPA.

### 2. PURCHASE CONSIDERATION

The purchase consideration for the Subject Property shall be the sum of RM27,300,000 only and shall be paid in the following manner:-

- i. RM3,549,000 only, being an amount equivalent to 13% of the Purchase Consideration to the Vendor upon the signing of the SPA;
- ii. RM23,751,000 only, being an amount equivalent to 87% of the Purchase Consideration to the Vendor within 3 months from the date of the fulfilment of the last conditions precedent of the SPA or within 4 months from the date of the SPA, whichever is the later ("**Balance Purchase Consideration**").

### 3. CONDITIONS PRECEDENT

- i. The Vendor obtaining the consent of the developer (Registered Owner) i.e. Lumut Maritime Sdn Bhd for the transfer of the title of the Subject Property from the developer directly to Dynacare ("**Purchaser**");
- ii. The consent from the relevant state authority being obtained for the transfer of the Subject Property in favour of the Purchaser;
- iii. The consent from the shareholders of the ultimate holding company of the Purchaser, namely the Company, being obtained by the Purchaser for the acquisition of the Property from the Vendor.

The fulfilment of the above conditions precedent shall be procured within a period of 120 days from the date of the SPA.

### 4. ACCESS AND RIGHT TO UNDERTAKE WORKS

Upon execution of this SPA, the Purchaser shall be granted access and vacant possession to the Subject Property to undertake the renovation and construction works. The Purchaser agrees to remove all its assets and re-instate the Subject Property to the its original condition at its own cost and expense within 60 days in the event the Conditions Precedent are not met and/ or the SPA is terminated in accordance with the terms and conditions thereof.

**5. DEFAULT**

**Default by the Vendor**

In the event the Vendor is in breach of its obligations under the SPA, the Purchaser shall EITHER be entitled:-

- i. to the remedy in law for specific performance and/ or damages and all relief flowing therefrom without prejudice to any other rights or remedies that may be available to the Purchaser in respect of any other default by the Vendor of its obligations herein and all reasonable cost and expenses incurred by the Purchaser in connection therein shall be borne and paid by the Vendor. For the avoidance of doubt , the Purchaser shall not be entitled to the remedy of specific performance in the event any Conditions Precedent are not met by the Vendor; OR
- ii. by notice in writing to the Vendor, to terminate the SPA whereupon the Vendor shall within fourteen (14) business days upon receipt of the notice from the Purchaser terminating the SPA, refund to the Purchaser all moneys howsoever paid by the Purchaser to the Vendor free of profit/ interest save and except for retention sum, and the Vendor shall authorise the retention sum to be refunded by the respective Authorities to the Purchaser directly and the Vendor shall further pay to the Purchaser a sum equivalent to the deposit as agreed liquidated damages and not by way of penalty subject to the Purchaser complying with its obligations under the SPA.

**Default by the Purchaser**

In the event of a default by the Purchaser to pay the Balance Purchase Consideration by the completion date or the extended completion date, as the case may be and/or in the event the Purchaser is in breach of any of it's obligations under the SPA, the Vendor shall be entitled by notice in writing to the Purchaser, to terminate the SPA whereupon the deposit shall be forfeited in favour of the Vendor as agreed liquidated damages. In this event, any other monies paid by the Purchaser to the Vendor toward payment of the Purchase Consideration shall be refunded by the Vendor free of interest within fourteen (14) business days upon termination in accordance with the terms of the SPA and upon the forfeiture aforesaid. The Purchaser and/or the Purchaser's Solicitors shall upon the termination thereof, and simultaneously in exchange for such refund:-

- i. return the Vendor's documents, transfer documents and/or completion documents deposited by the Vendor with the Purchaser, the Purchaser's Solicitors, the Financier and the Financier's Solicitors with the Vendor's interest intact PROVIDED THAT if the transfer form has been submitted for adjudication, the Purchaser shall be entitled to first retain the transfer form for cancellation purposes;
- ii. redeliver possession of the Subject Property to the Vendor and reinstate the Subject Property in accordance with the terms of the SPA. Notwithstanding the foregoing, in the event, the Purchaser fails, refuses or neglects to satisfy its obligations after having received notice from the Vendor to do so, the Vendor shall be entitled to utilise deposit (or any part thereof) to complete the reinstatement of the property; and
- iii. withdraw and/or cause to be withdrawn any private caveat(s) lodged by the Purchaser and/or the financier on the Property at the Purchaser's own cost and expense;

Our Ref : KGV 210377 (VC)

March 25 2021

The Board of Directors  
Johan Holdings Bhd  
11<sup>th</sup> Floor, Wisma E&C  
No. 2, Lorong Dungun Kiri  
Damansara Heights  
50490 Kuala Lumpur

Dear Sirs,

**VALUATION CERTIFICATE:**

**A Piece Of Industrial Land Erected With:-**

a) Six (6) Units of Single-Storey Detached Factory Building (Block 1 to 6)

b) A Single-Storey Office Building

All Erected on Lot No. 15528 (Formerly PT No 10453)

Mukim of Lumut

District of Manjung

Perak Darul Ridzuan

This Valuation Certificate has been prepared for inclusion in the circular to shareholders of Johan Holdings Berhad to *the proposed acquisition by Dynacare Sdn Bhd ("Dynacare"), a wholly-owned subsidiary of Johan Holdings Berhad ("Johan"), had on 29 March 2021 entered into a sale and purchase agreement ("SPA") with Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank") ("Vendor") for the proposed acquisition by Dynacare of a parcel of industrial land bearing title particulars PN 296104, Lot 15528, Mukim Lumut, District of Manjung, Perak Darul Ridzuan ("Subject Property") for a purchase consideration of RM27,300,000 to be satisfied entirely via cash ("Purchase Consideration") ("Proposed Acquisition")*.

We have been instructed Dynacare Sdn Bhd a subsidiary of Johan Holding Berhad, as the purchaser, to determine the Market Value of the above Subject Property. In accordance with the said instruction, we have inspected the Subject Property, conducted the required search on the right ownership and carried out due diligence work deemed necessary to arrive at our professional opinion of the Market Value.



Property Valuers  
Machinery Valuers  
Property Managers  
Project Managers  
Auctioneers  
Property Consultants  
Real Estate Agents

**Other Offices :**

**Johor Bahru**

Unit 9-01, Level 9

Johor Bahru City Square

(Office Tower)

106-108, Jalan Wong Ah Fook

80000 Johor Bahru, Johor

Tel: (6)07-224 2022

Fax: (6)07-223 1366

**Penang**

12A-A, Jalan Todak 4

Pusat Bandar

Seberang Jaya

13700 Prai

Penang

Tel: (6)04-398 8111

Fax: (6)04-398 8181

**Established since 1974**



**KGV INTERNATIONAL PROPERTY CONSULTANTS (M) SDN BHD**  
(125852-D)

(formerly known as KGV-Lambert Smith Hampton (M) Sdn Bhd)

B-9-9, BLOK B, MEGAN AVENUE II, 12, JALAN YAP KWAN SENG, 50450 KUALA LUMPUR, MALAYSIA.

TEL: (6)03-2161 5355 TELEFAX: (6)03-2164 5355, 2164 1355.

E-mail: kl.valuation@kgvi-property.com Website: www.kgvi-property.com

SST NO.: W10-1808-31002192

*Our Ref : KGV 210377(VC)*

The Valuation Report (Ref : KGV 210377) with the material date of valuation on **January 27 2021** was prepared in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents and Property Managers Malaysia and the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

The basis of valuation adopted is the 'Market Value' which is defined as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing when the parties had each acted knowledgeably prudently and without compulsion. This Valuation Certificate is to be read in the context of our full Valuation Reports.

The Subject Property is located in Lumut Port Industrial Park, Kampung Acheh, 32200 Lumut, Perak Darul Ridzuan. Brief descriptions of the Subject Property are as follows:-

**1) IDENTIFICATION OF SUBJECT PROPERTY 1**

**a) Registered Owner**

Lumut Maritime Terminal Sdn Bhd

**b) Title Details**

PN 296104 (Formerly HSD 23593)

Lot No. 15528 (Formerly PT 10453)

Mukim of Lumut

District of Manjung

Perak Darul Ridzuan

**c) Location**

The Subject Property is located within the Lumut Port Industrial Park (LPIP), Perak Darul Ridzuan. LPIP was developed by Lumut Maritime Terminal Sdn Bhd and covers an area of approximately 407 hectares (1,005 acres). Industrial properties here are mostly detached factories, warehouses and vacant lots. Some of the industrial premises here include Sapura Kencana Petroleum Berhad, Lumut Lee Marine Engineering Sdn Bhd, Grade One Marine Shipyard Sdn Bhd, TPP Fabricators Sdn Bhd, Seng Heng Engineering (Pantai Remis) Sdn Bhd, HL Porcelain Sdn Bhd and May Chemical Sdn Bhd.

To the immediate west of the industrial park is the Lumut Port, also known as Lumut Maritime Terminal. The Terminal was completed in July 1995. Since then, the Terminal has been improved and upgraded and its facilities have been extended to include additional open and covered storage. The said port were designed to handle dry bulk, liquid bulk, break bulk and all conventional cargo and project cargo.

**d) Postal Address**

Lot 15528, Jalan Pelabuhan 3

Lumut Port Industrial Park

Kampung Acheh, 32200 Lumut

Perak Darul Ridzuan.

Our Ref: KGV 210377(VC)

- e) **Tenure**  
99-year leasehold expiring on July 9 2105, with an unexpired leasehold term of 84 years.
- f) **Category of Land Use**  
Perindustrial (Industry)
- g) **Encumbrances**  
Nil

**2) GENERAL DESCRIPTION**

- a) **Status of Land**  
The Subject Property is designated for industrial use in its title document.
- b) **Land Area**  
71,980 square metres (774,812 square feet)

The land has a frontage along its eastern boundary onto Jalan Pelabuhan 3 and is level with it

- c) **Description of Existing Use**  
The Subject Property is an industrial premises. The existing use of the Subject Property conforms to the stipulated land use in its title document as well as the immediate surrounding developments. The Subject Property is currently unoccupied.
- d) **Building Description**  
Erected upon the land are :-
  - a) Six (6) Units of Single-Storey Detached Factory Building (Block 1 to 6)
  - b) A Single-Storey Office Building

The Construction of the Detached Factory Buildings (Block 1 to 6) is basically of steel portal framework with metal cladding walls and bearing metal deck roofing. The Office Building is basically of reinforced concrete with cement plastered brickwalls and bearing cement-tiled roofing.

Summary of Main Floor Area, Ancillary Floor Area, Gross Floor Area and Nett Lettable Area for each building is as follows:-

	Main Floor Area	Ancillary Floor Area	Gross Floor Area	Nett Lettable Area (Gross Floor Area Less Ancillary Floor Area and Less Miscellaneous Structures)
Block 1 to 4 (Total)	14,400 square metre (155,004 square feet).	-	14,400 square metre (155,004 square feet).	14,400 square metre (155,004 square feet).
Block 5	2,700 square metre (29,064 square feet).	-	2,700 square metre (29,064 square feet).	2,700 square metre (29,064 square feet).

**APPENDIX II – VALUATION CERTIFICATE**

KGV International  
Property Consultants

Our Ref: KGV 210377(VC)

Block 6	1,800 square metre (19,376 square feet).	-	1,800 square metre (19,376 square feet).	1,800 square metre (19,376 square feet).
Office Building	720 square metre (7,750 square feet)	8 square metre (86 square feet)	728 square metre (7,836 square feet)	720 square metre (7,750 square feet)
Miscellaneous structures				
Maintenance Office	30 square metres (323 square feet)	-	30 square metres (323 square feet)	-
TNB Substation	137 square metres (1,480 square feet)	-	137 square metres (1,480 square feet).	-
Pump House	24 square metres (258 square feet)	-	24 square metres (258 square feet).	-
Water Tank Tower	-	-	-	-
Surau	21 square metres (226 square feet)	-	21 square metres (226 square feet)	-
Guard House	9 square metres (97 square feet)	-	9 square metres (97 square feet)	-
Canteen	46 square metres (500 square feet).	70 square metre (750 square feet)	116 square metres (1,250 square feet).	-
Total			<b>19,965 square metres (214,914 square feet)</b>	<b>19,620 square metre (211,194 square feet)</b>

The physical age of the buildings is approximately 20 years old from our enquiries with the land owner.

Miscellaneous structures on the land include Maintenance Office, TNB Substation, Pump House, Water Tank Tower, Surau, Guard House and Canteen.

Other land improvements include water treatment plant, mild steel sliding entrance gates, premix driveway, perimeter chain-link/metal deck fencing, cement plastered front boundary walls, water reticulation, manholes and surface drains

The plinth area of the buildings is approximately 28% of the land area, indicating there are vacant portions for new construction or building expansion. In the Approved Building Plans, these portions are marked as future extension. The estimated total area for future extension is 8,100 sq metre (87,191 sq feet).

**e) Planning Matters**

The Subject Property is designated for industrial use in its title document and it is sited within a planned industrial park.

Our Ref: KGV 210377(VC)

**f) Disclosure On Building Approval / Certificate Of Fitness for Occupation.**

The Subject Property was issued with a Certificate of Fitness for Occupation (CFO) dated March 4 2009 vide Reference No 21/2009. The Approved Building Plans dated December 14 1999 were Approved by Majlis Perbandaran Manjung. From our site inspection, the buildings are in accordance with the said approved plans.

**3) MARKET VALUE**

**a) Reference No.**

KGV 210377

**b) Date of Inspection and Valuation**

January 27 2021

**c) Impact of Covid-19**

The industrial sub-sector in Perak was affected by the Covid-19 pandemic. This is evidenced from the drop in both the volume and value of transactions for industrial properties when we compared the data for Q4 2019 against the data of Q3 2020. Notwithstanding the above, in our opinion this is a short term reaction to an unprecedented event. We noted that transactions in Q3 2020 rebounded significantly from Q2 2020 with the easing of travel and other restrictions. Nevertheless, we have discounted for the impact of Covid-19 in our valuation.

**d) Valuation Approach**

Cost Approach and Income Approach by way of Investment Method.

**Cost Approach**

Under the Cost Method, an indication of value is obtained by adding to the estimated value of the land, taken as vacant, the depreciated reproduction or replacement cost of the building and other improvements. To determine the land value, we adopt the Comparison Method. Under this method, the value of the property is determined by comparing it with recent sales and/or listings of similar properties in the vicinity, or if not available, within similar localities. As no two properties are often identical, adjustments are then made for differences in factors such as location, physical characteristics and time element. Professional judgement is called upon in interpreting available data and making the adjustments.

To arrive at the market value, we have analysed and adjusted for the comparables shown as below:

Comparable	1	2	3	4
Property	Lot 15542 District of Manjung Perak Darul Ridzuan	Lot PT 19646 District of Manjung Perak Darul Ridzuan	Lot PT 16917 and 3 others District of Manjung Perak Darul Ridzuan	Lot 15637 District of Manjung Perak Darul Ridzuan
Location	Lumut Port Industrial Park Mukim Lumut	Lumut Port Industrial Park Mukim Lumut	Lumut Port Industrial Park Mukim Lumut	Lumut Port Industrial Park Mukim Lumut

**APPENDIX II – VALUATION CERTIFICATE**

KGV International  
Property Consultants

Our Ref : KGV 210377(VC)

Type	Detached Factory with Two-Storey Office Building	A Piece of Vacant Industrial Land	4 Adjoining Vacant Industrial Land	A piece of industrial land erected with factory buildings and a biodiesel plant.
Transaction Date	May 8 2020	July 16 2020	June 11 2020	October 3 2018
Tenure	Leasehold, Expiring on July 9 2105 (85 Years Remaining)	Leasehold, Expiring on July 9 2105 (85 Years Remaining).	Leasehold, Expiring on March 23 2068 (48 Years Remaining).	Leasehold, Expiring on March 13 2096 (78 Years Remaining).
Land Area (sq foot)	201,780	33,201	27,986	154,387
Gross Floor Area (Sq Foott)	77,150	Nil	Nil	41,448
Consideration	RM12,000,000	RM1,150,000	RM800,000	RM20,000,000
Building Rate (Per sq foot)	RM100	Nil	Nil	RM100
Building Depreciation Rate	2.0 % per annum	Nil	Nil	2.0 % per annum
Plant and Machinery*	Nil	Nil	Nil	RM12,750,000
Remarks	Building approximately 10 years old.	Vacant land	Vacant land	Building approximately 10 years old.
Vendor	Harumi Brands Sdn Bhd	Wong Fong Ping	Perbadanan Kemajuan Negeri Perak	Lereno Sdn Bhd
Purchaser	T & C Capital Sdn Bhd	TTL Fresh & Frozen Seafood Sdn Bhd	Smart Food Venture Networking Sdn Bhd	Petron Malaysia Refining & Marketing Berhad
Analysed Land Value	RM28.27	RM34.64	RM28.59	RM24.75
Adjustments : Factors taken into consideration	Adjusted for time factor and for size	Adjusted for time factor and for size	Adjusted for time factor and for size	Adjusted for time factor and for size
Adjusted Land Value (Per Sq Ft)	RM21.48	RM23.03	RM21.73	RM18.81

(Source : Jabatan Penilaian & Perkhidmatan Harta, Perak)

\* The Biodiesel Plant on Comparable 4) was valued in year 2015, with a Market Value of RM 15,000,000 by KGV International. Subsequently, it was sold in year 2018 together with the land and building. After adjusting for depreciation over three years (from date of valuation to date of disposal), the Biodiesel Plant is estimated at RM 12,750,000. We have deducted the estimated value of the Biodiesel Plant from the price consideration of RM 20,000,000 in our analysis..(Source: KGV Research and KGV Valuation Department)



*Our Ref: KGV 210377(VC)*

The analysed land value in the locality range between RM 19 to RM 23 per sq foot. For the subject land, we have taken a rate of **RM19 per sq foot** which we deem reasonable considering its size. We have placed higher weightage on Comparable 1 and 4 as they are of larger pieces of land.

The details of the adjustments made are further elaborated in our valuation report.

#### Building Value

The building rates are dependent upon the construction, design, quality of finishes, extent of additional works done and condition of the building. We have referred to the construction cost for industrial building as published by JUBM and Arcadis Construction Cost Handbook Malaysia 2020 and also our own past records including enquiries with contractors/quantity surveyors.

The building rates adopted are between **RM100 to RM110 per sq foot** after taking into consideration the building height and quality. We have also adopted a depreciation rate of 2% per annum after taking into account the life span and condition of the buildings to arrive at the value of the building component.

The Market Value derived from the Cost Approach is **RM28,500,000**, made up as follows :-

#### Income Approach by Way of Investment Method

The Investment Method serves as a counter-check only. This approach is concerned with the present worth of the future benefits that the property is capable of generating. This process involves the capitalization of the net annual proceeds that can reasonably be expected from ownership of the property by a rate of return (yield) comparable to that of similar investments.

We have checked the prevailing asking rentals of detached factories in the locality and within similar localities and they range from RM 10.76 to RM11.80 per sq metre (RM1.00 to RM1.10 per sq foot) per month depending on the specific location, construction, size, quality of finishes, extent of additional works done and condition of the building among other pertinent factors. We also noted that the prevailing asking rentals of vacant industrial land in the locality and within similar localities range from RM 1.07 to RM1.61 per sq metre (RM0.10 to RM0.15 per sq foot) per month.

In view of the low plinth area, we have ascribed ground rents for the land portions marked for future expansion as they can presently be used as storage yards.

For detached factory rental, we have adopted **RM 1.00 per sq foot/month** while for land rental, we have adopted **RM 0.11 per sq foot/month**.

The outgoings are made up of building insurance, quit rent and assessment, building maintenance and property management cost. We have checked the market rates of other similar industrial properties and the prevailing rates range from RM 0.13 to RM 0.16 per sq foot/month. We have adopted an average of **RM 0.14 per sq foot/month** in our valuation taking into account the building age and size.

Our Ref : KGV 210377(VC)

The net yield adopted in our valuation is at **7.5% per annum**. This yield is derived from our analysis of similar industrial premises which are shown as follows:

	1	2	3
Location	Lot Nos 12370 and 12371, all in Mukim 12, Daerah Barat Daya, Pulau Pinang	Lot No 70812, all in Mukim 12, Daerah Barat Daya, Pulau Pinang	Lot 45, Jalan Utas 16/7, Seksyen 15, Shah Alam, Selangor Darul Ehsan
Type	A Double-Storey Factory Cum Office Building	A Double-Storey Factory Building	A Single-Storey Warehouse with Double-Storey Office Annex
Tenure	Leasehold	Leasehold	Leasehold
Transacted Price	RM20,500,000	RM130,000,000	RM 95,000,000
Transacted Date	July 17 2019	February 12 2019	August 26 2020
Net Rental Income (Per Annum)	RM1,507,424	RM10,748,484	RM 6,161,378
Net Yield	7.4%	8.3%	6.5%

(Source : Bursa Malaysia Announcement)

The market value derived from the Investment Method is **RM28,000,000**.

**e) Reconciliation of Value**

The market value of the Subject Property derives from the Cost Approach and Income Approach (Investment Method) is as follows:

Method of Valuation	Derivation of Value
Cost Approach	RM 28,500,000
Investment Approach (Investment Method)	RM 28,000,000

We have relied on the **Cost Approach** as the primary approach to determine the Market Value of the Subject Property as is an individually-designed industrial premises. In our opinion, the Cost Method is most suitable to determine a reasonable Market Value as differences in land and building features are taken into consideration through proper adjustments.

The lack of rental evidences for similar factories in the locality is a limitation to using the Investment Method and therefore, we have used it as a counter check. Furthermore, the Subject Property is currently unoccupied without any rental income.

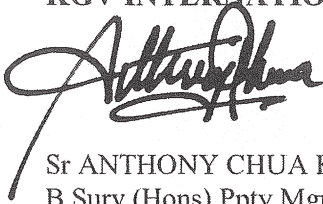
*Our Ref : KGV 210377(VC)*

**f) MARKET VALUE**

**RM28,500,000** (RINGGIT MALAYSIA TWENTY EIGHT MILLION AND FIVE HUNDRED THOUSAND ONLY)

Yours faithfully

**KGV INTERNATIONAL PROPERTY CONSULTANTS (M) SDN BHD**



Sr ANTHONY CHUA KIAN BENG  
B Surv (Hons) Ppty Mgmt, FRISM, MRICS  
(Registered Valuer V445)  
Executive Director (Valuation)

---

## **APPENDIX III – SALIENT TERMS OF THE LETTER OF INTENT**

---

The salient terms of the Letter of Intent is as follows:-

### **1. CONTRACT PRICE**

- a. The contract price shall be RM 624,100,000.00 plus or minus 10.0% (excluding sales and service tax) as per Section 6, Part A of this Circular.
- b. The contract price is deemed to include all costs for labour, plant, machinery, tools, materials, transportation, wastage, storage, all others cost necessary for the proper performance and completion of the Works. The contract price shall not be subject to change or amendment due to any forms of inflation and/or drop in local currency value in the present and future, changes in economic conditions. The contract price shall not be adjusted or altered in any way whatsoever otherwise than in accordance with the express provisions of the contract.
- c. In consideration of George Kent having the benefit of securing the contract from Dynacare via direct negotiation, George Kent as the Design & Build Contractor shall conduct its procurement process in an open book and transparent manner to ensure competitive pricing. In this regard, individual work packages will be tendered and awarded to unrelated third parties whereby all sub-contractors/suppliers and prices are to be agreed and approved by Dynacare prior to any award. In the event where the final tender price of individual work packages is lower than that quoted by George Kent, the difference between the final tender price including George Kent's overheads and profit; and George Kent's quoted price shall be adjusted in the contract price for the benefit of Dynacare.
- d. The contract price shall be adjusted before the final account is formalised.

### **2. SCOPE OF WORK**

George Kent shall design, construct, complete, test and commission the Works which includes the installation of infrastructure and utilities of total of 42 units of Double Former Glove-Dipping Lines for the Glove Manufacturing Plant as well as the installation of the equipment, machinery and ancillary systems for the production lines.

### **3. GEORGE KENT'S SUB-CONTRACTING PACKAGES**

The Works will be divided into the main work packages as detailed in Section 6.1, Part A of this Circular which may be subdivided into further sub-packages depending on George Kent's procurement strategies which is still under planning.

### **4. VARIATION**

Dynacare may issue written instructions effecting a variation. George Kent shall forthwith comply with such instructions. No variation instructed by Dynacare shall vitiate or invalidate the Contract. The value of variations shall be ascertained as appropriate by Dynacare after consultation with the George Kent in accordance with the following principles: (a) where the varied work is similar in character to and executed under similar conditions to work set out in the pricing document, such work shall be valued at the applicable rates and prices in the pricing document (b) where the varied work cannot be properly valued in accordance with (a) above, George Kent shall submit such supporting document as required by Dynacare to assist Dynacare to establish a new rate or price for such work which shall be fair and reasonable in the circumstances.

---

**APPENDIX III – SALIENT TERMS OF THE LETTER OF INTENT**

---

No claim shall be made or nor any payment due under a variation if such variation is necessary to cure or arises from any default or breach by George Kent.

**5. PERFORMANCE SECURITY**

Performance securities to Dynacare shall be in the form of a retention sum equivalent to 5% of the Contract Price ("Retention Sum"), which shall be deducted from every interim payment made to George Kent until the total amount deducted is equivalent to the Retention Sum. 2.5% of the Retention Sum shall be released to George Kent upon overall completion of the whole project and the remaining 2.5% of the Retention Sum shall be released on expiry of the defect liability period.

**6. COMPLETION DATE AND SECTIONAL COMPLETION**

- a. The expected contract period is twenty four (24) months. The overall completion date is on 31 July 2023, with several sectional completion dates for the glove dipping lines, subject only to extension in accordance with the terms of the contract;
- b. The sectional completion date for the first production line is 31 August 2021. The sectional completion dates for the following 5 production lines in stages by December 2021 and the remaining 36 production lines in stages between 2022 and 2023, which dates to be confirmed before the contract is awarded.

**7. DELAY AND LIQUIDATED DAMAGES**

If George Kent fails to complete the Works by the Completion Date or Sectional Completion Date, as the case may be, Dynacare shall be entitled to recover from George Kent Liquidated and Ascertained Damages (LAD) at a rate which will be determined once all the elements are available and shall be mutually agreed between Dynacare and George Kent and confirmed before the Contract is awarded.

**8. DESIGN AND PRODUCT WARRANTY & DEFECT LIABILITY PERIOD**

- a. George Kent warrants that each dipping line and all related services shall be of the kind and quality described in this contract and industry standards, and free of any defects in design, workmanship and material for a period of 12 months from date of complete successful commissioning of each dipping line and after the date of Dynacare's written acceptance of the that respective dipping line;
- b. All other works under the contract shall have a defect liability period of twelve (12) months from the date of overall completion of the Works which is 31<sup>st</sup> July 2023.

---

## APPENDIX IV – FURTHER INFORMATION

---

### 1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein 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 herein misleading.

### 2. CONSENT

UOB Kay Hian, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

KGVI, being the Independent Valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the valuation certificate for the Subject Property and all references thereto in the form and context in which they appear in this Circular.

Quantum, being the Independent Adviser for the Proposed Offer to Subscribe and Proposed Right to Execute the Works, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the independent advice letter and all references thereto in the form and context in which they appear in this Circular.

### 3. DECLARATION OF CONFLICT OF INTERESTS

UOB Kay Hian has given their written confirmation that there are no situations of conflict of interests that exist or is likely to exist in relation to its role as the Principal Adviser to Johan for the Proposals.

KGVI has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Independent Valuer for the Proposed Acquisition.

Quantum has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Independent Adviser for the Proposed Offer to Subscribe and Proposed Right to Execute the Works.

### 4. MATERIAL LITIGATION

As at the LPD, Johan 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 Johan Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of Johan Group.

### 5. MATERIAL COMMITMENTS

Save as disclosed below, our Board is not aware of any material commitments incurred or known to be incurred by Johan Group that has not been provided for which, upon becoming enforceable, may have a material impact on Johan Group's financial results/ position:-

**Material commitments of Johan Group as at 31 January 2021**

**RM'000**

Approved and contracted for

268

---

**APPENDIX IV – FURTHER INFORMATION**

---

**6. CONTINGENT LIABILITIES**

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on Johan Group's financial results/ position.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at our registered office at 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- i. Our Constitution and the constitution of Dynacare;
- ii. Audited consolidated financial statements of Johan Group for the past 2 financial years up to the FYE 31 January 2020 and the latest unaudited quarterly report of Johan Group for the 12-month FPE 31 January 2021;
- iii. The letter of consent and declaration of conflict of interests referred to in Sections 2 and 3 of Appendix I above, respectively;
- iv. The valuation report and valuation certificate for the Subject Property prepared by the Independent Valuer;
- v. The Letter of Offer and the Letter of Intent;
- vi. The draft Deed Poll; and
- vii. The undertaking letters from the Undertaking Shareholders dated 29 March 2021.

<b>THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK</b>
--

# *Johan Holdings Berhad*

Registration No. 192001000038 (314-K)  
(Incorporated in Malaysia)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting ("**EGM**") of Johan Holdings Berhad ("**Johan**" or the "**Company**") will be conducted in fully virtual manner through live streaming and online remote participation from the broadcast venue at Boardroom of Johan, 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur ("**Broadcast Venue**") on Monday, 31 May 2021 at 3.00 p.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

### **ORDINARY RESOLUTION 1**

**PROPOSED ACQUISITION BY DYNACARE SDN BHD ("DYNACARE"), A WHOLLY-OWNED SUBSIDIARY OF JOHAN, OF A PARCEL OF INDUSTRIAL LAND BEARING TITLE PARTICULARS PN 296104, LOT 15528, MUKIM LUMUT, DISTRICT OF MANJUNG, PERAK DARUL RIDZUAN ("SUBJECT PROPERTY") FROM SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD ("SME BANK") FOR A PURCHASE CONSIDERATION OF RM27,300,000 TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED ACQUISITION")**

"**THAT**, subject to the approvals of all relevant authorities and/ or parties being obtained in respect of the Proposed Acquisition, approval be and is hereby given for Dynacare to acquire the Subject Property for a purchase consideration of RM27,300,000. The purchase consideration shall be satisfied entirely via cash in accordance with the terms and conditions of the conditional sale and purchase agreement dated 29 March 2021 entered into between Dynacare and SME Bank;

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

### **ORDINARY RESOLUTION 2**

**PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF JOHAN AND ITS SUBSIDIARIES TO INCLUDE THE MANUFACTURING, SALE AND DISTRIBUTION OF GLOVES ("GLOVES BUSINESS") ("PROPOSED DIVERSIFICATION")**

"**THAT**, subject to the approvals of the relevant authorities/ parties for the Proposed Diversification being obtained, approval be and is hereby given to Johan and its subsidiaries to diversify the existing principal activities to include the manufacturing, sale and distribution of gloves;

**AND THAT** the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Diversification with full power to assent to any conditions, variations, modifications, and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Diversification."



### ORDINARY RESOLUTION 3

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 389,342,813 NEW ORDINARY SHARES IN JOHAN ("JOHAN SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARES") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING JOHAN SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER, TOGETHER WITH 389,342,813 FREE DETACHABLE WARRANTS IN JOHAN ("WARRANT(S)") ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED FOR, AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE ("PROPOSED RIGHTS ISSUE WITH WARRANTS")**

"**THAT**, subject to the approvals of all relevant authorities and/or parties (if required) being obtained, where required, approval be and is hereby given to the Board to undertake the Proposed Rights Issue with Warrants as follows:-

- i. to provisionally allot and issue by way of a renounceable rights issue of 389,342,813 Rights Shares together with 389,342,813 Warrants to the shareholders of the Company whose names appear on the Record of Depositors of the Company as at 5.00 p.m. on an entitlement date to be determined and announced later by our Board ("**Entitlement Date**") ("**Entitled Shareholders**") and/or their renounee(s), on the basis of 1 Rights Share for every 2 existing Johan Shares held by the Entitled Shareholders together with 1 Warrant at an exercise price of RM0.25 for every 1 Rights Share subscribed by the Entitled Shareholders and/ or their renounee(s) at an issue price of RM0.10 per Rights Share and on such terms and conditions and in such manner as our Board may determine;
- ii. to enter into and execute a deed poll ("**Deed Poll**") with full powers to assent to any condition, modification, revaluation, variation and/or amendments (if any) as our Board may deem fit, necessary and/or expedient or as may be imposed by the relevant authorities and to take all steps as it may consider necessary and do all acts, deeds and things as it may deem fit or expedient in order to implement, finalise and give full effect to the Deed Poll and all provisions and adjustments contained therein;
- iii. to allot and issue such Rights Shares together with Warrants as may be required to give effect to the Proposed Rights Issue with Warrants, including any persons entitled on renunciation of the provisional allotments;
- iv. to allot and issue such number of new Johan Shares arising from the exercise of the Warrants, from time to time during the tenure of the Warrants, in accordance with the provisions of the Deed Poll; and
- v. to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation for the Rights Shares, the Warrants and the new Johan Shares which may from time to time be allotted and issued arising from the exercise of the Warrants;

**THAT** any Rights Shares together with Warrants which are not taken up or validly taken up shall be made available for excess applications to the Entitled Shareholders and/ or their renounee(s) who have applied for the excess Rights Shares with Warrants, and are intended to be allocated on a fair and equitable basis;

**THAT** the Rights Shares, Warrants, and new Johan Shares to be issued pursuant to the exercise of Warrants (if any) shall be listed on the Main Market of Bursa Securities;

**THAT** any fractional entitlements of the Rights Shares together with Warrants arising from the Proposed Rights Issue with Warrants, if any, shall be disregarded and dealt with in such manner as our Board shall in its sole and absolute discretion deems fit and expedient, and is in the best interests of the Company;

**THAT** the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in the circular to the shareholders dated 12 May 2021 ("**Circular**"), and our Board be and is hereby authorised with full power to vary the manner and/or purposes of utilisation of such proceeds in such manner as our Board, may at its absolute discretion, deem fit, necessary, expedient and/or in the best interest of the Company, subject to the approval of the relevant authorities, where required;

**THAT** the Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing Johan Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Rights Shares;

**THAT** the new Johan Shares to be issued arising from the exercise of Warrants (if any) will, upon allotment and issuance, rank equally in all respects with the existing Johan Shares, save and except that the new Johan Shares to be issued arising from the exercise of the Warrants (if any) will not be entitled to any dividends, rights, allotments and/or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the new Johan Shares;

**THAT** our Board be and is hereby authorised to sign and execute all documents, enter into any arrangements, agreements and/ or undertakings with any party or parties, do all things as may be required to give effect to the Proposed Rights Issue with Warrants with full powers to assent to any conditions, variations, modifications and/ or amendments including to vary the manner and/ or the purpose of the utilisation of proceeds arising from the Proposed Rights Issue with Warrants, if necessary, in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/ or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants in the best interest of the Company;

**AND THAT** this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein and shall continue to be in full force and effect until the Rights Shares together with Warrants and the new Johan Shares to be issued arising from the exercise of Warrants (if any) to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been duly allotted and issued."

#### **ORDINARY RESOLUTION 4**

#### **PROPOSED OFFER TO GEORGE KENT (MALAYSIA) BERHAD ("GEORGE KENT") TO SUBSCRIBE FOR 40% EQUITY INTEREST IN DYNACARE AT THE ISSUE PRICE OF RM1.00 PER ORDINARY SHARE AND THE COMPANY TO HOLD THE BALANCE OF 60% EQUITY INTEREST ("PROPOSED OFFER TO SUBSCRIBE")**

"**THAT**, subject to the passing of Ordinary Resolution 2, the approvals of all relevant authorities and/ or parties (where required) being obtained, approval be and is hereby given: (i) for the Company to offer to George Kent for George Kent to subscribe for such number of new ordinary shares in Dynacare, representing approximately 40.0% equity interest of the enlarged issued share capital in Dynacare, a wholly- owned subsidiary of Johan, at an issue price of RM1.00 per ordinary share in Dynacare ("**George Kent Subscription**") with the balance 60% equity interest of the enlarged issued share capital in Dynacare held by the Company ("**Equity Participation Ratio**"); and (ii) after the completion of the George Kent Subscription, for the Company and George Kent to increase their respective equity contribution into Dynacare up to RM100,000,000 in such manner as the Board, may at its absolute discretion, deem fit, necessary, expedient and/or in the best interest of the Company, subject to the approval of the relevant authorities, where required, such that the Equity Participation Ratio is maintained at all times;

**THAT**, the intended equity of RM100,000,000 is intended to be used as the capital investment of Dynacare to undertake the Gloves Business and will be utilised for the purposes as set out in Section 5.3, Part A of the Circular;

**AND THAT** the Board be and is further authorised to do all acts, deeds and things and execute and deliver, on behalf of the Company, all necessary documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Offer to Subscribe with full powers to assent to or make any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Offer to Subscribe"

## ORDINARY RESOLUTION 5

### **PROPOSED RIGHT TO GEORGE KENT TO BUILD THE MANUFACTURING PLANT AND INSTALLATION OF MACHINERY FOR THE GLOVES BUSINESS ("GLOVES MANUFACTURING PLANT") ON THE SUBJECT PROPERTY FOR A CONTRACT SUM OF APPROXIMATELY RM624,100,000 PLUS OR MINUS 10% (EXCLUDING SALES AND SERVICE TAX) ("PROPOSED RIGHT TO EXECUTE THE WORKS")**

"**THAT**, subject to the passing of Ordinary Resolutions 1 and 2, the approvals of all relevant authorities and/or parties (where required) being obtained, approval be and is hereby given to the Board to award the right to George Kent to build the Gloves Manufacturing Plant on the Subject Property for an expected period of twenty-four (24) months or such extended period as may be provided under the contract for a global contract sum of approximately RM624,100,000 plus or minus 10% (excluding sales and service tax);

**AND THAT** the Board be and is hereby authorised to do all acts, deeds and things and execute all necessary documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Right to Execute the Works with full powers to assent to or make any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Right to Execute the Works".

#### **By Order of our Board**

#### **TEH YONG FAH**

Group Secretary  
SSM PC No.: 201908003410  
MACS 00400

Kuala Lumpur  
12 May 2021

#### **Notes:-**

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016, which requires the Chairman of the Meeting to be present at the main venue of this EGM. Members /proxies will not be allowed to be physically present at the Broadcast Venue on the day for this EGM. Therefore members/proxies are strongly advised to participate and vote remotely at this EGM through live streaming and online remote voting facilities provided by Propoll Solutions Sdn Bhd, the poll administrator of this EGM, via our Share Registrar's website at [www.johanmanagement.com.my](http://www.johanmanagement.com.my).*

**Please read and follow the procedures in the Administrative Guide for this EGM in order to participate and/ or vote remotely.**

2. *A member of the Company entitled to participate, speak and vote is entitled to appoint not more than two proxies to participate, speak and vote instead of him. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. The instrument appointing proxy/proxies shall be in writing under the hand of the appointer or his attorney or if such an appointer is a corporation under its Common Seal or the hands of its attorney. A proxy need not be a member of the Company.*
3. *Where a member of the Company is an exempt authorised nominee 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.*
4. *The instrument appointing proxy/proxies and the power of attorney (if any) under which it is signed or an office copy or notarially certified copy thereof shall be deposited at the registered office of the Company at 11th Floor, Wisma E&C, No. 2 Lorong Dungun Kiri, Damansara Heights 50490 Kuala Lumpur, or e-mailed to the Company at [johanms1@outlook.com](mailto:johanms1@outlook.com) not less than 48 hours before the time stipulated for holding the meeting or adjourned meeting (as the case may be).*
5. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2021 (General Meeting Record of Depositors) shall be eligible to participate in the meeting or appoint proxy(ies) to participate and/or vote on his/her behalf..*

# PROXY FORM

**JOHAN HOLDINGS BERHAD**  
Registration No. 192001000038 (314-K)

CDS Account No.	
No. of Shares Held	

I/We, \_\_\_\_\_ Company/NRIC/Passport No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member/ members of **Johan Holdings Berhad ("Johan" or "Company")** hereby appoint the person(s) below as my/our proxy(ies) to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company ("**EGM**") which will be conducted in fully virtual manner through live streaming and online remote participation from the broadcast venue at Boardroom of Johan, 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur ("**Broadcast Venue**") on Monday, 31 May 2021 at 3.00 p.m. or at any adjournment thereof:-

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)

and/or\*

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)

or failing him/her, the Chairman of this EGM.

I/We direct my/our proxy(ies) to vote for or against the resolutions to be proposed at the EGM as indicated hereunder:-

ORDINARY RESOLUTIONS		FOR	AGAINST
1	PROPOSED ACQUISITION		
2	PROPOSED DIVERSIFICATION		
3	PROPOSED RIGHTS ISSUE WITH WARRANTS		
4	PROPOSED OFFER TO SUBSCRIBE		
5	PROPOSED RIGHT TO EXECUTE THE WORKS		

(Please indicate with a cross ("X") in the appropriate box against each resolution how you wish your proxy(ies) to vote. If this proxy form is returned without any indication as to how your proxy(ies) shall vote, your proxy(ies) will vote or abstain as he(they) thinks fit.)

Dated this.....day of.....2021.

\_\_\_\_\_  
Signature/ common seal of shareholder  
\*Strike out whichever is not relevant

## Notes:-

1. The Boardcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016, which requires the Chairman of the Meeting to be present at the main venue of this EGM. Members /proxies will not be allowed to be physically present at the Broadcast Venue on the day for this EGM. Therefore members/proxies are strongly advised to participate and vote remotely at this EGM through live streaming and online remote voting facilities provided by Propoll Solutions Sdn Bhd, the poll administrator of this EGM, via our Share Registrar's website at [www.johanmanagement.com.my](http://www.johanmanagement.com.my).

**Please read and follow the procedures in the Administrative Guide for this EGM in order to participate and/ or vote remotely.**



Fold this flap for sealing

---

2. A member of the Company entitled to participate, speak and vote is entitled to appoint not more than two proxies to participate, speak and vote instead of him. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. The instrument appointing proxy/proxies shall be in writing under the hand of the appointer or his attorney or if such an appointer is a corporation under its Common Seal or the hands of its attorney. A proxy need not be a member of the Company.
3. Where a member of the Company is an exempt authorised nominee 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.
4. The instrument appointing proxy/proxies and the power of attorney (if any) under which it is signed or an office copy or notarially certified copy thereof shall be deposited at the registered office of the Company at 11th Floor, Wisma E&C, No. 2 Lorong Dungun Kiri, Damansara Heights 50490 Kuala Lumpur, or e-mailed to the Company at [johanms1@outlook.com](mailto:johanms1@outlook.com) not less than 48 hours before the time stipulated for holding the meeting or adjourned meeting (as the case may be).
5. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2021 (General Meeting Record of Depositors) shall be eligible to participate in the meeting or appoint proxy(ies) to participate and/or vote on his/her behalf.

Then fold here

---

AFFIX  
STAMP

The Company Secretary  
**JOHAN HOLDINGS BERHAD**  
Registration No. 192001000038 (314-K)  
11th Floor, Wisma E&C  
No. 2, Lorong Dungun Kiri  
Damansara Heights  
50490 Kuala Lumpur

1<sup>st</sup> fold here

---