

**ANCOM LOGISTICS
BERHAD**
54TH ANNUAL GENERAL MEETING

Questions raised by
Minority Shareholders Watch Group

SUMMARY

	Questions	Answers
1	Truck replacement program: <ul style="list-style-type: none"> • How many replaced? • How many more? • Timeframe to complete • Covid-19 effect 	<ul style="list-style-type: none"> • Replaced 38 trucks with another 4 by 31 December 2020. • The COVID-19 affected businesses and volume is low. • No longer urgent due to reduction in business volume.
2	Advances to holding company?	<ul style="list-style-type: none"> • Group manages its cash flow to minimize external interest. • Fully repaid in September 2020.
3	Unit Trust: <ul style="list-style-type: none"> • Managing of risk associated with investing in unit trusts? • Any investment policy for unit trusts? 	<ul style="list-style-type: none"> • Affin Hwang Aiiman Money Market Fund (“AHAMMF”). • Money market funds with 2.0% per annum and income is tax-exempt. • No other investments in Unit Trusts.
4	What are these capital commitments mainly related to?	<ul style="list-style-type: none"> • RM15 million to build additional tank farm in the Westport terminals. • Appointed a Project Manager • At the stage of designing will be calling for tender.
5	RM10m deposit payment for S5 RTO: <ul style="list-style-type: none"> • Basis and justification • Why not into escrow account • Source of funds • Effect on ALB’s cash flow 	<ul style="list-style-type: none"> • A much sort after transaction in the market. • To demonstrate our commitment, the promoter has requested for a refundable deposit of RM10 million to be paid to them directly. • The source of funds from Ancom Berhad and this will not affect ALB’s cash flow.
6	Who are the outsourced internal auditors?	<ul style="list-style-type: none"> • Sterling Business Alignment Consulting Sdn. Bhd.
7	2-tier voting for the 2 Independent Directors whose tenure has exceeded 12 years should be adopted as per the MCCG	<ul style="list-style-type: none"> • The Board will consider the suggestion from MSWG.

DETAILED ANSWERS

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STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q1

ALB's wholly-owned subsidiary, Pengangkutan Cogent Sdn. Bhd. ("PCSB") showed improvements with the truck replacements program, mostly to address the ageing trucks issues. The fleet size rationalisation progressed according to plan and coupled with the setting up of in-house workshop, the Company improved in operational efficiencies (page 11 of Annual Report 2020 ("AR2020")).

(a) Since the commencement of the truck replacement program, to-date how many trucks have been replaced? How many more trucks needs to be replaced?

(b) What is the timeframe to complete the fleet size rationalization plan?

(c) How and to what extent has Covid-19 pandemic affected the Company's truck replacement program?

Company's response

- PCSB has replaced a total of 38 trucks since we started the truck replacement program. We are targeting to replace another four (4) more trucks by 31 December 2020.
- The COVID-19 Pandemic has affected our trucking business as most of the businesses and customers are closed during the Movement Control Order ("MCO"). Even after MCO, our business volume has remained low compared to pre-MCO period.
- The COVID-19 Pandemic has necessitated the review of our truck replacement program beyond December 2020 as requirements are no longer urgent due to reduction in business volume.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q2

Based on the Statements of Cash Flows, advances to holding company increased significantly to RM1.25 million (2019: RM0.04 million) (page 54 of AR2020)

What is the reason for the huge increase in advances to holding company?

Company's response

- The Group manages its cash flow to minimize external interest as much as possible. The advances bear interest rate at 3.5% to 6.0% per annum.
- The amount has been fully repaid by the holding company in September 2020.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q3

The Group's Other Investments comprise unit trusts amounting to RM2.65 million (2019: RM2.16 million) (Note 10, page 71 of AR2020).

How does the Board manage the risk associated with investing in unit trusts?

Does the Board have an investment policy for unit trusts?

Company's response

- The investment relates to placement of funds by Ancom ChemQuest Terminals Sdn Bhd (a 51% subsidiary) in Affin Hwang Aiiman Money Market Fund ("AHAMMF").
- Money market funds provide short-term liquidity and income, whilst maintaining capital stability by investing in a diversified portfolio of Islamic money market instruments.
- AHAMMF current returns is 2.0% per annum and income we received is tax-exempt.
- The Group has no other investments in Unit Trusts.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q4

Capital commitments (contracted but not provided for and approved but not contracted for) increased significantly to RM16.24 million (2019: RM0.15 million) (Note 24(a), page 87 of AR2020)

What are these capital commitments mainly related to?

Company's response

- The Board has approved RM15 million for the construction of additional tank farm capacity in the Westport terminals (disclosed as approved but not contracted for).
- We have appointed a Project Manager and we are in the stage of designing and finalizing the technical and operational requirements. Once this has been finalized, the company will call for tender for this project.

STRATEGY AND FINANCIAL MATTERS

MSWG Question – Q5

On 1 September 2020, ALB entered into an Offer to Purchase Agreement (“OTP”) with S7 Holdings Sdn Bhd (“S7”) whereby S7 agreed to deal exclusively with ALB for the sale of 901,321,377 ordinary shares (the “Sale Shares”) representing 76.38% of the entire issued and paid-up share capital of S5 Holdings Inc. (“S5”). ALB placed a refundable deposit of RM10 million (“Refundable Deposit”) with S7 on execution of the OTP (Bursa announcement dated 1 September 2020).

(a) What was the basis and justification to arrive at the RM10 million refundable deposit?

(b) Is the Refundable Deposit being placed in an escrow account? If not, why?

(c) How was the Refundable Deposit funded?

(d) With the placement of RM10 million as a deposit, does the Group have sufficient cashflow for its operations?

Company’s response

- The S5 Proposal is a much sort after transaction in the market. To demonstrate our commitment, the promoter has requested for a refundable deposit of RM10 million to be paid to them.
- The source of funds for the refundable deposit is via repayment of RM2.5 million by Ancom Berhad plus a further advance by Ancom Berhad to ALB of RM7.5 million.
- The cash flow of ALB Group would not be affected as most of the funds we advanced by Ancom Berhad.

CORPORATE GOVERNANCE

MSWG Question – Q1

Practice 10.2 - The board should disclose the name and qualification of the person responsible for internal audit.

It was stated in the Corporate Governance Report and the AR2020 that the Group has outsourced its internal audit function to a firm of independent consultants, but there is no mention of the name of the firm.

Please name the firm that ALB's internal audit function was outsourced to.

Company's response

The internal audit function of the Group has been outsourced to Sterling Business Alignment Consulting Sdn. Bhd.

Appropriate disclosure will be made in our future annual reports.

CORPORATE GOVERNANCE

MSWG Question – Q2

Practice 4.2 of Malaysian Code of Corporate Governance (“MCCG”) states that two tier voting should be adopted for the re-election of independent directors (as independent directors) if their tenure has exceeded 12 years.

The Board has decided not to adopt the 2-tier voting process to retain Independent Directors who have served for a cumulative period of more than 12 years. The Board will seek shareholders’ approval, without the 2-tier voting process, to retain both Lim Hock Chye and Safrizal Bin Mohd Said, to continue to serve as independent Directors of the Company.

2-tier voting for the 2 Independent Directors whose tenure has exceeded 12 years should be adopted as per the MCCG

Company's response

- The Board takes note of the concern raised by MSWG about the succession planning at the Board level as 2 out of the 3 independent directors have served as independent directors for more than 12 years and on MSWG’s non-satisfaction with the non-adoption of a 2-tier voting process on the retention of the independent directors who have served a cumulative period of more than 12 years.
- The Board will consider the suggestion from MSWG.